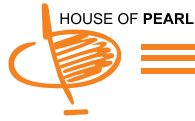




Building on strong foundation  
**HOUSE OF PEARL FASHIONS LTD.**





### Board of Directors

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

### Company Secretary

Mr. Sandeep Sabharwal

### Audit Committee

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

### Remuneration Committee

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

### Shareholders Grievance & Transfer Committee

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

### Finance Committee

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

### Auditors

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

### Bankers:

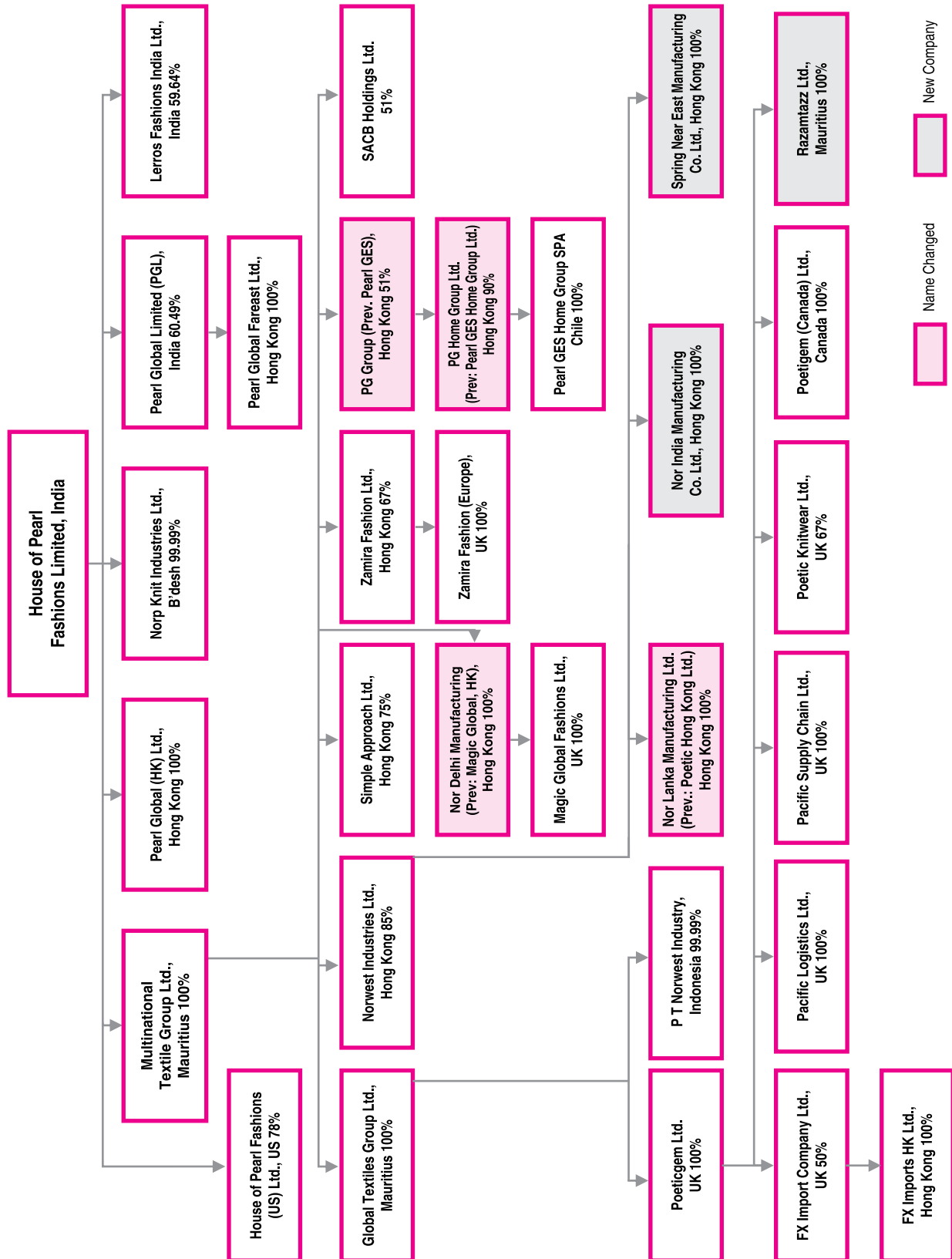
Punjab National Bank  
Standard Chartered Bank  
UCO Bank  
Bank of Baroda  
China Trust Commercial Bank  
YES Bank  
Intesa Sanpaolo S.p.A.  
Royal Bank of Scotland

### Registered Office:

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

### Corporate Office:

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



Name Changed

New Company

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## NOTICE

Notice is hereby given that the 22nd Annual General Meeting of the Members of the House of Pearl Fashions Limited, will be held on Thursday, 22nd September, 2011 at 11:30 A. M. at Shri Sathya Sai International Centre, Pragati Vihar (Near Pragati Vihar Hostel), Lodhi Road, New Delhi-110 003, to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2011 and the Profit & Loss Account of the Company for the year ended on that date together with the reports of Directors and Auditors thereon.
2. To appoint a Director in place of Dr. A P Bhupatkar, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. S. B. Mohapatra, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s S. R. Dinodia & Co., Chartered Accountants, (Regn. No. 001478N), New Delhi, the retiring Auditors of the Company, as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

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

(Sandeep Sabharwal)  
Company Secretary

Place : Gurgaon  
Date : 30th May, 2011

### Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM DULY COMPLETED MUST REACH THE COMPANY'S REGISTERED OFFICE ATLEAST 48 HOURS BEFORE THE TIME OF THE MEETING.**
2. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 15th September, 2011 to Thursday, 22nd September 2011 (both days inclusive).
3. The relevant Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 and Clause 49 of the Listing Agreement in respect of re-appointment(s) of Directors is mentioned below.
4. Members/Proxies are requested to bring their copy of Annual Report to the Meeting and are requested not to bring any article, briefcase, hand bag, carry bag etc., as the same will not be allowed to be taken inside the for security reasons. Further, the Company or any of its officials shall not be responsible for their articles, bags etc., being misplaced, stolen or damaged at the Meeting place.

5. Members/Proxies should fill the attendance slip for attending the meeting. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID numbers and those hold shares in Physical forms are requested to write their Folio Number in the attendance slip for attending the meeting.
6. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
7. Corporate members intending to send their authorised representative are requested to send a duly certified copy of the Board resolution authorizing their representatives to attend and vote at the Annual General Meeting.
8. Pursuant to Section 205A of the Companies Act, 1956, dividends for the financial year ended 31st March, 1996 and thereafter, which remain unpaid or unclaimed/un-encashed for a period of 7 years will be accordingly transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government.

Information in respect of such unclaimed dividend including when due for transfer to the said Fund is given below:

Financial year ended	Rate of dividend declared on the paid-up equity share capital	Date of declaration of dividend	Last date for claiming unpaid dividend	Due date for transfer to IEP Fund
31.03.2008	15%	29.08.2008	27.09.2015	26.10.2015

Members who have not encashed the dividend warrant(s) so far, for the financial year ended 31st March 2008, are requested to make their claim to the Company or to the Registrar and Share Transfer Agent of the Company at Link Intime India Pvt. Limited, A-40, 2nd Floor, Naraina Industrial Area, Phase - I, New Delhi-110028.

9. **NO GIFT(S) SHALL BE DISTRIBUTED AT THE ENSUING 22ND ANNUAL GENERAL MEETING OF YOUR COMPANY.**

### EXPLANATORY STATEMENT

(Pursuant to Section 173 (2) of the Companies Act, 1956 and Clause 49 of the Listing Agreement)

A brief Resume of the Director(s) offering themselves for re-election is given below:

#### Item No. 2

Dr. A.P. Bhupatkar, born on 1st February, 1951, is a bachelor in commerce degree from Pune University, a master in Management Studies from Bombay University and a Doctorate in Organizational Studies from Pune University. He has over 13 years experience in the textile industry. He was the head of the Institute of Management Development and Research, Pune for 16 years.

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

#### Directorship

Pearl Global Ltd., Pearl Apparels Ltd., House of Pearl Fashions (US) Limited, Poeticgem (Canada) Limited and Twin Engineers Private Limited

He is a Chairman-Director of Audit Committee and Shareholder's Grievance and Transfer committee. He is a member-Director of Remuneration committee of your Company.

No remuneration except sitting fee for attending each meeting of the Board of Directors is proposed to be paid to Dr. A.P. Bhupatkar.

Dr. A.P. Bhupatkar, the retiring Director, being eligible, offers himself for re-appointment.

Directors of your Company propose to appoint Dr. A.P. Bhupatkar as a Director, liable to retire by rotation and therefore this Resolution is recommended for approval of the Shareholders of the Company.

None of the Directors, except Dr. A.P. Bhupatkar is interested, whether directly or indirectly, in this Resolution.

#### Item No. 3

Mr. S. B. Mohapatra, born on 18th June, 1944, is a bachelor in Arts degree from Delhi University and a Master in Arts degree from Delhi University. He joined the Indian Administrative Services in 1967 and retired in 2004. He served as Secretary, Ministry of Textiles; Special Secretary, Ministry of Home Affairs; Additional Secretary and Finance Advisor, Ministry of Commerce and Director General of Foreign Trade. He was also Managing Director of Industrial Development Corporation, Orissa.

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

He is Director in Pipavav Shipyard Limited.

He is a Chairman-Director of Remuneration committee. He is a member-Director of Audit Committee and Shareholder's Grievance and Transfer committee of your Company.

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

Mr. S. B. Mohapatra, the retiring Director, being eligible, offers himself for re-appointment.

Directors of your Company propose to appoint Mr. S. B. Mohapatra as a Director, liable to retire by rotation and therefore this Resolution is recommended for approval of the Shareholders of the Company.

None of the Directors, except Mr. S. B. Mohapatra is interested, whether directly or indirectly, in this Resolution.

By order of the Board of Directors  
For **HOUSE OF PEARL FASHIONS LIMITED**

**(Sandeep Sabharwal)**  
Company Secretary

Place: Gurgaon  
Date: 30th May, 2011

## DIRECTORS' REPORT

To the Shareholders,

The Directors of your Company have pleasure in presenting the 22nd Annual Report and Audited Accounts for the year ended 31st March 2011, together with the Auditors' Report thereon.

### CONSOLIDATED WORKING RESULTS

During the year under review, the consolidated Income of your Company is Rs.226,445.79 Lacs against previous year Rs.187,737,07 Lacs.

	2010-2011	2009-2010
Income	223,206.77	183,204.86
Other Income	3,239.02	4,532.21
Profit before Tax & Adjustments	2,825.95	1,624.25
Provision for Tax	119.28	199.87
Provision for Bad debt	-	-
Profit After Tax	2,287.53	1,413.75
EPS (in Rs.)	10.03	4.53
Transfer to General Reserves	-	-

### WORKING RESULTS OF THE COMPANY (STANDALONE)

	2010-2011	2009-2010
Income	2,258.97	4,484.25
Other Income	1,204.79	1,117.45
Profit before Tax	(30.63)	(421.39)
Provision for Tax	575.99	5.87
Profit After Tax	(2,380.73)	(404.67)
Transfer to General Reserves	-	-

### BUSINESS AND OPERATIONS

With US and European countries coming out of recession, India's garment exports have steadily increased since over a year. Across the globe, the demand for garments has been steadily increasing. With the recent trends, the future of the garment business look quite promising.

Indian share in global textile and apparel trade has potential to increase from its current level of 4.5% to 8% by 2020. However rising cost of cotton and labour cost is a cause of concern. Overall raw material is getting expensive and it is likely to impact consumption pattern also.

The company has extended its Sourcing and Development activities to new countries in Asia. Wherever possible, we have focused on cost competitiveness and open new horizons towards Sourcing and Product Development across the globe. The company has leveraged its experience and expertise in cost competitiveness in channelising the business through its manufacturing or outsourcing activities based on buyers requirements.

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

Consolidated turnover of the company is Rs.2264.46 Crore, up by more than 20%. in financial year 2010-11. The consolidated profit of the company is Rs.22.87 Crore compared to profit of Rs.14.14 Crore for last year. With no expected increase in fixed overheads, your company expects that the new business initiatives will be start yielding increase in sales and improved consolidated profit.

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

### CORPORATE SOCIAL RESPONSIBILITY

The company has been taking up and fulfilling its fundamental responsibility towards society. Little People Educational Society, set up by the group has been imparting employment oriented higher education and retail sector education through Indian Retail School (IRS). IRS has taken initiative to impart career oriented training in retail sector. ARPAN and SOHAM are helping underprivileged children, studying in 1st to 5th level financially and also supporting the school system.

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

### 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, Dr. Ashutosh P Bhupatkar and Mr. S.B. Mohapatra, would retire by Rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Necessary resolutions for their appointment are included in the notice convening Annual General Meeting.

### DIRECTORS IDENTIFICATION NUMBER (DIN)

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

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

### SUBSIDIARY COMPANIES

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

During the year four companies changed their names from Magic Global Fashions Limited to Nor Delhi Manufacturing Limited, Poetic Hong Kong Limited to Nor Lanka Manufacturing Limited, Pearl GES Group Ltd. to PG Group Ltd. and Pearl GES Home Group Ltd. to PG Home Group Ltd.

### AUDITORS

The Auditors, M/s S. R. Dinodia & Co., Chartered Accountants, (Regn. No. 001478N), New Delhi, retires at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

### FIXED DEPOSITS

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

### DIRECTORS' RESPONSIBILITY STATEMENT

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

- That in the preparation of the accounts for the financial year ended 31st March 2011, the applicable accounting standards issued by the Institute of Chartered Accountants of India have been followed. There are no material departures from prescribed accounting standards in the adoption of the accounting standards.
- That the Directors have adopted such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review.
- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- That the Directors have prepared the accounts for the financial year ended 31st March 2011 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 2011-12 have been paid.

### REGISTRAR AND SHARE TRANSFER AGENT

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



## CORPORATE GOVERNANCE

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

### CORPORATE GOVERNANCE VOLUNTARY GUIDELINES 2009

The company is in the process of considering adoption of Corporate Governance Voluntary Guidelines, 2009 (the Guidelines) and formulating relevant policies/codes.

## 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

Particulars of employees required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is nil.

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

Information pursuant to Section 217(1)(e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988 relating to 'Energy Conservation' and 'Technology Absorption' are not applicable.

### Foreign Exchange Earnings and Outgo

Information pertaining to activities relating to exports, initiative taken to increase exports, development of new export markets and exports plans is as follows:

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

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

### Foreign Exchange Earnings Particulars

Particulars	2010-11	2009-10
Export of Goods- FOB basis	215,031,134	433,077,525
Interest Income	14,697,567	16,273,983
SAP/Mgmt Charges	9,969,947	19,874,074
Others	21,413,136	5,727,910
Total	261,111,784	474,953,492

### Foreign Exchange Outgo

Particulars	2010-11	2009-10
Import	202,331,243	421,386,797
Foreign Travelling	-	554,377
Advertisement Expenses	-	517,064
Commission	-	429,157
Sampling Expenses	-	8,803,391
Airfreight Charges	1,322,746	-
Others	861,950	1,789,711
Total	204,515,939	12,093,700

## ACKNOWLEDGEMENT

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

For and on behalf of the Board  
for HOUSE OF PEARL FASHIONS LIMITED

(DEEPAK SETH)  
Chairman  
(DIN - 00003021)

Place: Gurgaon  
Date: 30th May, 2011

## CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY

Corporate Governance is a mirror of an organization in real sense. It's involve vast areas of integrity, fairness, equity, transparency, accountability and commitment to values. Good Corporate Governance is a boat by which an organization swim to overcome in difficult times.

Undoubtly, it's a mind set of an organization which create trust with stakeholders based on the principles of corporate governance.

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.

House of Pearl Fashions strives not only to foster a corporate culture, ethical behavior but individual accountability and transparency. 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.

House of Pearl Fashions committed towards their buyers, institutions/bankers, employees/workers and other government agencies which are directly or indirectly concerned with the company.

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.

### 2. BOARD OF DIRECTORS

As on 31st March 2011, the company's Board of Directors consists of 8 (Eight) members. The Chairman of the Board is non-executive Promoter Director. The Board comprises of one executive Director and seven non-executive Directors, of whom four are Independent Directors. The composition of the Board is in conformity with the requirements of Clause 49 of the listing agreement. All non-executive independent Directors are persons of eminence and bring a wide range of expertise and experience to the Board.

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

29th May 2010, 14th August 2010, 13th November 2010 and 14th February 2011.

**Composition and Category of the Board as on 31.03.2011 and their attendance in the Board and Annual General Meetings are as hereunder:**

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

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

#### Notes:

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

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

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

#### Information supplied to the Board

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

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

#### Compliance with the Code of Conduct

The Company has adopted a "Code of Conduct for the Directors and Senior Management". The Code is available on the official website of the Company [www.houseofpearl.com](http://www.houseofpearl.com). It is hereby affirmed that the Directors and Senior Management have given an annual affirmation of compliance with the code of conduct.

### 3. AUDIT COMMITTEE

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

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

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

Audit Committee	Attendance Particulars	
	No. of Meetings held	No. of Meetings attended
Composition		
Dr. A. P. Bhupatkar – Chairman Director	4	3
Mr. Sanjay Pershad – Member Director	4	3
Mr. S.B. Mohapatra – Member Director	4	3

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

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

During the year, the Audit Committee, under the Chairmanship of Dr. A. P. Bhupatkar, met 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 on 29th May 2010, 14th August 2010, 13th November 2010 and 14th February 2011 during the financial year 2010-11. The maximum gap between any two meetings was less than four months.

### 4. REMUNERATION COMMITTEE

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

Terms of Reference of the Remuneration Committee include:

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

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

No meeting of the Remuneration Committee was held during the financial year 2010-11.

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

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

Details of remuneration paid to all the Directors for the year 2010-11:

(Amount in Rs.)

Name of the Director(s)	Mr. Deepak Seth	Mr. Pallak Seth	Mr. Pulkit Seth	Mr. Sanjay Pershad	Mr. C R Dua	Mr. Samar Bal-lav Mohapatra	Mr. Rajendra K Aneja	Dr. A. P. Bhupatkar
Designation	Chairman	Vice-Chairman	Managing Director	Director	Director	Director	Director	Director
Salary	-	-	48,00,000	-	-	-	-	-
Benefits	-	-	-	-	-	-	-	-
Bonus	-	-	-	-	-	-	-	-
Commission	-	-	-	-	-	-	-	-
Pension	-	-	-	-	-	-	-	-
Others ( Provident Fund )	-	-	9,360	-	-	-	-	-
Break up of fixed components and Performance linked incentives with performance criteria	-	-	-	-	-	-	-	-
Performance Incentive	-	-	-	-	-	-	-	-
Service Contract	-	-	3 years	-	-	-	-	-
Notice Period, Severance fees	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Stock Options details (if any): Whether issued at discount. Period over which it is accrued and is exercisable	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sitting Fees	60,000	-	-	20,000	60,000	60,000	-	60,000
Total	60,000	-	48,09,360	20,000	60,000	60,000	-	60,000

The Company pays Rs.20,000/- as Sitting Fee to all the Non-Executive Directors for each Board Meeting attended. Besides above, the Company does not pay any other commission or remuneration to its Directors. The Company has no policy of stock option, pension or severance fee for its Directors.

Mr. Deepak Seth, Chairman holds 12,30,686 equity shares (6.31%), Mr. Pallak Seth, Vice-Chairman holds 13,06,904 equity shares (6.70%) and Mr. Pulkit Seth, Managing Director holds 13,10,337 equity shares (6.72%) of the Company. No other Director holds any equity share in the Company.

As required, a brief profile and other particulars of the Director seeking re-appointment is given in the Notice of the 22nd Annual General Meeting and forms part of the corporate governance report.

#### 5. FINANCE COMMITTEE

The Finance Committee comprises of:

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

No meeting of the Finance Committee was held in the financial year 2010-11.

#### 6. SHAREHOLDER GRIEVANCE & TRANSFER COMMITTEE

The Shareholder Grievance & Transfer Committee comprises of:

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

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

The Shareholder Grievance & Transfer Committee met on 20th April, 2010, 25th May, 2010, 21st June, 2010, 13th November, 2010, 17th December, 2011, 15th January, 2011, 26th February, 2011 and 25th March, 2011 during the year 2010-11.

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

#### Status of Shareholders Complaints during the year

Complaints at the beginning of the year. 1st April 2010	Complaints received during the year. 1st April 2010 – 31st March 2011	Complaints settled during the year. 1st April 2010 – 31st March 2011	Complaints pending at the ending of the year 31st March 2011
NIL	2	2	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 2011.

#### 8. GENERAL BODY MEETINGS

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

Year	AGM	Location	Date	Time
2007-08	19th	Sri Sathya Sai International Centre, Pragati Vihar (Near Pragati Vihar Hostel) Lodhi Road, New Delhi-110 003	29-08-2008	2.30 P.M.
2008-09	20th	Sri Sathya Sai International Centre, Pragati Vihar (Near Pragati Vihar Hostel) Lodhi Road, New Delhi-110 003	18.09.2009	11.30 A.M.
2009-10	21st	Air Force Auditorium, Subroto Park, New Delhi-110010	25-09-2010	4.00 P.M

Details of Special Resolutions passed during last three Annual General Meetings

Sl. No.	Particulars of Special Resolution	Date	Financial Year
1	NIL	25th September,2010	2009-10
2	NIL	18th September 2009	2008-09
3	Re-appointment of Mr. Pulkit Seth as Managing Director for a period of five years w.e.f. 01.06.2008.	29th August 2008	2007-08

No Special Resolution passed last year through postal ballot.

#### 9. DISCLOSURES

- 1) There had been no materially significant related party transaction that might have potential conflict with the interests of the Company at large. Transactions with related parties are disclosed in Note No.10 of Schedule 16 to the Accounts in the Annual Report.
  - 2) There has been no non-compliance, penalties/strictures imposed on the company by Stock Exchange(s) or SEBI or any other Statutory Authority, on any matter related to capital markets, during the last three years.
  - 3) Presently, the Company does not have a Whistle Blower Policy. No personnel of the Company have been denied access to the Audit Committee.
  - 4) The Company has complied with all the mandatory requirements of Clause 49.
- As regard the non-mandatory requirements, the extent of compliance has been stated in this report against each of them.

#### 10. MEANS OF COMMUNICATION

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

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

The Management Discussion and Analysis forms an integral part of this 22nd Annual Report.

## 11. GENERAL SHAREHOLDER INFORMATION

### (i) Annual General Meeting

22nd Annual General Meeting is scheduled as under:-

Day	Date	Time	Venue
Thursday	22nd September, 2011	11:30 A. M.	Sri Sathya Sai International Centre, Pragati Vihar (Nr.Pragati Vihar Hostle), Lodhi Road, New Delhi-110 003

### (ii) Financial Calender, 2011-12

First Quarter Results	:	Second week of August, 2011
Second Quarter & Half Yearly Results	:	Second week of November, 2011
Third Quarter Results	:	Second week of February, 2012
Fourth Quarter & Annual Results	:	Last week of May, 2012

### (iii) Financial year

The financial year covers the period 1st April to 31st March

### (iv) Date of Book Closure

15th September, 2011 to 22nd September, 2011 (both days inclusive)

### (v) Listing on Stock Exchanges and their Stock Code

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

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

The Annual Listing Fee for the financial year 2010-2011 has been paid to the Stock Exchanges within stipulated time.

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

### (vi) Market Price Data: High, Low during each month in financial year 2010-11:

MONTH(S)	BOMBAY STOCK EXCHANGE Company Code: 532808		NATIONAL STOCK EXCHANGE Company Code: HOPFL	
	HIGH	LOW	HIGH	LOW
April 2010	86.85	76.80	86.90	77.00
May 2010	81.90	64.25	80.10	64.60
June 2010	78.90	66.10	80.00	66.10
July 2010	79.90	72.00	79.60	73.50
August 2010	99.50	73.25	99.35	73.10
September 2010	91.00	75.00	90.40	73.20
October 2010	83.00	75.00	79.90	74.15
November 2010	80.00	59.00	79.70	57.20
December 2010	71.70	56.35	70.00	56.20
January 2011	64.65	53.30	64.55	54.50
February 2011	60.85	44.75	57.90	43.40
March 2011	55.25	45.00	56.00	44.10

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

MONTH(S) (As on end of last trading day of the month)	SHARE PRICES COMPARISON			
	HOPFL	BSE (Sensex)	HOPFL	NSE (Nifty)
April 2010	79.35	17558.71	85.10	5368.40
May 2010	68.20	16934.63	79.05	5222.75
June 2010	74.45	17700.90	76.50	5353.30
July 2010	74.20	17868.29	77.45	5449.10
August 2010	84.80	17971.12	92.80	5543.50
September 2010	82.65	20069.12	88.35	6029.95
October 2010	76.40	20032.34	82.00	6233.90
November 2010	62.60	19521.25	78.15	6312.45
December 2010	62.45	20509.09	69.65	6134.50
January 2011	55.95	18327.76	64.00	6157.60
February 2011	48.50	17823.40	56.80	5546.45
March 2011	47.00	19445.22	51.90	5833.75

**(viii) Registrar and Share Transfer Agent**

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

**(ix) Share Transfer System**

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

**(x) Distribution Schedule****(a) Distribution of Equity Shareholding of the Company as on 31st March 2011**

Number of Equity Shares * held	Shareholders		Equity shares held	
	Numbers	% to total	Numbers	% to total
Upto 2500	26,753	91.27	16,64,491	8.536
2501 - 5000	1,408	4.803	5,41,327	2.776
5001 - 10000	632	2.156	5,00,788	2.568
10001 - 20000	247	0.843	3,75,660	1.926
20001 - 30000	98	0.334	2,52,458	1.295
30001 - 40000	41	0.140	1,41,129	0.724
40001 - 50000	34	0.116	1,58,866	0.815
50001 - 100000	52	0.177	3,83,314	1.966
100001 and above	47	0.160	1,54,82,310	79.394
<b>Total</b>	<b>29,312</b>	<b>100</b>	<b>1,95,00,343</b>	<b>100</b>

**b) Categories of Shareholders as on 31st March 2011**

	No. of Folio's	% to total Folios	No. of Shares held	% to total Shares
<b>PROMOTERS</b>				
NRI	2	0.007	25,37,590	13.01
Indian	5	0.017	1,03,77,498	53.22
<b>TOTAL (A)</b>	<b>7</b>	<b>0.024</b>	<b>1,29,15,088</b>	<b>66.23</b>
Institutional Investors (Mutual Funds/UTI/Banks/FI's etc.)	5	0.017	9,66,816	4.96
FII's	-	-	-	-
Insurance Companies	2	0.007	5,13,332	2.63
NRI's / OCB's	107	0.365	3,47,240	1.78
Other Bodies Corporate	419	1.429	8,29,693	4.25
Others (Clearing Members)	39	0.133	7,970	0.04
Others (Individual)	27,462	93.698	36,79,066	18.87
Others (HUF)	1,267	4.323	2,40,978	1.24
Others (Trusts)	1	0.003	160	0
<b>TOTAL (B)</b>	<b>29,302</b>	<b>99.975</b>	<b>6,585,255</b>	<b>33.77</b>
<b>TOTAL { (A) + (B) } = (C)</b>	<b>29,309</b>	<b>100</b>	<b>1,95,00,343</b>	<b>100</b>

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

**(xi) Dematerialisation of Shares and liquidity**

The shares of the Company are in compulsory demat segment and are available for trading in the depository systems of both NSDL and CDSL. As on 31st March 2011, 1,91,74,498 equity shares of the Company forming 98.33% of the Share Capital of the Company stand dematerialized.

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

The Company has not issued any GDRs/ADRs/Warrants etc. till date.

**(xiii) Plant locations:**

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

- Pearl Global Ltd, 446, Udyog Vihar, Phase-V, Gurgaon - 122 016 (Haryana)
- Pearl Global Ltd, 751, Pace City II, Sector 37, Khandsa, Gurgaon - 122 004 (Haryana)
- Pearl Global Ltd, 16-17, Udyog Vihar, Phase VI, Khandsa, Gurgaon - 122 004 (Haryana)
- Pearl Global Ltd, D-6/II, Phase II, Zone B, MEPZ-SEZ, Tambaram, Chennai - 600 045 (Tamil Nadu)
- Norp Knit Industries Ltd., North Khilkar, P.O. National University, Gazipur, Bangladesh.

vi) P.T. Norwest Industry, Tanjung Emas Export, Processing Zone, Blok A-15-15A, JL Coaster No. 8, Semarang, 50174, Indonesia.

**(xiv) Registered Office of the Company:**

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

**Corporate Office & Address for Correspondence:**

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

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

Mr. Sandeep Sabharwal  
Company Secretary  
House of Pearl Fashions Limited  
446, Phase V, Udyog Vihar  
Gurgaon - 122 016, Haryana (India)  
Tel. No. : 91 - 124 - 4651714  
Fax No. : 91 - 124 - 4651173

**12. In regards, shares remains unclaimed and lying in the IPO escrow A/c of the company for the financial year 2010-11, information is as follows:**

- Total shares outstanding at the beginning of Financial Year are 420 & total number of shareholders is 20.
- Number of shareholders approached the company for transfer of shares: One
- No. of shareholders to whom shares transferred from escrow a/c: One
- Aggregate number of shareholders & shares at the close of the year are 20 and 420 respectively.
- Voting rights of these shares shall remain frozen till claim made against their shares.

**Non-Mandatory Requirements**

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

- (1) (a) Maintenance of Non-Executive Chairman's Office Presently, the Company is not maintaining office of the Non-Executive Chairman.  
(b) Independent Directors may have tenure, not exceeding, in the aggregate, a period of nine years, on the Board of the Company.  
As on date, there are no Independent Directors having a term of office exceeding nine years.
- (2) Remuneration Committee.  
Already constituted. Details given in the preceding paragraphs.
- (3) Half-yearly financial performance and summary of significant events to be sent to each household of shareholders.  
The Company's Financial Results, Shareholding Pattern and official news releases are displayed on the Company's website [www.houseofpearl.com](http://www.houseofpearl.com).
- (4) Audit Qualifications – presently not applicable to the Company.
- (5) Training of the Board Members.  
Presently the Company does not have such training programme.
- (6) Mechanism for evaluating Non-Executive Board Members.  
Presently, the Company does not have such a formal 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 Chairman of 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](mailto:info@nsdl.co.in)  
Website : [www.nsdl.co.in](http://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](mailto:investors@cdslindia.com)  
Website : [www.cdslindia.com](http://www.cdslindia.com)

## MANAGEMENT DISCUSSION AND ANALYSIS

House of Pearl Fashions Limited is operating in three business streams: manufacturing, marketing and distribution and sourcing of garments through its subsidiaries. House of Pearl also provides total supply chain solutions to its customers, which include value retailers as well as higher-end fashion brand retailers in the United States and Europe. Our Multi stream business 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 group has marketing and distribution offices in U.K., U.S. and Hong Kong. These offices oversee our marketing and merchandizing teams across Canada, Europe, Hong Kong, U.K. and U.S. that interact with our customers at their locations, which helps us to better understand our customers' requirements. The group has manufacturing facilities in Bangladesh, India, Vietnam and Indonesia for execution of their customers' orders.

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

## INDUSTRY STRUCTURE & DEVELOPMENT

The beginning of the year 2011 brought in a ray of light for the after several months of continuous decline in apparel exports. For the first time in December 2010, the dented apparel industry exports touched USD one billion mark. India's apparel exports have increased by a whopping 24 per cent in February 2011 over the same month, the previous year to Rs.5,284 Crore after registering an impressive rise of 18 per cent in January 2011. Though monthly exports of garments in (2010-11) were below the previous year's levels in the initial months, the situation turned for the better from December 2010. In the first 10 months (April-January) of the last financial year (2010-11) the total garment exports stood at Rs.39,787 Crore, against Rs 41,771 Crore, the previous year.

In fact, encouraged by the impressive growth, the target for textile exports has been raised by the Government to around \$30 billion for the current financial year against \$25 billion achieved in the previous year. The government thinks India has the potential to increase its textile and apparel share in the world trade from the current level of 4.5 per cent to 8 per cent and reach \$80 billion by 2020.

However, the rising prices of cotton yarn have impacted garment exports. The increase in cost of apparels has shifted foreign buyers to other neighbouring markets like Bangladesh and Vietnam, which are cost-effective. Overall raw material is getting expensive and it is likely to impact consumption pattern.

## COMPANY PERFORMANCE AND FUTURE OUTLOOK

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

Despite decline in initial months in the industry the company has achieved a gross income of Rs.2264.46 Crore compared to Rs.1877.37 Crore in last financial year on consolidated basis, a growth of 20%.

However, due to pressure on margins by buyers and new projects yet to yield optionally, the bottom-line has not grown proportionately.

## OPPORTUNITIES & THREATS

Rising cost of labour in China and marginal price difference in fabric prices in India and China are helping India. Since costs are rising in China, the medium to long term business will move to other countries which can better or match china's cost and delivery capabilities. Since buyers are looking at alternate markets for sourcing, India has greater chance, being economically and socially stable country. Besides, large garment industry in India is getting more organized for higher demands.

However, the inflationary situation in India demands for rise in wages for the workers also. Cotton prices are also rising in India, which require authorities intervention like ban on cotton exports. Due to rising cost, India faces competition from low cost countries like Bangladesh and Indonesia.

In today's market scenario, where most of the top retailers of the world are consolidating their vendor bases, stand alone vendors are going out of business and their share is being taken over by companies like HOPFL. Vendors that are able to offer value addition in terms of design input,

provide different sourcing options and have the operational and financial resources to meet retailers increasing requirements are being categorized as their "Preferred Vendors". This gives the vendor an edge over the competition. Due to all its investments over the last couple of years, your company through its subsidiaries has already been categorized as Preferred Vendor by various big Retailers in US and Europe.

## RISKS & CONCERNS

The group works only with customers who have sound financial credibility. All orders are either backed by bank consigned L/c or insured with Banks / Euler Hermes. The group does not take any risk on account of stock. All inventory / purchases are backed by confirmed customer orders. Rupee appreciation is always a major concern to our type of industry. This year also, rupee appreciated by 7-8% against USD.

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

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

## INTERNAL CONTROL SYSTEM

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

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

The Company has adequate systems of internal controls to ensure that transactions are properly recorded, authorized and reported apart from safeguarding its assets. Your company has successfully implemented SAP for its manufacturing units and will continue upgrading the same.

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

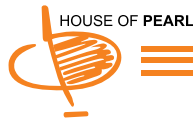
Our Group is more concentrate on human resource activities by which employee are benefited to lean lot of things. Human resource is a key for an organization which can be used for attaining the targets of the company. Therefore, special emphasis is placed on human resources function in our Company.

Our Company adopts a "People up gradation" approach to leverage the potential of employees. Our focus to improve employee productivity through continuing training and by emphasizing the importance of quality products and customer satisfaction.

## CAUTION STATEMENT

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





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

The members of **House of Pearl Fashions Limited**

We have examined the compliance of the conditions of Corporate Governance by House of Pearl Fashions Limited, for the year ended on 31st March 2011 as stipulated in clause 49 of the Listing Agreement of the Company with the Stock Exchange.

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

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

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

For **S.R. DINODIA & CO.**  
Chartered Accountants  
**(SANDEEPO DINODIA)**  
Partner  
M. No. 083689

Place : New Delhi  
Date : 28th May, 2011

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

We, Pulkit Seth, Managing Director and Shailendra Sancheti, Chief Finance Officer of House of Pearl Fashions Limited, 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, 2011 and to the best of our knowledge and belief:
  - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
  - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. We also certify that to the best of our knowledge and belief, there are no transactions entered into by House of Pearl Fashions Ltd., during the year, which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c. We are responsible for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the Auditors and the Audit Committee:
  - i. Significant Changes, if any, in Internal controls during the year.
  - ii. Significant changes, if any, in accounting policies during the year and that the same have been disclosed in the Notes to the financial statements; and
  - iii. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.
- e. We affirm that we have not denied any personnel, access to the Audit Committee of the Company (in respect of matters involving misconduct, if any)
- f. We further declare that all Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct for the current year.

Place: Gurgaon.  
Date: 30th May, 2011

(Pulkit Seth)  
Managing Director

(Shailendra Sancheti)  
Chief Finance Officer

## AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

We have examined the attached Consolidated Balance Sheet of House of Pearl Fashions Limited and its subsidiaries, as at March 31st 2011, 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. 7,830,412,206.00** as at March 31st 2011 and total revenues of **Rs. 17,341,270,023.00** for the year then ended. These financial statements have been audited by others auditors whose reports have been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of these subsidiaries is based solely on the report of the other auditors.

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

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

- (a) In case of the Consolidated Balance Sheet, of the consolidated state of affairs House of Pearl Fashions Limited and its subsidiary as at March 31st 2011;
- (b) In case of the Consolidated Profit and Loss Account, of the consolidated results of operations of House of Pearl Fashions Limited and its subsidiary for the year ended on that date; and
- (c) In the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of House of Pearl Fashions Limited and its subsidiary for the year ended on that date.

For **S.R. DINODIA & CO.**  
Chartered Accountants  
REGN. NO. 01478N  
**(SANDEEP DINODIA)**  
Partner  
M.No. 083689

Place: New Delhi  
Date: 30th May, 2011

## CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011

(Amount in Rupees)

PARTICULARS	SCHEDULE	AS AT 31ST MARCH 2011	AS AT 31ST MARCH, 2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholder's Funds</b>			
Share Capital	1	195,003,430	195,003,430
Reserves & Surplus	2	4,518,026,723	4,348,574,728
<b>Minority Interest</b>		<b>516,137,328</b>	<b>478,702,218</b>
<b>Loan Funds</b>			
Secured Loans	3	4,433,545,713	2,468,631,149
Unsecured Loans	4	48,571,807	52,027,102
		<b>9,711,285,002</b>	<b>7,542,938,627</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	4,063,928,607	3,201,712,014
Less: Depreciation/Amortisation		952,232,653	836,337,808
<b>Net Block</b>		<b>3,111,695,954</b>	<b>2,365,374,206</b>
Capital Work in Progress		63,582,235	258,697,617
<b>Investments</b>	6	<b>83,424,488</b>	<b>49,149,028</b>
<b>Deferred Tax Asset (Net)</b>		<b>55,822,820</b>	<b>21,641,254</b>
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	7	2,425,070,997	1,680,021,008
Sundry Debtors	8	3,515,751,112	3,280,937,088
Cash & Bank Balances	9	1,726,156,884	1,320,535,610
Loans & Advances	10	1,205,963,615	1,241,471,540
		<b>8,872,942,609</b>	<b>7,522,965,245</b>
<b>Less :Current Liabilities &amp; Provisions</b>			
Current Liabilities	11	2,462,765,676	2,669,480,887
Provisions	12	13,417,426	5,407,835
		<b>2,476,183,102</b>	<b>2,674,888,722</b>
<b>Net Current Assets</b>		<b>6,396,759,506</b>	<b>4,848,076,522</b>
		<b>9,711,285,002</b>	<b>7,542,938,627</b>
<b>Significant Accounting Policies</b>	16		
<b>Notes to Account</b>	17		

As per our report of even date attached

On behalf of the Board of Directors

For S.R. DINODIA & CO.,  
Chartered Accountants  
Regn. No. 01478N

(DEEPAK SETH)  
Chairman  
DIN 00003021

(PULKIT SETH)  
Managing Director  
DIN 00003044

(SANDEEP DINODIA)  
Partner  
M. No. 083689

(SHAILENDRA SANCHETI)  
Chief Finance Officer

(SANDEEP SABHARWAL)  
Company Secretary

Place: New Delhi  
Date: 30th May, 2011



## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

(Amount in Rupees)

PARTICULARS	SCHEDULE	CURRENT YEAR	PREVIOUS YEAR
<b>INCOME</b>			
<b>Turnover</b>			
Sales		22,069,010,496	18,134,055,033
Export Incentives		251,666,209	186,430,539
		<u>22,320,676,704</u>	<u>18,320,485,571</u>
Other Income	13	323,902,157	453,221,000
		<u>22,644,578,862</u>	<u>18,773,706,572</u>
<b>EXPENDITURE</b>			
Purchase of Trading Goods		13,203,590,499	10,771,195,111
Manufacturing, Administrative, Selling & Other Expenses	14	8,655,345,848	7,437,537,903
Finance Cost	15	275,849,424	188,968,501
Depreciation/Amortisation		227,197,697	213,580,313
		<u>22,361,983,468</u>	<u>18,611,281,828</u>
<b>PROFIT</b>			
<b>Profit before Taxation and Adjustments</b>		282,595,393	162,424,744
Provision for - Current Tax		(31,285,834)	8,344,139
Provision for - Wealth Tax		(210,653)	(189,519)
Provision for - Deferred Tax		26,492,845	(9,990,550)
Mat Credit Adjustment		16,931,335	(18,150,889)
Provision For Doubtful Debts		(213,403)	-
Prior Period Expenses		(5,497,840)	(1,062,473)
<b>Profit Before Minorities Interest &amp; Extraordinary items</b>		288,811,843	141,375,452
Extraordinary Item (Refer to Note No. 19 of Sch. 17)		(60,058,033)	-
<b>Profit Before Minorities Interest</b>		228,753,810	141,375,452
Minorities Share in (Profits)/Loss		(33,103,510)	(53,048,287)
Profit Brought Forward		1,130,974,142	1,042,646,976
<b>Amount Available For Appropriation</b>		<u>1,326,624,441</u>	<u>1,130,974,141</u>
<b>Appropriations:</b>			
Balance carried to Balance Sheet		1,326,624,441	1,130,974,141
		<u>1,326,624,441</u>	<u>1,130,974,141</u>
<b>Paid up Equity Share Capital (Nos. of shares)</b>			
(Equity Shares of Rs. 10/- each)			
Numerator (Rs.)		195,650,299	88,327,165
<b>Earning per share ( Rs. )</b>			
Basic Earning Per Share		10.03	4.53
Diluted Earning Per Share		10.03	4.53
<b>(Refer note 11 of schedule 17)</b>			
<b>Significant Accounting Policies</b>	16		
<b>Notes to Account</b>	17		

As per our report of even date attached

For S.R. DINODIA & CO.,  
Chartered Accountants  
Regn. No. 01478N

(SANDEEP DINODIA)  
Partner  
M. No. 083689

Place: New Delhi  
Date: 30th May, 2011

On behalf of the Board of Directors

(DEEPAK SETH)  
Chairman  
DIN 00003021

(PULKIT SETH)  
Managing Director  
DIN 00003044

(SHAIENDRA SANCHETI)  
Chief Finance Officer

(SANDEEP SABHARWAL)  
Company Secretary

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(Amount in Rupees)

PARTICULARS	Year Ended 31.03.2011	Year Ended 31.03.2010
<b>A. Profit Before Tax and Adjustments</b>	<b>282,595,393</b>	<b>162,424,744</b>
Adjustments :		
Depreciation	227,197,697	213,580,313
Sundry Balance Written Back	(1,295,385)	-
Bad Debts Written Off	(213,403)	-
Loss/ (Profit) on sale of Investment	416,799	12,437,778
Loss/ (Profit) on sale of Assets	(20,027,992)	(129,106,560)
Foreign Currency Translation Reserve	8,268,508	(156,638,727)
Foreign Exchange Fluctuation	(477,684,205)	(279,792,179)
Finance Cost	275,849,424	188,968,501
Non operating Incomes	(65,478,440)	(66,177,603)
<b>Operating Profit /(loss) before working capital changes</b>	<b>229,628,396</b>	<b>(54,303,734)</b>
Adjustment for :		
Trade and Other Receivables	(177,366,697)	(379,939,728)
Inventories	(745,049,989)	(309,513,413)
Trade Payables	(252,314,402)	367,886,873
<b>Cash Generated from operations</b>	<b>(945,102,693)</b>	<b>(375,870,002)</b>
Direct Taxes (Paid)/ Refunds	(16,920,108)	(5,380,011)
Add/(Less):- Prior Period Adjustments	(5,497,840)	(1,062,473)
Add/(less):- Extraordinary adjustments	(60,058,033)	-
<b>Net Cash Generated / (used) in operating Activities</b>	<b>(1,027,578,674)</b>	<b>(382,312,487)</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	(422,917,136)	(380,236,376)
Sale of Fixed Assets	194,140,538	286,026,288
Investment made during the year	(39,347,909)	7,413,310
Investment made In Subsidiaries	(546,587,585)	(106,715,712)
Sale Of Investment	4,859,183	221,975,826
Interest Income	46,475,997	49,528,307
Dividend Received	175,492	1,089,643
Rent Received	18,826,951	15,559,654
<b>Cash from investing activities</b>	<b>(744,374,469)</b>	<b>94,640,938</b>
<b>C. Cash Flow from Financing Activities</b>		
Interest Expense	(275,849,424)	(188,968,501)
Repayment (to)/ from Minority interest	14,229,757	108,918,147
Dividend Paid	50,609	(3,485)
Loan Taken/(Repayment) Net	1,961,459,269	506,479,024
<b>Net cash used in financing activities</b>	<b>1,699,890,212</b>	<b>426,425,185</b>
<b>Net Increase/(Decrease) in Cash/Cash equivalents (A+B+C)</b>	<b>(72,062,931)</b>	<b>138,753,635</b>
Foreign Exchange Fluctuation	477,684,205	279,792,179
<b>Cash / Cash equivalents at the beginning of the year</b>	<b>1,320,535,610</b>	<b>901,989,796</b>
<b>Cash / Cash equivalents at the close of the year</b>	<b>1,726,156,884</b>	<b>1,320,535,610</b>
<b>Components of Cash and Cash equivalents</b>		
Cash in hand	43,304,897	24,723,159
Cheques/Demand Drafts in hand	12,850,576	6,799,082
<b>Balance with Banks</b>		
i) In Current Accounts	928,416,263	877,671,831
ii) In Fixed Deposits	686,672,292	379,860,143
iii) In Margin Account	54,868,758	31,005,617
iv) Exchange retention Quota with United Comm Bank	44,097	475,779
<b>Cash / Cash equivalents at the close of the year</b>	<b>1,726,156,884</b>	<b>1,320,535,610</b>

As per our report of even date attached

On behalf of the Board of Directors

For S.R. DINODIA & CO.,  
Chartered Accountants  
Regn. No. 01478N

(DEEPAK SETH)  
Chairman  
DIN 00003021

(PULKIT SETH)  
Managing Director  
DIN 00003044

(SANDEEP DINODIA)  
Partner  
M. No. 083689

(SHAIENDRA SANCHETI)  
Chief Finance Officer

(SANDEEP SABHARWAL)  
Company Secretary

Place: New Delhi  
Date: 30th May, 2011

## SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rupees)

	AS AT 31ST MARCH 2011	AS AT 31ST MARCH, 2010
<b>SCHEDULE-1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
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
	<u>250,000,000</u>	<u>250,000,000</u>
<b>ISSUED SUBSCRIBED &amp; PAID UP</b>		
19,500,343 (Previous Year 19,500,343) Equity Shares of Rs.10/- each		
Fully Paid Up *	195,003,430	195,003,430
	<u>195,003,430</u>	<u>195,003,430</u>
<b>Notes:</b>		
* Out of Which 9,329,338 equity shares were allotted as fully paid bonus shares by capitalisation of accumulated profits and General Reserve.		
<b>SCHEDULE-2</b>		
<b>RESERVE &amp; SURPLUS</b>		
Capital Redemption Reserve	2,233,337	2,233,337
Investment Reserve-Available for Sale	(884,778)	(1,088,311)
Amalgamation Reserve	3,715,105	3,715,105
Share Premium	2,714,855,707	2,714,855,707
General Reserve	33,222,959	33,222,959
Revaluation Reserve	23,772,230	23,772,230
Capital Reserve on Consolidation	443,869,469	445,020,870
Hedging Reserve	37,319,320	66,651,508
Transfer from minority to group on change in shareholding	9,032,185	(865,972)
Foreign Exchange translation reserve	(75,733,253)	(69,916,847)
Profit & Loss Account	1,326,624,441	1,130,974,141
	<u>4,518,026,723</u>	<u>4,348,574,728</u>
<b>SCHEDULE-3</b>		
<b>SECURED LOANS</b>		
<b>FROM BANKS</b>		
a) Term Loan		
– Loan in functional Currency	481,190,515	467,827,425
b) Working Capital Loan		
– Loan in functional Currency	2,762,154,594	1,222,022,662
– Foreign currency Loan	633,610,427	203,450,004
c) Bank Over draft	546,204,502	556,937,740
<b>FROM OTHERS</b>		
– Term Loan	10,385,676	18,393,317
	<u>4,433,545,713</u>	<u>2,468,631,149</u>
(Refer note 3 of the schedule 17)		
<b>SCHEDULE-4</b>		
<b>UNSECURED LOANS</b>		
Loan from Directors	37,546,669	35,330,256
Loan from Shareholders	11,025,138	16,696,846
	<u>48,571,807</u>	<u>52,027,102</u>

**SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**  
**SCHEDULE - 5**  
**FIXED ASSETS**

(Amount in Rupees)

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK AS ON					
	AS ON 01.04.2010	ADDITIONS	DEDUCTIONS	Diff. in Foreign Exchange	TOTAL 31.03.2011	AS ON 01.04.2010	ADDITIONS	PRIOR PERIOD ADJUSTMENT	DEDUCTIONS/ ADJUSTMENTS	Diff. in Foreign Exchange	UPTO 31.03.2011	31.03.2011	31.03.2010
<b>Intangible Assets</b>													
– Goodwill	460,164,996	(32,731,890)	–	(2,904,752)	424,528,355	–	–	–	–	–	–	424,528,355	460,164,996
– Software	136,164,982	48,982,502	57,605	2,944	185,092,822	25,563,148	34,507,211	–	54,701	8	60,015,665	125,077,157	110,601,834
– Trade Mark	5,877,877	628,449	–	(49,601)	6,456,525	2,110,768	3,964,321	–	–	(242,249)	5,832,840	623,665	3,766,909
<b>Tangible Assets</b>													
Land Freehold	208,598,050	–	3,605,897	–	204,992,153	–	–	–	–	–	–	204,992,153	208,598,050
Land Leasehold	16,642,027	–	–	–	16,642,027	1,990,628	431,978	–	–	–	2,422,606	14,219,421	14,651,399
Building	749,211,904	276,734,590	116,759,907	(7,644,694)	901,541,903	187,616,256	43,064,709	–	32,779,146	(20,977,300)	176,924,520	724,617,383	561,595,648
Investment Property	212,701,608	542,657,660	16	11,024,065	766,383,316	13,005,731	22,421,258	–	16	(75,588)	35,351,385	731,031,931	199,695,877
Plant & Machinery	1,026,419,437	237,267,405	134,282,088	(11,983,766)	1,117,420,988	416,874,051	82,322,886	–	56,145,417	(8,091,800)	434,959,722	662,461,247	609,545,386
Office Equipment	–	–	–	–	–	–	–	–	–	–	–	–	–
Vehicles	12,052,338	16,044,254	17,792,172	809,436	120,113,855	41,424,120	17,541,144	–	11,549,808	1,980,344	49,395,800	70,718,054	79,629,217
Furniture & Fixtures	264,878,896	71,742,387	14,750,357	(1,114,342)	320,756,682	147,753,106	40,630,639	–	12,606,418	11,552,789	187,330,115	133,426,567	117,125,890
<b>Total</b>	3,201,712,014	1,161,325,355	287,248,043	(1,860,720)	4,063,928,607	836,337,808	244,884,146	–	113,135,506	(15,853,795)	952,232,653	3,111,695,954	2,365,374,206
Capital Work-in-progress	258,697,617	315,133,963	509,857,798	(391,546)	63,582,235	–	–	–	–	–	–	63,582,235	258,697,617
Previous Year	3,460,409,631	1,476,459,318	797,105,841	(12,252,266)	4,127,510,842	836,337,808	244,884,146	–	113,135,506	(15,853,795)	952,232,653	3,175,278,189	2,624,071,824
	3,424,482,983	609,951,940	362,730,766	(211,294,526)	3,460,409,631	716,904,877	213,580,313	(19,51,972)	39,409,967	(54,737,415)	836,337,808	2,624,071,824	2,707,578,106

1. Capital WIP includes Capital Advance Rs.16,249,672 ( Previous year Rs.5,172,314 ) out of which Rs. 326,563 paid to DDA for converting its leasehold land into freehold land.
2. CWIP includes pre-operative expenses of Rs.3,929,503 ( Previous year : 3,708,353 )
3. In the last year, the company had initiated the process of converting its leasehold land into freehold land. However, the deed is yet to be transferred in the name of the Company.
4. The opening balances of Land and Building include Rs.45,229,131.59 and 5,932,276.71 respectively on account of revaluation during the year 2002 by Indian subsidiary M/s Pearl Global Limited.
5. The revaluation of land was based on the fair market value at that time and the Building based on the depreciated value of CPWD plinth area rates and carried out by an independent valuer approved by the Government of India.
6. Capital work in progress include Rs.10,104,849 (Previous Year NIL) being borrowing cost capitalised in accordance with Accounting Standard AS-16 on "Borrowing Cost" as specified in the Companies Accounting Standard Rules 2006. The above includes the amount of Land of Rs.15,954,319 & Building of Rs.14,890,483 situated at Nashinagar, Tejsil District gurgaon for which the Indian subsidiary M/s Pearl Global Ltd. has executed an agreement for the construction of commercial project with DLF Retail Developers Ltd. on 30th November,2007. However, as certified by the management, the work has not started during the financial year 2010-2011.
7. Depreciation charged during the year includes Rs.17,686,453 (P.Y. Rs. NIL ) on account of depreciation related to acquisition of subsidiaries during the year.

**SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**

	AS AT 31ST MARCH 2011	(Amount in Rupees) AS AT 31ST MARCH, 2010
<b>SCHEDULE-6</b>		
<b>INVESTMENTS</b>		
<b>Long Term- At cost</b>		
<b>(Unquoted - Non Trade)</b>		
<b>Held to Maturity</b>		
<b>Investment in Government Securities</b>		
National Saving Certificate (Pledged with Sales Tax Authorities)	4,000	4,000
<b>Investment in Equity Shares</b>		
PAF International Ltd.	-	264,000
NIL Shares (Previous Year 4,000 Shares) of TK100 each		
Premier Pearl Garment Joint Stock	10,860,443	10,952,872
28,728 Equity Shares ( Previous Year 28728 Shares) of VND100000 each		
GWD Enterprises	35,723,051	-
100 A Shares and 25 B Shares (Previous year NIL) of GBP 1/- each		
<b>Current Investment</b>		
<b>Held for Trading</b>		
<b>Investment in Equity Shares</b>		
<b>Quoted (Trade)</b>		
GIVO Ltd	-	229,080
NIL Equity Shares (Previous year 49,800) of Rs.10/- each fully paid up		
<b>Quoted (Non - trade)</b>		
<b>Investment in Equity Shares</b>		
Bhagheeratha Engineering Ltd	-	60,750
NIL Equity Shares (Previous year 5,000 Shares) of Rs.10/- each fully paid up		
PNB Gilts Ltd	-	440,632
NIL Equity Shares (Previous year 18,398 Shares) of Rs.10/- each fully paid up		
Punjab National Bank	-	3,040,350
NIL Equity Shares (Previous year 3,000 Shares) of Rs.10/- each fully paid up		
UCO Bank	-	220,350
NIL Equity Shares (Previous year 3900 Shares) of Rs.10/- each fully paid up		
Chennai Petroleum Ltd	-	295,400
NIL Equity Shares (Previous year 1,000 Shares) of Rs.10/- each fully paid up		
ICICI Bank Ltd	-	952,700
NIL Equity Shares (Previous year 1000 Shares) of Rs.10/- each fully paid up		
Gem Spinners	-	36,720
NIL Equity Shares (Previous year 10,800 Shares) of Rs.10/- each fully paid up		
<b>Investment in Mutual Funds</b>		
<b>Unquoted (Non - trade)</b>		
Reliance Regular Savings Fund-Debt Plan-Growth Option 79,216.71 Units ( Previous Year 79,216.71 Units ) of Rs. 13.25 each	1,049,724	1,001,600
Principal Emerging Blue Chip Fund-Regular Growth Plan 20498.13 Units ( Previous Year 17,295.05 ) of Rs. 29.02 each	594,856	509,339
Principal Monthly Income Plan-Dividend Payout Monthly 45325.16 Units (Previous 45,325.16 Units) of Rs. 10.60/- each	480,469	490,971
<b>Available for Sale Securities</b>		
<b>Investment in Mutual Funds Unquoted- Non Trade</b>		
Investments in Unit Trusts	15,152,776	15,098,032
India Infrastructure Opportunities LLP 418 Units (Previous year 329 Units ) of USD 1047.85/- each	19,559,169	15,552,231
	<b>83,424,488</b>	<b>49,149,028</b>

**Note No. 1:**

Aggregate book value of quoted investment is Rs. Nil (P.Y. Rs. 5,275,982)

Aggregate market value of quoted investment is Rs. Nil (P.Y. Rs. 5,275,982)

**Note No. 2:**

Aggregate amount of Unquoted investment is Rs. 83,424,488 (P.Y. Rs. 43,873,046)

## SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rupees)

	AS AT 31ST MARCH 2011	AS AT 31ST MARCH, 2010
<b>SCHEDULE-7</b>		
<b>INVENTORIES</b>		
<b>(As taken, valued and certified by the management)</b>		
Stores and Spares	11,970,025	6,459,530
Finished Goods		
– Manufacturing	794,718,989	636,445,600
– Traded	278,827,053	333,834,613
Work in Progress	581,662,876	178,559,671
Raw Material	718,421,081	518,548,364
Goods in Transit (Raw Material)	417,145	3,228,009
Goods in Transit (Finished Goods)	39,053,828	2,945,220
	<u>2,425,070,997</u>	<u>1,680,021,008</u>
<b>SCHEDULE-8</b>		
<b>SUNDRY DEBTORS</b>		
<b>(Unsecured - Considered Good)</b>		
Over Six Months	124,919,497	75,309,196
Others	3,390,831,615	3,205,627,893
	<u>3,515,751,112</u>	<u>3,280,937,088</u>
<b>SCHEDULE-9</b>		
<b>CASH AND BANK BALANCES</b>		
Cash in hand	43,304,897	24,723,159
Cheques/Demand Drafts in hand	12,850,576	6,799,082
Balance with Banks		
i) In Current Accounts	928,416,263	877,671,831
ii) In Fixed Deposits *	686,672,292	379,860,142
iii) In Margin Account	54,868,758	31,005,617
iv) Exchange retention Quota with United Comm Bank	44,097	475,779
	<u>1,670,001,411</u>	<u>1,289,013,369</u>
	<u>1,726,156,884</u>	<u>1,320,535,610</u>
*includes Fixed Deposit Pledged with banks Rs. 642,108,198 (Previous Year 364,225,957 )		
<b>SCHEDULE-10</b>		
<b>LOANS &amp; ADVANCES</b>		
<b>(Unsecured - Considered Good)</b>		
Loans	242,198,653	14,583,213
Advances Recoverable in cash or in kind or for value to be received	821,605,313	979,693,481
Security Deposit	41,742,531	166,068,074
Export Incentive Receivables	65,334,884	62,975,882
MAT Credit Entitlement	35,082,234	18,150,889
	<u>1,205,963,615</u>	<u>1,241,471,540</u>



## SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rupees)

	AS AT 31ST MARCH 2011	AS AT 31ST MARCH, 2010
<b>SCHEDULE-11</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors		
– Due to Others	1,977,705,256	2,007,331,885
Other Liabilities	484,111,209	661,250,401
Unpaid Dividend *	949,211	898,602
	<u>2,462,765,676</u>	<u>2,669,480,887</u>

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

## SCHEDULE-12

### PROVISION

Leave Encashment	11,518,568	10,360,260
Employee Benefit	5,205,654	3,688,137
Provision for Taxation (Net of Advance tax)	(3,306,796)	(8,640,562)
	<u>13,417,426</u>	<u>5,407,835</u>

## SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

	CURRENT YEAR	PREVIOUS YEAR
<b>SCHEDULE - 13</b>		
<b>OTHER INCOME</b>		
Rent	18,826,951	15,559,654
Interest on Loans & others	27,812,989	30,308,344
Interest on Fixed Deposit with Bank	18,663,008	19,219,962
Other Operating Income	153,040,713	95,340,185
Dividend From Non Trade Investments	175,492	1,089,643
Profit on sale of Non-Trade/Current/Short Term Investments	–	3,289,865
Profit on sale of assets	20,027,992	129,106,560
Sundry Balances Written Back	1,092,959	–
Excess Provision written back	202,426	–
Miscellaneous Income	84,059,626	159,306,787
	<u>323,902,157</u>	<u>453,221,000</u>

## SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT &amp; LOSS ACCOUNT

(Amount in Rupees)

	<u>CURRENT YEAR</u>	<u>PREVIOUS YEAR</u>
<b>SCHEDULE - 14</b>		
<b>MANUFACTURING, ADMINISTRATIVE, SELLING &amp; OTHER EXPENSES</b>		
Raw Material Consumed		
Opening Stock	519,989,369	424,634,422
Effect of Exchange Difference on Reinstatement of Opening Stock	(3,594,424)	796,559
Purchases	3,333,249,713	2,487,183,903
<b>Less:</b>		
Cost of Goods Sold	115,884,724	65,266,941
Closing Stock	<u>714,708,792</u>	<u>519,989,369</u>
(Increase) / Decrease in Stock	3,019,051,143	2,327,358,575
Work in Progress		
Opening Stock	156,384,447	115,227,066
Effect of Exchange Difference on Reinstatement of Opening Stock	(2,800,316)	446,938
Closing Stock	<u>(199,968,105)</u>	<u>(156,384,447)</u>
Finished Goods		
Opening Stock	792,130,257	687,130,465
Effect of Exchange Difference on Reinstatement of Opening Stock	(15,490,048)	(8,350,766)
Closing Stock	<u>(950,103,263)</u>	<u>(792,130,257)</u>
Manufacturing Expenses	1,456,148,005	1,009,303,268
Stores and Spares Consumed	88,386,865	65,894,844
Power & Fuel	136,669,106	89,093,571
Rent	153,757,745	171,159,594
Rates & Taxes	36,999,034	41,118,295
Salaries & Allowances	2,141,899,088	2,005,954,725
Contribution to Provident Fund & Other Funds	123,451,011	68,136,508
Staff Welfare Expenses	37,097,308	33,425,189
<b>Repairs</b>		
– Building	1,366,651	482,221
– Plant & Machinery	5,562,011	957,384
– Others	<u>91,932,465</u>	<u>57,811,519</u>
Legal & Professional Charges	328,089,444	331,936,419
Travelling & Conveyance	218,024,168	216,141,933
Printing & Stationary	56,314,261	63,079,857
Auditor's Remuneration	19,351,329	15,347,960
Communication Expenses	92,280,514	73,937,234
Freight Outward	299,963,095	124,084,605
Licence Fees	36,563,223	32,317,588
Insurance	32,865,411	30,362,625
Packing, Clearing & Forwarding Charges etc.	188,239,072	132,207,165
Commission Expenses	146,367,822	171,226,188
Loss on Reinstatement of Investment at Fair Value	416,799	–
Loss on sale of Trade Investment	–	15,727,643
Sundry Balances written off (Net)	–	9,415,656
Return, Rework & Claims	(12,781,197)	38,928,442
Design	23,308,539	–
Bank Charges	144,432,039	126,554,986
Foreign Exchange Fluctuation	(343,513,205)	(270,992,219)
Factoring Charges	5,240,377	8,844,238
Selling & Marketing Exp.	174,503,121	354,199,604
Bad Debts written off	1,582,129	–
Miscellaneous Expenses	<u>171,625,503</u>	<u>247,583,284</u>
	<u>8,655,345,848</u>	<u>7,437,537,903</u>
<b>SCHEDULE - 15</b>		
<b>FINANCE COST</b>		
<b>Interest :</b>		
- Fixed Loans	167,494,130	119,755,168
- Leasing Charges	1,448,464	1,384,782
- Others (Net)	<u>106,906,830</u>	<u>67,828,550</u>
	<u>275,849,424</u>	<u>188,968,501</u>

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

### SCHEDULE -16 SIGNIFICANT ACCOUNTING POLICIES

#### 1. Accounting Convention

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

##### a) Basis of Accounting

- i) The financial statements of the Group have been prepared under the historical cost convention on an accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP), Accounting Standards notified in Section 211 (3C) and the relevant provisions thereof except investment available for sale and held for trading which is measured at fair value and in case of one Indian subsidiary Pearl Global Limited; where land & building are measured at revalued cost. However the accounts of foreign subsidiaries have been prepared in compliance with the local laws and applicable accounting standards. Necessary adjustments for material variances in the accounting policies, wherever applicable have been made in the consolidated financial statements.
- ii) The Financial statements of the entities used for the purpose of consolidation as drawn up to the same reporting period as the company i.e. financial year ended March 31, 2011.

##### b) Principles of Consolidation

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

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

#### 2. Use of Estimates

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

#### 3. The effect of Changes in Foreign Exchange Rates.

##### a) Translation of Financial Statements of Foreign Operations

- In view of Accounting Standard-“11” ‘Changes in Foreign Exchange Rates’ issued by the Companies (Accounting Standards) Rules,2006, the operations of the foreign subsidiaries are identified as non integral subsidiaries of the company, and translated into Indian Rupee.
- The Assets and Liabilities of Foreign operations, including Goodwill/Capital Reserve arising on consolidation, are translated in Indian Rupee (INR) at foreign exchange rate at closing rate ruling as at the balance sheet date.
- The revenue and expenses of foreign operations are translated in Indian Rupee (INR) at yearly average currency exchange rate, of the respective years.
- Foreign exchange differences arising on translation of Non Integrated Foreign Operations are recognized as, ‘foreign exchange translation reserve’ in balance sheet under the head ‘Reserve & Surplus’.

##### b) Foreign Currency Transactions

- In case of parent company & its Indian subsidiaries sales made in foreign currencies are translated on average monthly exchange rate.
  - In case of foreign subsidiaries the sales made in foreign currency are translated at the rate ruling at the date of transaction.
- Gain/Loss arising out of fluctuation in the exchange rate on settlement of the transaction is recognized in the profit and loss account.
- Other transactions in foreign currency are recognized on initial recognition at the exchange rate prevailing at the time of transaction.
  - Foreign Currency monetary items are reported using the closing rate as on balance sheet date. The resultant exchange gain/loss is dealt with in profit & loss account.
  - Premium or discount on forward contracts is amortized in the profit and loss account over the period of the contract. Exchange differences on such contracts are recognized in the statement of Profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the period.

#### 4. Inventories

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

#### 5. Cash Flow Statement

Cash Flow is reported using the indirect method as specified in the Accounting Standard (AS)-3, ‘Cash Flow Statement’ issued by the Companies (Accounting Standards) Rules, 2006.

#### 6. Revenue Recognition

- a) Revenue is recognized when significant risk and rewards of ownership transferred to the buyer.
- b) Export Sales is recognized on the basis of date of Airway Bill/Bill of Lading/Forwarder Cargo receipt.
- c) Sales are shown net of sales return/rejection & trade discounts and include freight & insurance recovered from buyers as per terms of sales.
- d) Income from job work is recognized on the basis of proportionate completion method.
- e) Interest income is recognized on time proportion basis. In case of Multinational Textile Group Limited and its subsidiaries interest income is recognized on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of financial asset.
- f) Investment income is recognized as and when the right to receive the same is established.
- g) Handling Fee income, in the period in which the services are rendered.
- h) Commission Income is recognized when the services are rendered.
- i) Dividend Income is recognized when the right to receive is established.
- j) Sales in case of high sea sales are recognized on transfer of title of goods to the customer.
- k) Sale of software is recognized at the delivery of complete module & patches through transfer of code.

#### 7. Fixed Assets

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

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

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

**8. Depreciation**

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

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

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

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

**9. Investments**

Except Nor Pearl Knitwear Limited (a foreign subsidiary) where investments are stated at cost, the investment are classified as follows:

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

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

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

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

**Fair value**

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

**10. Financial instruments and hedging**

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

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

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

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

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

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

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

**11. Employee Benefits**

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

**a) Post Employment Benefit Plans**

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

- ii) **Defined Benefit Schemes:** The employee gratuity fund scheme, long-term compensated absences and provident fund scheme managed by trust are the Company's defined benefit plans. The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in full in the profit and loss account for the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight line basis over the average period until the benefit become vested. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

**b) Short Term Employee Benefits**

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

**12. Borrowing Cost**

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

**13. Leases**

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

**14. Taxes On Income****a) Indian Companies**

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

**b) Foreign Companies**

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

**15. Impairment of Assets**

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

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

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

## SCHEDULE – 17

### NOTES TO ACCOUNT

#### 1. Contingent Liabilities

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

- (a) Corporate Guarantee given by the company to UCO Bank, Hong Kong for securing trade finance limits to its step down subsidiary Norwest Industries Ltd, Hong Kong for HKD 280 million equivalent to Rs.1,626,800,000 & GBP 30 Million equivalent to Rs.2,157,900,000 ( Previous Year: HK\$ 200 million equivalent to Rs.1,160,000,000 & GBP 19 Million equivalent to Rs.1,289,530,000).
- (b) Corporate Guarantee given by the company to HSBC Limited, Indonesia for securing credit facilities to its step down subsidiary PT Norwest Industry, Indonesia for USD 2,500,000/- equivalent to Rs.111,625,000 (Previous Year: USD 2,500,000/- equivalent to Rs.112,575,000).
- (c) Corporate Guarantee given by the company to THE CIT GROUP / COMMERCIAL SERVICES INC, New York for working capital and letter of credit facilities to its wholly owned subsidiary M/s House of Pearl Fashions (US) Ltd for USD 400,000 equivalent to Rs.17,860,000 (Previous Year: USD 400,000 equivalent to Rs.18,012,000).
- (d) Corporate Guarantee given by the company to HSBC for HKD 300 Million, equivalent to Rs.1,743,000,000 for securing credit facilities to its step down subsidiaries Norwest Industries Ltd., Simple Approach Ltd. and Zamira Fashion Ltd(Previous Year:- HKD 300 Million, equivalent to Rs.1,740,000,000 ).
- (e) Corporate Guarantee given by the company to Standard Chartered Bank, Hong Kong for USD 16,928,000 equivalent to Rs.755,835,200 for securing credit facilities to its step down subsidiary Norwest Industries Ltd(Previous Year :USD 16,928,000 equivalent to Rs.762,267,840).
- (f) Corporate guarantee given by the company to HSBC, Bangladesh for BDT 889,760,000 equivalent to Rs.542,753,600 for securing various credit facilities to its subsidiary Norp Knit Industries Ltd (Previous Year: BDT 293,700,000 equivalent to Rs.193,842,000).
- (g) Corporate Guarantee given by the company to THE CIT GROUP / COMMERCIAL SERVICES INC, New York for credit facilities to its subsidiary Depa International Inc. merged with House of Pearl Fashions (US) Ltd, a wholly owned subsidiary for USD 1,000,000 equivalent to Rs.44,650,000 (Previous Year: USD 6,000,000 equivalent to Rs. 270,180,000).
- (h) Corporate Guarantee given by the company to BNP Paribas, for letter of credit facility to its subsidiary Norwest Industries Ltd. for USD 6,250,000 equivalent to Rs.279,062,500 (Previous Year: USD 4,750,000 equivalent to Rs.213,892,500).
- (i) Corporate Guarantee given by the company to Canara Bank, HK Branch, for securing various credit facilities to its subsidiary Norwest Industries Ltd. for USD 3,000,000 equivalent to Rs.133,950,000 (Previous Year: USD 3,000,000 equivalent to Rs.135,090,000).
- (j) Corporate Guarantee given by the company to Bank of Baroda, Hongkong, for securing credit facilities to its step down subsidiary Simple Approach Ltd. for USD 4,000,000 equivalent to Rs.178,600,000 (Previous Year: Nil ).
- (k) Corporate Guarantee given by the company to Bank of Baroda, Hongkong, for securing credit facilities to its step down subsidiary Norwest Industries Ltd. for USD 5,000,000 equivalent to Rs.223,250,000 (Previous Year: Nil ).
- (l) Corporate Guarantee given by the company to Bank of India, Hongkong, for securing credit facilities to its step down subsidiary Simple Approach Ltd. for USD 2,500,000 equivalent to Rs.111,625,000 (Previous Year: Nil ).
- (m) Corporate Guarantee given by the company to Intesa Sanpaolo S.p.A, Hongkong, Branch for securing credit facilities to its step down subsidiary Norwest Industries Ltd. for USD 18,000,000 equivalent to Rs.803,700,000 (Previous Year: Nil )
- (n) Corporate Guarantee given by the company to Intesa Sanpaolo S.p.A, Hongkong, Branch for securing credit facilities to its step down subsidiary Simple Approach Ltd. for USD 3,000,000 equivalent to Rs.133,950,000 (Previous Year: Nil ).
- (o) Corporate Guarantee given by the company to Intesa Sanpaolo S.p.A, Hongkong, Branch for securing credit facilities to its step down subsidiary Zamira Fashion Ltd. for USD 3,000,000 equivalent to Rs.133,950,000 (Previous Year: Nil ).
- (p) Corporate Guarantee given by the company to Intesa Sanpaolo S.p.A, Hongkong, Branch for securing credit facilities to its step down subsidiary Nor Lanka Manufacturing Ltd. for USD 6,000,000 equivalent to Rs.267,900,000 (Previous Year: Nil ).
- (q) Corporate Guarantee given by the company to ICICI Bank Limited, New Delhi for Rs.100,000,000 for derivative limits to its subsidiary Pearl Global Limited (Previous Year: Rs.100,000,000).

- (r) Corporate guarantee given by the company to HSBC for Rs.200,000,000 for Import documentary credits and import deferred payment credits to its subsidiary Pearl Global Limited. (Previous Year: Rs.200,000,000)
- (s) Corporate Guarantee given by the company to Development Credit Bank for USD 10,000,000/- equivalent to Rs.446,500,000 for derivatives/FX Forward Contact to its subsidiary Pearl Global Limited (Previous Year: USD 10,000,000/- equivalent to Rs.450,300,000 ).
- (t) Corporate Guarantee given by the company to UCO Bank for Rs.50,000,000/- for Term Loan facilities to its Subsidiary Pearl Global Limited( Previous Year: Rs.50,000,000/- both for Term loan and working capital facilities).
- (u) Corporate Guarantee given by the company to UCO Bank for Rs.415,000,000/- for Working Capital Credit facilities to its Subsidiary M/s Pearl Global Limited,( Previous Year: Rs.415,000,000/- both for Term loan and working capital facilities).
- (v) Corporate Guarantee given by the company to Standard Chartered Bank for Rs.960,000,000/- for securing Fund and Non Fund Based credit facilities to its subsidiary Pearl Global Ltd (Previous Year: Rs.556,750,000/-).
- (w) Corporate Guarantee given by the company to Standard Chartered Bank to secure derivative limits sanctioned to its subsidiary Pearl Global Ltd. for Rs.300,000,000/- (Previous Year: Rs.300,000,000/-).
- (x) Corporate Guarantee given by the company to Yes Bank for Rs.80,000,000/- for working capital facility to its subsidiary Pearl Global Ltd (Previous Year: Rs.130,000,000/-).
- (y) Corporate Guarantee given by the company to Yes Bank for Rs.132,500,000/- for Term Loan and Corporate Loan to its subsidiary Pearl Global Ltd. (Previous Year: Rs.132,500,000/-).
- (z) Corporate Guarantee given by the company to Yes Bank for Rs.100,000,000/- for Corporate Loan –II, to its subsidiary Pearl Global Ltd. (Previous Year: Nil).
- (aa) Corporate Guarantee given by the company to DhanLaxmi Bank Limited, New Delhi for Rs.55,000,000/- for derivative limits to its subsidiary Pearl Global Limited (Previous Year: Rs. Nil).

##### In case of Pearl Global Limited (Indian Subsidiary)

- (a) Claims against the Company not acknowledged as debts and other matters Rs. 1,061,474(Previous Year: Rs.1,944,752).
- (b) Export Bills Discounted with banks Rs.305,655,221 (Previous Year Rs. 377,250,832).
- (c) Irrevocable letter of credit outstanding with banks Rs.1,341,481,268 (Previous Year Rs.776,293,336)
- (d) Bank Guarantee given to government authorities Rs.24,976,000/- (Previous Year Rs.225,000).
- (e) 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).

##### In case of Lerros Fashions India Limited (Indian Subsidiary)

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

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

The contingent liability of Norp Knit Industries Limited is Rs.137,451,300 (Previous year Rs.100,584,000) in respect of letters of credit outstanding and Rs.1,174,860 (Previous Year: 1,244,100) in respect of bank guarantee.

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

At 31 March 2011, the sub-subsidiaries have the following Contingent Liabilities:

##### Poeticgem Limited

- (a) The Sub-Subsidiary's banker, Royal Bank of Scotland plc have given a guarantee to H M Revenue & Customs amounting to Rs.42,955,086 (Previous Year 40,721,530) on behalf of the Sub-subsidiary and to Allport Limited amounting to Rs.2,687,126(Previous year : NIL). The maximum liability of Poeticgem Limited to the bankers is 88,597,298 (Previous Year: 81,443,059).
- (b) The Sub Subsidiary's bank has issued a letter of credit for Rs.561,957,622 (Previous Year Rs.541,903,313).
- (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 17thAugust 2005. The Sub-subsidiary's maximum contingent liability under the guarantee as at 31st March 2011 is Rs.4,149,458 (Previous Year Rs.3,933,686)

- (d) The Sub subsidiary has given an unlimited guarantee on the banking facilities of FX Import Company Limited. At the reporting date there was no contingent liability under this guarantee.

#### Norwest Industries Limited

Guarantee given to banks in connection with facilities granted to third parties Rs.575,354,185 (Previous Year Rs.68,119,403).

#### FX Import Company Limited

Royal Bank of Scotland plc, has provided a guarantee on behalf of company to H M Revenue and Customs amounting to Rs.10,738,772 (Previous Year: 10,180,382). Under this guarantee the maximum liability as at 31st March 2011 is Rs.10,738,772 (Previous Year: Rs.10,180,382).

#### Pacific Logistics Limited

Royal Bank of Scotland plc, has provided a guarantee on behalf of company to H M Revenue and Customs amounting to Rs.5,369,386 (Previous Year: 5,090,191). Under this guarantee the maximum liability as at 31st March 2011 is Rs.5,369,386 (Previous Year: Rs.5,090,191).

Company has also extended an unlimited guarantee on the banking facilities of its parent company Poeticgem Limited. This guarantee is supported by a debenture dated 17 August 2005. The Sub-subsiary's maximum contingent liability under the guarantee as at 31 March 2011 is Rs.567,656,614 (Previous Year: Rs.285,599,443).

#### Simple Approach Limited

Contingent Liabilities related to Irrevocable letters of credit is Rs.649,208,723 (Previous Year Rs.246,451,442) and shipping guarantee is Rs.4,242,643 (Previous Year: NIL).

#### Zamira Fashion Limited

Contingent Liabilities related to Irrevocable letters of credit is Rs.64,354,983 (Previous Year: Rs.57,656,457).

## 2. A) Capital Commitments

### In case of Indian companies

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

### In case of Foreign companies

## B) Commitments and Contingencies

### License Agreement (HOPFL US Limited)

Effective February 1, 2009, the company has entered into a license agreement with Geoffrey Beene, LLC to design, manufacture and sell certain men's apparel. This agreement expires on December 31, 2011 with an option to renew for an additional term of three years. The agreement requires the company to make royalty payments based on specified percentages of net sales, as defined. In addition, the company is required to expend a specified percentage of net sales, as defined, for advertising. For the years ended March 31, 2011 and 2010, the license and advertising fees amounted to approximately Rs.34,686,380 and Rs. 32,081,280 respectively.

At March 31, 2011 and 2010, the future minimum payments required under this agreement were as follows:

	March 31 2011	March 31 2010
No later than 1 year	25,115,625	28,706,625
Later than 1 year and no later than 5 years	—	25,329,375
	<u>25,115,625</u>	<u>54,036,000</u>

## 3. Secured Loans

### In case of House of Pearl Fashions Limited (Holding Subsidiary)

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

### In case of Pearl Global Limited (Indian Subsidiary)

- Rupees Term Loan and Working Capital From the Hongkong & Shanghai Banking Corporation is secured by (\*):
  - First charge over stocks and receivables pari passu with consortium banks.
  - First pari passu charge over the company's movable fixed assets (present and future)

- Exclusive first charge over the Fixed Assets of the Chennai unit at D-6/II, Phase II at MEPZ, SEZ Chennai financed from the proceeds of the term loan.
- Pari-Passu charge with UCO bank by way of mortgage of the Property situated at 446, Udyog Vihar Phase-V, Gurgaon to secure term loan.

- Rupee term loan from UCO Bank is secured by
  - Exclusive first charge on the movable/immovable assets purchased from proceeds of term loan (including exclusive charge on the superstructure being built on the land at D-6/III, Phase II at MEPZ, SEZ Chennai).
  - First charge on immovable property at 446, Udyog Vihar Phase-V, Gurgaon.
- Rupee term loan from Yes Bank Ltd is secured by exclusive charge on movable fixed assets of the Company including plant & machinery located at Plot No. 751; sector 37 II, Pace City Gurgaon.
- Rupee term loan & corporate loan from Yes Bank are secured by first charge on moveable fixed assets of the Company and exclusive charge on immovable property located at Plot No.10, Sector-5, Growth Centre, Bawal.
- Rupee term loan from Punjab National Bank is secured by exclusive charge on the movable/immovable assets purchased from proceeds of term loan (including exclusive charge on the land & building located at Plot No.51, Sector-32, Gurgaon).
- Rupee short term loan from Punjab National Bank is secured by sub-servient charge on current assets of the Company (\*).
- Vehicle loans are secured against hypothecation of respective vehicles.
- Pre- post shipment advances and working capital facilities from PNB, UCO Bank, BoB, Chinatrust Commercial Bank, Standard Chartered Bank and Yes Bank which are secured by First pari passu charge on movable fixed assets present & future comprising vehicle, furniture and fixtures, disposable fixed assets, the stocks of raw material, stocks in process, stores & spares, bill receivable & book debts and mortgage of the properties situated at following addresses:

Plot No.H-597-603, RICCO Industrial Area, Bhiwadi, Alwar

Plot No.16-17, Phase-VI, Udyog Vihar, Gurgaon

\* Point No. (i) & (vi) has been fully discharge during the year

### In case of Multinational Textile Group Limited (Foreign subsidiary)

#### Norwest Industries Limited

- Norwest Industries Limited has banking facilities secured by way of:
  - The Company's Pledge time deposit and marketable securities.
  - Bank Guarantees of aggregate Rs.80,370,000.
  - Guarantee from the ultimate holding company, a fellow subsidiary, directors of the company and a related party, and
  - Company's insurance deposits.
- Norwest Industries Limited has Mortgage loan which is secured, bears interest at 2.25% over 1 month HIBOR and is repayable by 119 monthly equal installments which commenced on 10th September 2006.
 

The subsidiary, Norwest Industries limited has also mortgage loan which is secured, bears interest at 2% below the Hongkong and Shanghai Banking Corporation limited best lending rate and is repayable by 120 monthly equal installments of Rs. 551,950 commencing on 30<sup>th</sup> September 2007.

The term loan is secured by the pledge of certain insurance policies, interest bearing at 1% over one month HIBOR per annum and repayable by 83 equal monthly installments which commenced on 8<sup>th</sup> October 2010.

#### Poeticgem Limited

Long term 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 sub-subsiary and a cross guarantee between Poeticgem Limited and its subsidiary Pacific Logistics Limited. The Loans carry an average interest rate of 2.28% over the base rate and is determined based on 1.9% plus base rate.

At 31<sup>st</sup> March 2011, Poeticgem Limited had available Rs.69,745,126 (Previous Year Rs.344,761,886) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

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

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

Name of the Enterprises	Country of Incorporation	% of voting power held as at 31.03.2011	% of voting power held as at 31.03.2010
M/s Pearl Global Ltd	India	60.49%	60.49%
M/s Hopp Fashion	India	75.00%	75.00%
M/s Norp Knit Industries Ltd.	Bangladesh	99.99%	99.99%
M/s Multinational Textile Group Ltd *	Mauritius	100.00%	100.00%
M/s House of Pearl Fashions (US) Ltd. (Remaining 22% held by one of the fellow Subsidiary Global Textiles Group Limited)	USA	78.00%	100.00%
Lerros Fashions India Ltd	India	59.64%	59.55%

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

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.11	% of voting power held as at 31.03.10
Global Textiles Group Ltd.	31.03.2006	Mauritius	100%	100%
Norwest Industries Limited	31.05.2006	Hong Kong	85%	85%
Zamira Fashions Limited	20.09.2007	Hong Kong	67%	67%
Pearl GES Group Limited	13.05.2008	Hong Kong	51%	51%
Simple Approach Limited	30.11.2008	Hong Kong	75%	75%
Nor Delhi Manufacturing Limited, (Formerly known as Magic Global Fashions Ltd). (10.02.2011)	19.01.2009	Hong Kong	100%	100%

**Norwest Industries Ltd, holds the following subsidiaries**

Name of the Company	Date of acquisition	Country of Incorporation	% of voting power held as at 31.03.11	% of voting power held as at 31.03.10
Nor Lanka Manufacturing Limited, (Formerly known as Poetic Hong Kong Ltd)	18.03.2009	Hong Kong	100%	-
Nor India Manufacturing Co. Limited, Hongkong	17.12.2010	Hong Kong	100%	-

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

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.11	% of voting power held as at 31.03.10
Poeticgem Limited	30.03.2006	UK	100%	100%
PT Norwest Industry	30.03.2006	Indonesia	74%	74%
	15.05.2006		25.80%	25.80%
	31.01.2008		0.07%	0.07%

**Poeticgem Limited holds the following subsidiaries:**

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.11	% of voting power held as at 31.03.10
Pacific Logistics Limited	27.10.2003	UK	100%	100%
Poeticgem (Canada) Limited	31.08.2006	Canada	100%	100%
Pacific Supply Chain Limited	16.04.2007	UK	100%	100%
FX Imports Company Limited	26.03.2008	UK	50%	50%
Poetic Knitwear Limited	31.03.2009	UK	67%	67%
Razamlazz Limited			100%	-

**Zamira Fashions Limited holds the following subsidiary:**

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.11	% of voting power held as at 31.03.10
Zamira Fashions Europe Ltd.	25.03.2009	UK	100%	100%

**Pearl GES Group Limited holds the following subsidiary:**

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.11	% of voting power held as at 31.03.10
Pearl GES Home Group Ltd.	13.05.2008	Hong Kong	90%	90%

**Pearl GES Home Group Limited holds the following subsidiary:**

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.11	% of voting power held as at 31.03.10
Pearl GES Home Group SPA	31.07.2008	Chile	100%	100%

**Nor Delhi Manufacturing Limited holds the following subsidiary:**

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.11	% of voting power held as at 31.03.10
Magic Global Fashion Ltd. UK	23.01.2009	UK	100%	100%

**FX Imports Company Limited holds the following subsidiary:**

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.11	% of voting power held as at 31.03.10
FX Import Hong Kong Limited	16.03.2009	Hong Kong	100%	100%

**Pearl Global Limited holds the following subsidiary:**

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.11	% of voting power held as at 31.03.10
Pearl Global Fareast Limited	16.03.2009	Hong Kong	100%	100%

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

- a. In case of Multinational Textile Group Limited and its subsidiaries (hereinafter referred as foreign subsidiaries), interest income is recognized on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of financial asset. This is inconsistent with the policy of parent company and its Indian subsidiaries, where interest is recognized on time proportion basis. The interest income from foreign subsidiaries represents 28.75 % of total interest income (Previous Year: 32.48%) of Rs.46,475,997 (Previous Year: Rs.49,528,307).
- b. In the case of Multinational Textile Group Limited and its subsidiaries (hereinafter referred as foreign subsidiaries), cost of fixed assets also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of fixed assets. This is inconsistent with the policy of parent company and its Indian subsidiaries, where no such treatment is prescribed under the Indian GAAP. However, during the year, no fixed assets have been purchased by the foreign subsidiaries in foreign currency.
- c. 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	31.03.2011	31.03.2010
1.	Net Block	847,584	1,488,965
2.	Depreciation on the basis of WDV debited to P&L A/c	108,048	216,955

- 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 70.79% (Previous Year : 69.99%) i.e. Rs.15,800,450,094 (Previous Year : Rs.12,822,969,505) of total sales of Rs.22,320,676,704 (Previous Year : Rs.18,320,485,571)
- 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	Foreign Subsidiaries inventory on FIFO Basis	% of Total Inventory
Finished Goods	794,718,989 (636,445,600)	58,955,282 (37,068,318)	7.42 (5.82)
WIP	581,662,876 (178,559,671)	450,383,525 (54,845,575)	77.43 (30.72)
Raw Material	718,421,081 (518,548,364)	66,517,341 (39,538,668)	9.26 (7.62)

Note: Figures in brackets denotes previous year figure

- f. In case Nor-Pearl Knitwear Limited (foreign Subsidiary) dividend is accounted for when it is received. This is inconsistent with the policy of parent company and its Indian subsidiaries, where dividend is recognized when the right to receive is established. However, No dividend during the year is received by the foreign subsidiary.
- g. In the case of Nor Pearl Knitwear Limited ( a foreign subsidiary) investments are stated at cost. This is inconsistent with the policy of parent company and its Indian subsidiaries where investment are classified as held for trading, held to maturity and available for sales on the basis of AS-30. The valuation of investments are as per AS-30 is given in point 9 of significant accounting policies above. The investment of foreign subsidiaries represent 0% of total investments (Previous Year : 0.54% ) i.e Rs. NIL (Previous Year Rs.49,149,028)

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

(Amount in Rupees)

Company	31.03.2011	31.03.2010
Pearl Global Limited	(308,575,005)	(308,575,005)
Nor Pearl Knitwear Limited (charged to P&L, Excluded from consolidated w.e.f. 6 <sup>th</sup> March 2011 after HOPFL cease its relationship as parent-subsidiary with Norpeal after the disposal of its entire stake)	-	32,731,909
Norp Knit Industries Limited	33,555,837	33,555,837
M/s Multinational Textiles Limited*	206,013,800	207,767,212
M/s Lerros Fashions India Ltd.	49,664,215	49,664,215

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

(Amount Rupees)

Company	31.03.2011	31.03.2010
Global Textiles Group Ltd.	116,066,310	117,054,108
Norwest Industries Ltd	(5,348,670)	(5,394,191)
Poeticgem Ltd.	(49,594,974)	(50,017,059)
Depa International Inc.	(8,886,201)	(8,961,724)
PT Norwest Industries Ltd.	10,613,662	10,703,991
Pacific Logistic Ltd.	(9,364,695)	(9,444,395)
Poeticgem (Canada) Ltd	1,151,741	1,161,544
FX Imports UK	50,003,222	50,428,781
Pacific Supply Chain Ltd.	26,701	26,928
Simple Approach Ltd.	101,346,704	102,209,229
Total	206,013,800	207,767,212

**7. Payments to Auditors**

(Amount in Rupees)

Particulars	Current Year	Previous Year
Audit Fee	18,679,461	17,891,032
Other Matters *	464,355	451,494
Service Tax	207,513	207,700

\* Included in professional charges and out of pocket expenses.

**8. Managerial Remuneration**

(Amount in Rupees)

Particulars	Current Year	Previous Year
Salary	60,404,704	102,230,595
Contribution to PF	28,080	18,720
Perquisites	-	-
Total	60,432,784	102,249,315

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

**9. Segment Reporting**

For the year ended March 31, 2011, the company has identified geographical segments as its primary segment and business segment as its secondary segment.

The geographical segments of the company based on the location of assets are United Kingdom, Hong Kong, India and Others.

The business segments considered by the Company are:

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



### A. Geographical Segment

(Amount in Rs.)

	UK	Hong Kong	India	Others	Total	Elimination	Total
<b>SEGMENT REVENUE</b>							
Segment Sales	1,075,829,435	12,679,472,800	6,518,161,783	2,047,212,686	22,320,676,704	-	22,320,676,704
	(1,554,833,032)	(9,193,397,677)	(5,496,064,708)	(2,076,190,154)	(18,320,485,571)	-	(18,320,485,571)
Inter Segment Sales	-	483,158,431	159,060,594	1,005,292,862	1,647,511,887	1,647,511,887	-
	(8,945,760)	(112,633,718)	(552,501,850)	(901,242,749)	(1,575,324,077)	(1,575,324,077)	-
Total Segment Sales	1,075,829,435	13,162,631,231	6,677,222,377	3,052,505,549	23,968,188,591	1,647,511,887	22,320,676,704
	(1,563,778,792)	(9,306,031,395)	(6,048,566,558)	(2,977,432,903)	(19,895,809,648)	(1,575,324,077)	(18,320,485,571)
Other Income	93,865,801	263,834,568	335,636,202	80,033,595	773,370,166	449,468,009	323,902,157
	(241,246,816)	(359,519,546)	(188,866,527)	(104,751,074)	(894,383,963)	(441,094,809)	(453,289,154)
Total Segment Revenue	1,169,695,236	13,426,465,798	7,012,858,579	3,132,539,143	24,741,558,757	2,096,979,896	22,644,578,862
	(1,805,025,608)	(9,665,550,941)	(6,237,433,085)	(3,082,183,977)	(20,790,193,611)	(2,016,418,886)	(18,773,774,725)
Total Revenue of each segment as a percentage of total revenue of all segment	4.73	54.27	28.34	12.66	100.00		
	(8.68)	(46.49)	(30.00)	(14.83)	(100.00)		
Total Segment Operative Profit	(7,532,704)	455,481,764	276,353,056	84,587,633	808,889,749	-	808,889,749
	(18,614,498)	(488,574,654)	(172,172,427)	75,121,937	(604,239,641)	-	(604,239,641)
Depreciation	32,213,436	46,831,331	97,755,722	50,397,208	227,197,697	-	227,197,697
	(32,513,184)	(41,861,330)	(83,618,313)	(55,587,487)	(213,580,313)	-	(213,580,313)
Unallocated Expenses							28,958,478
							(40,328,556)
Total Segment Result before Interest & Taxes/Extraordinary items	(39,746,139)	408,650,433	178,597,334	34,190,424	581,692,052	28,958,478	552,733,574
	13,898,686	(446,713,324)	(88,554,114)	130,709,424	(390,659,328)	(40,328,556)	(350,330,772)
Total EBIT of each segment as a percentage of total EBIT of all segment	(6.83)	70.25	30.70	5.88	100.00		
	3.56	(114.35)	(22.67)	33.46	(100.00)		
Net Financing Cost							275,849,424
							(188,968,501)
Income Tax Expenses							(11,927,693)
							(19,986,819)
Extraordinary Item							60,058,033
							-
Profit for the Year							228,753,810
							(141,375,452)
<b>SEGMENT ASSETS</b>	1,411,062,024	3,997,314,129	5,390,521,345	2,352,066,145	13,150,963,644	-	13,150,963,644
	(1,668,558,212)	(3,129,379,820)	(5,154,499,273)	(1,474,660,681)	(11,427,097,986)	-	(11,427,097,986)
Segment Assets as a percentage of Total assets of all segments	10.73	30.40	40.99	17.89	100.00		
	(14.60)	(27.39)	(45.11)	(12.90)	(100.00)		
<b>SEGMENT LIABILITIES</b>	686,327,603	956,376,034	1,065,946,855	739,859,076	3,448,509,569	-	3,448,509,569
	(802,536,188)	(1,542,732,580)	(1,135,954,386)	(371,928,099)	(3,853,151,253)	-	(3,853,151,253)
Segment Liabilities as a percentage of Total Liabilities of all segments	19.90	27.73	30.91	21.45	100.00		
	(20.83)	(40.04)	(29.48)	(9.65)	(100.00)		
Segment Capital Employed	724,734,421	3,040,938,095	4,324,574,490	1,612,207,069	9,702,454,075	-	9,702,454,075
	(866,022,024)	(1,586,647,240)	(4,018,544,887)	(1,102,732,582)	(7,573,946,733)	-	(7,573,946,733)
Segment Capital Employed as a percentage of Total capital employed of all segments	7.47	31.34	44.57	16.62	100.00		
	(11.43)	(20.95)	(53.06)	(14.56)	(100.00)		
Capital Expenditure	15,159,389	57,701,508	56,176,013	7,438,861	136,475,771	-	136,475,771
	(30,401,284)	(57,812,531)	(252,568,870)	(5,312,083)	(346,094,768)	-	(346,094,768)
Segment Capital Expenditure as a percentage of Total capital expenditure of all segments	11.11	42.28	41.16	5.45	100.00		
	(8.78)	(16.70)	(72.98)	(1.53)	(100.00)		
Depreciation	32,213,436	46,831,331	97,755,722	50,397,208	227,197,697	-	227,197,697
	(32,513,184)	(41,861,330)	(83,869,580)	(55,587,487)	(213,831,580)	-	(213,831,580)

B. Business Segment	(Amount in Rs.)					
	Manufacturing	Marketing Distribution Sourcing & Trading	Branding & Retailing	Total Segment	Elimination	Total
<b>SEGMENT REVENUE</b>						
External Sales	7,389,061,801	14,922,219,471	9,395,432	22,320,676,704	-	22,320,676,704
	(5,927,921,645)	(12,247,694,599)	(144,869,327)	(18,320,485,571)	-	(18,320,485,571)
Inter Segment Sales	926,758,089	720,753,798	-	1,647,511,887	1,647,511,887	-
	(1,453,744,599)	(121,579,478)	-	(1,575,324,077)	(1,575,324,077)	-
Total Segment Sales	8,315,819,891	15,642,973,269	9,395,432	23,968,188,591	1,647,511,887	22,320,676,704
	(7,381,666,244)	(12,369,274,076)	(144,869,327)	(19,895,809,648)	(1,575,324,077)	(18,320,485,571)
Other Income	372,899,912	393,684,156	6,786,097	773,370,166	449,468,009	323,902,157
	(209,563,933)	(678,908,666)	(5,911,363)	(894,383,963)	(441,094,809)	(453,289,154)
Total Segment Revenue	8,688,719,803	16,036,657,425	16,181,529	24,741,558,757	2,096,979,896	22,644,578,662
	(7,591,230,178)	(13,048,182,743)	(150,780,690)	(20,790,193,611)	(2,016,418,886)	(18,773,774,725)
Total Revenue of each segment as a percentage of total revenue of all segment	35.12	64.82	0.07	100.00		
	(36.51)	(62.76)	(0.73)	(100.00)		
Segment Result EBIDTA	466,882,479	440,625,556	(98,618,286)	808,889,749	-	808,889,749
	(331,192,210)	(366,711,523)	93,664,092	(604,239,641)	-	(604,239,641)
Total EBIDTA of each segment as a total EBIDTA	57.72	54.47	(12.19)	100.00		
	(54.81)	(60.69)	15.50	(100.00)		
Depreciation	143,242,694	81,505,357	2,449,646	227,197,697	-	227,197,697
	(128,216,444)	(78,480,991)	(6,882,878)	(213,580,313)	-	(213,580,313)
Unallocated Expenses						28,958,478
						(40,328,556)
Total Segment Result before Interest & Taxes/Extraordinary items	323,639,786	359,120,199	(101,067,932)	581,692,052		552,733,574
	(202,975,766)	(288,230,532)	100,546,970	(390,659,328)		(350,330,772)
Total EBIT of each segment as a percentage of total EBIT of all segment	55.64	61.74	(17.37)	100.00		
	(51.96)	(73.78)	25.74	(100.00)		
Net Financing Cost						275,849,424
						(188,968,501)
Income Tax Expenses						(11,927,693)
						(19,986,819)
Exceptional Loss						60,058,033
						-
Profit For the Year						228,753,810
						(141,375,452)
<b>SEGMENT ASSETS</b>	6,291,793,151	6,752,891,116	106,279,377	13,150,963,644	-	13,150,963,644
	(5,816,563,628)	(5,442,515,969)	(168,018,389)	(11,427,097,986)	-	(11,427,097,986)
Segment Assets as a percentage of total assets of all segments	47.84	51.35	0.81	100.00		
	(50.90)	(47.63)	(1.47)	(100.00)		
<b>SEGMENT LIABILITIES</b>	1,470,857,868	1,938,829,985	38,821,716	3,448,509,569	-	3,448,509,569
	(1,266,513,251)	(2,541,906,921)	(44,731,081)	(3,853,151,253)	-	(3,853,151,253)
Segment Liabilities as a percentage of total liabilities of all segments	42.65	56.22	1.13	100.00		
	(32.87)	(65.97)	(1.16)	(100.00)		
Segment Capital Employed	4,820,935,284	4,814,061,131	67,457,661	9,702,454,075	-	9,702,454,075
	(4,550,050,377)	(2,900,609,048)	(123,287,308)	(7,573,946,733)	-	(7,573,946,733)
Segment Capital Employed as a percentage of total capital employed of all segments	49.69	49.62	0.70	100.00		
	(60.08)	(38.30)	(1.63)	(100.00)		
Capital Expenditure	63,582,235	72,893,536	-	136,475,771		136,475,771
	(257,616,897)	(88,477,871)	-	(346,094,768)		(346,094,768)
Segment Capital Expenditure as a percentage of total capital expenditure of all segments	46.59	53.41	-	100.00		
	(74.44)	(25.56)	-	(100.00)		
Depreciation	143,242,694	81,505,357	2,449,646	227,197,697		227,197,697
	(128,216,444)	(78,480,991)	(6,882,878)	(213,580,313)		(213,580,313)

## 10. Related Party Disclosure

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

Nature of Relationship	Concerns	Country of incorporation
<b>Associates</b>	Pearl Apparels Limited	India
	Pearl Retail Solutions Pvt. Ltd.	India
	Nim International.Commerce Pvt. Ltd.	India
	Vau Apparels Pvt. Limited	India
	Little People Education Society	India
	Deepak Seth & Sons (HUF)	India
	HOPP Fashions	India
	Pearl Wears	India
	Vastras	India
	Pallas Holdings Limited	Mauritius
	SACB Holdings Limited	Mauritius
	Transnational Textile Group Ltd.	Mauritius
	PAF International Limited	Bangladesh
	JSM Trading (F.Z.E.)	Dubai
	Lerros Moden, GmbH	Germany
	Premier Pearl Garment	Vietnam
	Joint Stock Co. Ltd.	
	Pearl Academy of Fashion (Not exist on 31.03.11)	India
	Superb Mind Holdings Limited	Mauritius
	Grupo Extremo SUR S.A.	Chille
Fru Holdings Ltd.	Mauritius	
NAFS	UK	
<b>Key Managerial Person/ Whole time Director of the group/ Relatives</b>	Mr. Deepak Seth	
	Mr. Pallak Seth	
	Mr. Pulkit Seth	
	Mrs. Payel Seth	
	Mrs. Shefali Seth	
	Mr. Sanjay Pershad Mr. Sanjay Sarkar	

(Amount in Rupees)

Nature of Transaction	Relationship	Current Year	Previous Year
Advance Given	Associates	48,155,159	65,075,305
Advance Rent Paid	Associates	8,100,000	-
Advance Recovered	Associates	6,143,438	31,564,644
Sale of Goods	Associates	1,401,995	-
	KMP	-	132,253
Sale of Software	Associates	-	10,081,500
Job Work	Associates	-	19,986,915
Expenses Reimbursed	KMP	-	1,680,905
	Associates	6,428,186	4,895
Expenses Paid	KMP	-	424,175
Expenses Paid by us on their behalf	KMP	-	1,603,709
	Associates	1,262,146	-
Interest Paid	Associates	-	677,721
	KMP	114,328	-
Interest received	Associates	9,073,447	18,975,002
Sampling Expenses	Associates	-	13,720
Rent Paid	Associates	9,480,000	9,360,000
Rent Received	Associates	-	7,567,200
Share Application Money returned back	Associates	-	2,150,000
Loan Given	Associates	1,526,142	37,400,000
Loan Refund	Associates	-	45,752,241
Loan taken from directors	KMP	-	30,000,000
Loan Repaid	KMP	10,000,000	15,675,572

Nature of Transaction	Relationship	Current Year	Previous Year
Purchase of Goods	Associates	574,496	5,219,717
Share Application Money Received	Associates	21,726,218	-
Remuneration Paid	KMP/WTD/ Relative	60,432,784	102,249,315
Closing Balance			
- Other Receivable	Associates	241,890,680	119,180,890
- Other Payable	Associates	20,963,450	20,557,051
- Loan	Associates	176,405,545	180,845,285
- Sundry Debtors	Associates	-	9,269,343

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

(Amount in Rupees)

Nature of Transaction	Relationship	Current Year	Previous Year
<b>Advance Given</b>			
JSM Trading Company	Associates	-	6,1087,473
Vastras		-	1,410,000
Group Extremo SUR S.A.		40,488,888	-
Little People Education Society		-	-
<b>Advance Recovered</b>			
Pallas Holding Ltd.	Associates	3,390,766	16,738,642
Vau Apparels Pvt. Limited		-	3,300,000
Little People Education Society		-	4,500,000
Vastras		-	1,506,002
JSM Trading Limited		2,679,000	-
<b>Advance Returned</b>			
Little People Education Society	Associates	-	5,000,000
<b>Sale of Goods</b>			
Lerros	Associates	1,401,995	-
Mrs.Faiza Seth	KMP	-	132,253
<b>Sale of Software</b>			
Lerros Modem GMBH	Associates	-	10,081,500
<b>Job Work</b>			
Crown Computerized Embroideries	Associates	-	19,986,915
<b>Advance Rent</b>			
- Little People Education Society	Associates	81,00,000	-
<b>Expenses Reimbursed</b>			
Pearl School of Business	Associates	-	977,151
Pearl Academy of Fashion		-	703,754
Little People Education Society		102,485	-
Mr. Pulkit Seth	KMP	-	4,895
<b>Expenses Paid</b>			
Pearl Academy of Fashion	Associates	-	424,175
<b>Expenses Paid by us on their behalf</b>			
- Little People Education Society	Associates	847,962	-
- Nim International Commerce Pvt Limited	Associates	413,081	-
<b>Expenses Recovered</b>			
- Little People Education Society	Associates	2,355,998	-
<b>Service Received</b>			
- Little People Education Society	Associates	675,036	-
<b>Interest Paid</b>			
Mr.Deepak Seth	KMP	114,328	230,137
Mr.Pulkit Seth		-	447,584
<b>Interest received</b>			
Little People Education Society	Associates	9,073,447	18,975,002
<b>Security Paid</b>			
Little People Education Society	Associates	720,000	-

Nature of Transaction	Relationship	Current Year	Previous Year
<b>Sampling Expenses</b>			
Crown Computerized Embroideries	Associates	-	13,720
<b>Rent Paid</b>			
Pearl School of Business	Associates	-	3,060,000
Little People Education Society		9,480,000	6,300,000
<b>Rent Received</b>			
Pearl Academy of Fashion	Associates	-	6,978,600
<b>Share Application Money Received</b>			
- Lerros Modern GmbH	Associates	21,726,218	-
<b>Share Application Money returned back</b>			
Vau Apparels Pvt. Ltd.	Associates	-	2,150,000
<b>Loan Given</b>			
Little People Education Society	Associates	1,526,142	37,400,000
<b>Loan Refund</b>			
Little People Education Society	Associates	-	37,390,116
Pearl Academy of Fashion	Associates	-	8,362,125
Mr. Deepak Seth	KMP	10,000,000	-
<b>Purchase of Goods</b>			
Lerros Modern GmbH	Associates	574,496	5,219,717
Pearl Academy of Fashion		-	-
-Vau Apparels Pvt. Limited		-	-
<b>Closing Balance</b>			
JSM Trading Limited	Associates	75,351,117	74,596,473
Little People Education Society		206,189,648	199,939,427
HOPP Fashions		-	53,833,055
Grupo Extremo SUR S.A.		40,488,888	-
Lerros Modern GmbH		163,894	-
Frou Holding Limited		26,426,683	-

#### 11. Earning Per Share

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

(Amount in Rupees)

Particulars	Current Year	Previous Year
Profit/(Loss) attributable to the equity shareholders	195,650,299	88,327,165
Basic & weighted average number of equity share outstanding during the year	19,500,343 shares	19,500,343 shares
Nominal Value of Equity shares	10	10
Basic Earning per share	10.03	4.53
Potential Equity Shares	Nil	Nil
Diluted Earning per share	10.03	4.53

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

(Amount in Rupees)

Particulars	Current Year	Previous Year
<b>Deferred Tax Assets</b>		
Unabsorbed Depreciation & Business Losses	109,472,955	73,657,472
Capital Losses	59,839,997	8,576,342
Others	17,953,760	50,580,022
<b>Total (A)</b>	<b>187,266,712</b>	<b>132,813,836</b>
<b>Deferred Tax Liabilities</b>		
Depreciation	131,443,892	111,172,581
<b>Total (B)</b>	<b>131,443,892</b>	<b>111,172,581</b>
<b>Net Deferred Tax Assets/(Liabilities)</b>	<b>55,822,820</b>	<b>21,641,255</b>

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

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

S. No.	Particulars	(Amount in Rs.)
1.	Investment in subsidiary companies for increasing the Group's production capacity by :	
a.	Manufacturing Facilities at cost effective locations	46,555,793
b.	Expansion of a new bottom manufacturing facility by Pearl Global Limited at Madras Export Promotion Zone Tambaram	25,000,000

S. No.	Particulars	(Amount in Rs.)
c.	Establishment of a new woven and knits manufacturing facility by PT Norwest Indonesia at Semarang , Indonesia	5,969,250
d.	Acquisition of an existing knitted garment Manufacturing facility by Pearl Global Limited in Khandsa Gurgaon Haryana, India	54,000,000
e.	New Manufacturing Facility by Norp Knit Industries Ltd./other subsidiaries or joint ventures companies at cost effective locations	15,058,950
2.	Investment in Pearl Global Ltd for design center	38,000,000
3.	Setting up an Integrated Information Technology System	179,082,063
4.	Prepayment of certain term loans availed by the company and its subsidiaries	492,374,989
5.	Investment in its subsidiary company, Multinational Textiles, for payment of purchase of SACB Holdings Limited and Pallas Holdings Limited as part of the Group restructuring.	491,729,400
6.	Setting up a domestic branded apparel retail business	229,845,540
7.	Acquisition of existing companies to set up joint ventures companies for marketing & distribution or whole sale and supply business in apparel, accessories or related segments within or outside India	490,555,682
8.	Meeting Share Issue expenses	191,950,492
9.	*Extended working capital & temporary loans to its subsidiaries as an interim use of funds.	531,877,537
10.	Balance amount lying in the mutual funds and fixed deposits & Bank Balances	62,335,304

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

\*Extended a working capital loans of Rs.27,129,029/- on a rolling basis to its subsidiary House of Pearl Fashions (US) Ltd. as an interim use of funds.

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

\*Extended a temporary loan of Rs.66,838,573/- for working capital to its subsidiary Pearl Global Limited as an interim use of funds.

\*Extended a temporary loan of Rs.101,207,655/- for working capital to other subsidiaries as an interim use of funds.

#### 14. Currency Derivative

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

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

Particulars	31.03.2011 USD	31.03.2010 USD
Foreign Exchange Contract	28,206,957 (Equivalent to Rs.1,259,440,630)	9,544,912 (Equivalent to Rs.429,807,387)

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 2012.

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

#### 15. Lease

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

The company has entered into a long term operating lease agreement for the rental of showroom space which expires on September 30, 2015. For the years ended March 31, 2011 and 2010, rent expenses amounted to Rs.14,038,640 and Rs.12,985,280, respectively.

	Current Year
Not later than 1 year	10,983,900
Later than 1 year and not later than 5 years	40,497,550
Total	51,481,450

##### In the case of Multinational Textile Group Limited and its subsidiaries

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

(Amount in Rupees)

Particulars	Current Year	Previous Year
Not Later than 1 year	2,683,063	3,549,490
Later than 1 year and not later than 5 years	-	-
<b>Total</b>	<b>2,683,063</b>	<b>3,549,490</b>

#### Operating Lease Arrangements

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

#### Norwest Industries limited

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

#### Poetigem Limited , Pacific Logistics Limited, Norwest Industries Limited and FX Imports Company Limited

(Amount in Rupees)

Particulars	Current Year	Previous Year
Minimum lease payments under operating lease recognized in the consolidated income statement for the year	25,734,924	34,031,889

At the reporting date the subsidiaries & sub-subsidiaries had outstanding commitments for future minimum lease payment under non cancelable operating leases, which falls due as follows:

#### Poetigem Limited , Pacific Logistics Limited, Norwest Industries Limited , FX Imports Company Limited & PG Group Limited.

(Amount in Rupees)

Particulars	Land & Buildings		Others	
	Current Year	Previous Year	Current Year	Previous Year
Within one year	14,027,110	13,229,904	45,299,658	44,235,446
In the second to fifth years	4,373,334	16,785,338	50,796,073	73,047,981
<b>Total</b>	<b>18,400,444</b>	<b>30,015,242</b>	<b>96,095,731</b>	<b>117,283,427</b>

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

#### Obligations under finance Lease

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

(Amount in Rupees)

Amount payable under finance lease:	Current Year	Previous Year
Within one year	863,665	873,762
In the second to fifth Year	1,223,544	2,111,547
	<b>2,087,209</b>	<b>2,985,309</b>
Less: Finance Charges	(221,821)	(444,131)
	<b>1,865,388</b>	<b>2,541,178</b>
Less than one year	719,892	653,971
More than year	1,145,496	1,887,162
<b>Total</b>	<b>1,865,388</b>	<b>2,541,133</b>

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

#### In the case of Pearl Global Limited

#### Assets taken on Lease

The company has taken certain assets on non-cancelable operating lease and lease rent amounting to Rs.34,288,127/-(Previous Year Rs.8,599,744) has been debited to Profit & Loss account. The future minimum lease payments is as under:

(Amount in Rupees)

S. No.	Minimum Lease Payments Payables	Current Year	Previous Year
(i)	not later than in 1 years	36,642,128	10,121,218
(ii)	Later than 1 year but not later than 5 years	116,983,927	15,750,651
(iii)	Later than 5 years	4,593,755	7,048,932

#### General Description of Lease Terms:

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

Particulars	Purchase Option	Escalation Clause	Contingent Rent	Sub-Leasing
Mrs. Ranjna Sabharwal (# 551/V, Udyog vihar)	No	10% Every Year	No	No
Gopal Clothing Company Ltd.	No	17.5% after 30 month	No	No
Hope Apparels Pvt. Ltd.	No	5% Every year	No	No.
Pearl School of Business	No	No	No	No
Beeku Exports	No	5% after lock in period of 3 year	No	No

#### Assets given on lease

- a) The company has given certain assets on non-cancelable operating lease and lease rent income amounting to Rs.7,867,900 (Previous Year Rs.7,631,100) has been credited in Profit & Loss account. The future minimum lease payments receivables and details of assets, as at March 31, 2011 are as follows:

(Amount in Rupees)

S. No.	Minimum Lease Payments Receivables	Current Year	Previous Year
(i)	not later than in 1 years	8,418,300	7,868,700
(ii)	later than 1 year but not later than 5 years	25,115,384	32,158,920
(iii)	later than 5 years	-	15,462,360

#### b) Asset Description

(Amount in Rupees)

(i)	Gross Investment on Lease Assets	35,255,587	35,255,587
(ii)	Accumulated Depreciation	6,729,899	5,931,810
(iii)	Depreciation Charged during the Year	798,089	798,089

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

Particulars	Purchase Option	Escalation Clause	Contingent Rent	Sub-Leasing
B-Earth & Spire India P. Ltd.	No	20% (After 2 Years)	No	No
Crown Computerized Unit 16-17	No	No	No	No
Crown Computerized Unit 751	No	No	No	No
Crown Computerized Unit 274	No	No	No	No
Little People Education Society	No	20% (After Every 5 Years)	No	No
Creative Art Education Society A-21/13	No	15% (After Every 3 Years)	No	No

#### In case of Lerros Fashions India Ltd.

#### (a) Assets taken on Lease

The company has taken certain assets on non-cancelable operating lease and lease rent amounting to Rs.38,604,680/- (Previous Year Rs.52,561,504/-) and has been debited to Profit & Loss account.

The detail of future minimum lease payments is as under:

(Amount in Rs.)

	Minimum Lease Payments Payables	Current Year	Previous Year
(i)	Not later than in 1 year	26,201,289	58,684,427
(ii)	Later than 1 year but not later than 5 years	51,291,748	226,320,734
(iii)	Later than 5 years	-	66,383,644
<b>Total</b>		<b>77,493,037</b>	<b>351,388,805</b>

#### General Description of Lease Agreements

Particulars	Purchase Option	Escalation Clause	Contingent Rent	Sub-Leasing
Ambience Mall	No	15% after every three years	20% of Net Sales Turnover	No
Noida Mall	No	15% after 29 months	No	No
Select City walk Mall	No	15% after every three years	15% of Net Sales Turnover	No
Gurgaon Building	No	NA	No	No

**In the case of House of Pearl Fashions Ltd.****(a) Assets Given on Lease**

- (i) The company has given certain assets on operating lease and lease rent income amounting to Rs.2,803,500 (Previous Year Rs.2,803,500) has been credited in Profit & loss Account. The future minimum lease payments receivables and detail of assets as at 31st March, 2011 are as follows:

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

	Current Year	Previous Year
Not later than 1 year	2,803,500	2,803,500
Later than 1 year but not later than 5 years	9,498,084	11,807,400
Later than 5 years	-	9,660,600

**(ii)**

Gross Investment on leased Assets	2,808,329	2,808,329
Accumulated Depreciation on Lease Assets as on 31 <sup>st</sup> March, 2011	1,729,791	1,729,791
Depreciation Charged During the Year	-	59,195

**(iii) General Description on Lease Terms:**

Particulars	Purchase Option	Escalation Clause	Contingent Rent	Sub-Leasing
Pearl Global Ltd.	No	No	No	No
Creative Art Education Society	No	15% After Every 3 Yrs.	No	No

**(b) Assets taken on Lease**

- (i) The company has taken certain assets on non-cancelable operating lease and lease rent debited to Profit & Loss account amounting to Rs. 4,740,000. (Previous Year Rs. 1,381,100\*).. The details of future minimum lease payments is as under:

**(Amount in Rupees)**

	Minimum Lease Payments Payables	Current Year	Previous Year
(i) Not later than in 1 year	4,332,000	1,320,000	
(ii) Later than 1 year but not later than 5 years	6,451,500	6,157,800	
(iii) Later than 5 years	2,327,600	4,073,300	
Total	13,111,100	11,551,100	

**(ii) General Description of Lease Terms**

Particulars	Purchase Option	Escalation Clause	Contingent Rent	Sub-Leasing
Little People Education Society (PSB)	No	No	No	No
Shakuntla Yadav	No	Yes (@ 15%)	No	No

**17. Credit Risk Exposure and Concentration**

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

Particulars	March 31, 2011			
	Banks and Financial Institutions	Accredited customers	Related Parties	Total
Cash	40,541,173	-	-	40,541,173
Due from Factor	54,524,214	-	-	54,524,214
Trade and other receivables	-	48,002,188	-	48,002,188
Due from affiliates	-	-	5,966,624	5,966,624
	95,065,387	48,002,188	5,966,624	149,034,199

Particulars	March 31, 2010			
	Banks and Financial Institutions	Accredited customers	Related Parties	Total
Cash	32,417,682	-	-	32,417,682
Due from Factor	73,483,106	-	-	73,483,106
Trade and other receivables	-	11,005,062	-	11,005,062
Due from affiliates	-	-	7,268,878	7,268,878
	105,900,788	11,005,062	7,268,878	124,174,728

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

**16. Financial Instruments**

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

**(Amount in Rupees)**

Particulars	March 31, 2011		Breakdown by Category	
	Carrying Value	Fair Value	Loans and receivables	Financial liabilities at amortized cost
<b>Assets</b>				
Cash	40,541,173	40,541,173	40,541,173	-
Trade and other receivables, net	108,493,026	108,493,026	108,493,026	-
<b>Total</b>	149,034,199	149,034,199	149,034,199	-
<b>Liabilities</b>				
Trade and other payables	184,427,986	184,427,986	-	184,427,986
Income Tax Liabilities	407,476	407,476	-	407,476
Loans from shareholder	51,347,500	51,347,500	-	51,347,500
<b>Total</b>	236,182,962	236,182,962	-	236,182,962

Particulars	March 31, 2010		Breakdown by Category	
	Carrying Value	Fair Value	Loans and receivables	Financial liabilities at amortized cost
<b>Assets</b>				
Cash	32,417,682	32,417,682	32,417,682	-
Trade and other receivables, net	91757046	91757046	91757046	-
<b>Total</b>	124,174,728	124,174,728	124,174,728	-
<b>Liabilities</b>				
Trade and other payables	210,215,215	210,215,215	-	210,215,215
Loans from shareholder	51,784,500	51,784,500	-	51,784,500
<b>Total</b>	261,999,715	261,999,715	-	261,999,715

Based on the above table, as of March 31, 2011, 64% and 36% of the Company's total financial assets are from banks and other financial institutions, and accredited customers and related parties, respectively, which management considers to have high quality credit ratings. As of March 31, 2010, 85% and 15% of the Company's total financial assets are from banks and other financial institutions, and accredited customers and related parties, respectively which management considers having high quality credit ratings.

For the year ended March 31, 2011, sales to three customers accounted for 51% of gross sales. For the year ended March 31, 2010, sales to one customer accounted for 35% of gross sales.

**18. Employees Benefits (In the case of Indian Companies)**

**(i) Defined Contribution Plan**

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

The company recognized Rs.24,068,826 (Previous Year: Rs.21,440,939) for provident fund contributions in the profit and loss account. The contribution payable to these plans by the company are at rates specified in the rules of the schemes.

**(ii) Defined Benefit Plan**

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

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

(Amount in Rupees)

Particulars	Current Year			Previous Year		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Defined benefit obligations at beginning of the year	20,180,968	4,058,861	10,360,260	13,047,127	2,245,386	2,709,395
Current Service Cost	4,404,963	2,242,022	4,460,794	2,715,200	1,963,280	4,178,703
Interest Cost	1,614,478	308,515	808,220	1,043,770	179,631	216,752
Actuarial (gain)/loss	(808,335)	(947,015)	952,074	(11,114,297)	(329,436)	5,758,540
Benefits paid	(1,417,191)	(219,942)	(5,062,780)	–	–	(2,503,130)
Defined Benefit Obligations at year end	23,974,883	5,442,441	11,518,568	5,691,800	4,058,861	10,360,260

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

(Amount in Rupees)

Particulars	Current Year			Previous Year		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Fair value of plan assets at beginning of the year	10,003,755	–	–	2,626,430	–	–
Expected Return on plan assets	832,890	–	–	478,979	–	–
Contribution	1,178,634	–	–	6,890,523	–	–
Actuarial (gain)/loss	76,062	–	–	7,823	–	–
Benefits paid	(1,417,191)	–	–	–	–	–
Fair value of plan assets at the year end.	10,674,150	–	–	1,003,755	–	–

**(c) Reconciliation of fair value of assets and obligations**

(Amount in Rupees)

Particulars	Current Year			Previous Year		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Fair value of plan assets at 31 <sup>st</sup> March 2011	10,674,150	–	–	1,003,755	–	–
Present value of obligation as at 31 <sup>st</sup> March 2011	23,974,883	5,442,441	11,518,568	5,691,800	4,058,861	10,360,260
Net Assets/(Liability) recognized in balance sheet	(13,300,733)	(5,442,441)	(11,518,568)	4,311,955	(4,058,861)	(10,360,260)

**(d) Expenses recognized during the year**

Particulars	Current Year			Previous Year		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Current Service Cost	4,404,963	2,242,022	4,460,794	2,715,200	1,963,280	4,178,703
Interest Cost	1,614,478	308,515	808,220	1,043,770	179,631	216,752
Expected return on plan assets	(832,890)	–	–	(478,979)	–	–
Actuarial (gain)/loss	(884,397)	(947,015)	952,074	48,064	(329,436)	5,758,540
Net Cost	4,302,154	1,603,522	6,221,088	2,705,282	1,813,475	10,153,995

**(e) Actuarial Assumptions:**

Particulars	Current Year			Previous Year		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Discount Rate (per annum)	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Future increase in compensation	–	–	–	–	–	–
House of Pearl Fashions Limited (Holding Company)	5.50%	–	5.50%	5.50%	–	5.50%
Pearl Global Limited (Subsidiary)	6.00%	5.50%	5.50%	6.00%	5.50%	5.50%
Lerros Fashions India Ltd. (Subsidiary)	–	5.00%	5.00%	–	5.00%	5.00%
Hopp Fashion (Associates)	–	5.50%	5.50%	–	5.50%	5.50%

Particulars	Current Year			Previous Year		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Expected rate of return on plan assets	8.00%	N.A	N.A	8.00%	N.A	N.A
In Service Mortality	L.I.C 1994-96 Ultimate	L.I.C 1994-96 duly modified	L.I.C 1994-96 duly modified	L.I.C 1994-96 Ultimate	L.I.C 1994-96 duly modified	L.I.C 1994-96 duly modified
Retirement age	58 Years	58 Years	58 Years	58 Years	58 Years	58 Years

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

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

As of 31 March 2011 and 2010, employee benefits obligation is calculated by an independent actuary (PT. Bumi Dharma Aktuaria) under Project unit credited valuation method in their report dated April 19, 2011 and April 22, 2010

The principal assumptions used in determining employee benefits obligation as of 31 March 2011 and 2010 are as follows:

Financial Assumptions	2011	2010
Discount Rate	10.5%	11%
Future Salary Increase	8%	8%
<b>Other Assumptions</b>		
Mortality rate	CSO'88	CSO'88
Disability rate	10%	10%
Normal retirement age	55 years	55 years

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

Past service cost – non vested:

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

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

	(Amount in Rupees)	
Amount Recognized in Balance Sheet	2010-11	2009-10
Present value of obligation	4,435,263	3,554,758
Unrecognized Actuarial Losses	770,391	133,379
Net Liability in Balance Sheet	5,205,654	3,688,137
<b>Amount Recognized in Income Statement</b>	<b>Current Year</b>	<b>Previous Year</b>
Current Service Cost	1,166,666	1,433,966
Interest Cost	414,231	186,807
Net Amortization for the year	-	-
Expenses recognized in the Income Statement	1,580,897	1,620,773
<b>Movement in the liability recognized in Balance sheet</b>	<b>2010-11</b>	<b>2009-10</b>
At beginning of the year	3,688,137	2,159,369
Charge to Income statement	1,580,897	1,620,773
Foreign Currency Translation Reserve	(63,380)	(92,005)
<b>At the end of the year</b>	<b>5,205,654</b>	<b>3,688,137</b>

19. During the current financial year company has disposed off entire investment in its subsidiary Nor Pearl Knitwear Ltd, for a total consideration of Rs.103,445,000/- as per RBI approval & also close down one of it subsidiary Pearl Global (Australia) Pty. Limited by taking the deregistration certificate from Australian Securities & Investments Commission (ASIC).  
This has resulted total extra-ordinary loss of Rs.60,058,033 which includes Rs.59,855,239 & Rs.202,794 pertains to Nor pearl disposal & Pearl Global (Australia) respectively  
Above losses has been calculated after adjusting the net proceeds from the carrying amount of assets less liabilities on the date of disposal/closure of the subsidiary during the reported year.  
Results of operations of above said subsidiaries are included in the consolidated statement of Profit & Loss accounts until the date of cessation of their relationship with House Of Pearl Fashions Limited.
20. In case of Indian subsidiary – M/s. Lerros fashions India Ltd, the company has entered into a Brand Licensing Agreement with Numero Uno Clothing Limited to grant an exclusive and non-transferable right and license to use the Lerros Marks and goodwill associated thereto solely for a period of 5 years for the purposes of manufacturing and procurement of Lerros Merchandise and to establish and operate Lerros Boutiques in India from 1st August 2010.  
Accordingly, the company has recognized the Royalty receivable, as per the terms of the agreement, on accrual basis.
21. In view of the management, the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated as on balance sheet date.
22. Previous Year's figures have been regrouped/ recast wherever considered necessary..

**As per our report of even date attached**

**For S.R. DINODIA & CO.,**  
Chartered Accountants  
Regn. No. 01478N

**(SANDEEP DINODIA)**  
Partner  
M. No. 083689

Place: New Delhi  
Date: 30th May, 2011

**On behalf of the Board**

**(DEEPAK SETH)**  
Chairman  
DIN 00003021

**(SHAIENDRA SANCHETI)**  
Chief Finance Officer

**(PULKIT SETH)**  
Managing Director  
DIN 00003044

**(SANDEEP SABHARWAL)**  
Company Secretary



## AUDITORS' REPORT

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

We have audited the attached balance sheet of House of Pearl Fashions Limited as at 31st March 2011, the profit and loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
- (c) The Company's balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (e) On the basis of written representations received from the directors as on 31st March 2011 and taken on record by the Board of Directors. We report that none of the directors are disqualified as on 31st March 2011 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 2011;
  - (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  
Regn. No. 01478N

(**SANDEEP DINODIA**)  
Partner  
M.No. 083689

Place: New Delhi  
Date: 30th May, 2011

### ANNEXURE TO THE AUDITORS' REPORT

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

#### RE: M/S HOUSE OF PEARL FASHIONS LIMITED

- i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) As explained to us, physical verification of major portion of fixed assets as at 31st March 2011 was conducted by the management during the year. In our opinion, the frequency of physical verification is reasonable. No material discrepancies were noticed on such verification.
- c) In our opinion and according to the information and explanations given to us, no substantial part of fixed assets has been disposed off by the Company during the year.
- ii) a) The inventory has been physically verified during the year by the management. In our opinion the frequency of verification is reasonable.
- b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) In our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were immaterial.
- iii) a) The company has granted unsecured loans and advances during the year to eight parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum balance involved in the transaction is Rs.823,314,760 (The year end balance was Rs.797,225,226).
- b) The rate of interest and other terms and conditions on which loan and advances have been given are not prime facie prejudicial to the interest of the company.
- c) In respect of the aforesaid loan, all the loans were repayable on demand.
- d) The company had not taken any unsecured loans from the companies, firms or other

parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause (iii) (e) to (g) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.

- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods. Further, on the basis of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices, there is no continuing failure to correct the weaknesses in the aforesaid internal control systems.
- v) a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- b) In our opinion and according to explanation given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained u/s 301 of the Companies Act, 1956 and exceeding values of Rs.5 Lacs have been made at prices which are reasonable with regard to the prevailing market prices at the relevant times.
- vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits within the meaning of section 58A, 58AA and the other relevant provisions of the Companies Act, 1956 and rules framed thereunder.
- vii) In our opinion, the company has an internal audit system commensurate with the nature and size of its business.
- viii) The Central Government has not prescribed the maintenance of cost records under section 209 (1) (d) of the Companies Act 1956, for any of the products of the company.
- ix) a) According to the information and explanation given to us, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues as applicable to it.
- b) According to the records of the Company examined by us and the information and explanations given to us, there is no amount outstanding in respect of aforesaid statutory dues on account of any dispute as at 31st March, 2011.
- x) The Company has accumulated loss at the end of the financial year. The Company has not incurred cash loss during the financial year covered by our audit but in immediately preceding financial year, the company has incurred cash loss.
- xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to banks during the year. There were no dues payable to any financial institution or debenture holders.
- xii) The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xiii) The company is not a chit fund or a nidhi mutual benefit fund society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xiv) The company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xv) In our opinion and on the basis of information and explanation given to us, the company has given the guarantees as mentioned in the point no. 1 of Schedule 16 for loans taken by others from banks or financial institutions.
- xvi) On the basis of information and explanation given to us, we are of opinion that the term loans were applied for the purposes for which the loans were obtained.
- xvii) According to the information and explanations given to us and on the basis of an overall examination of the balance sheet of the company, in our opinion, funds raised on short term basis have not been used for long term investments.
- xviii) During the year, the Company has not allotted any shares on preferential basis to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) The Company has not issued any debentures during the year. Therefore, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xx) We have verified the end use of money raised by the public issue as declared by the management in prospectus filed with "The Securities and Exchange Board of India" and as appearing in the Note No.18 of Schedule 16 – Notes to Account forming part of the financial statements.
- xxi) During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India and according to the information and explanation given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year nor have we been informed of such case by the management.

For **S.R. DINODIA & CO.**  
Chartered Accountants  
Regn No. 01478N

(**SANDEEP DINODIA**)  
Partner  
M.No. 083689

Place: New Delhi  
Date : 30th May, 2011

**BALANCE SHEET AS AT 31ST MARCH, 2011**

PARTICULARS	SCHEDULE	(Amount in Rupees)	
		AS AT 31ST MARCH, 2011	AS AT 31ST MARCH, 2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholder's Funds</b>			
Share Capital	1	195,003,430	195,003,430
Reserves & Surplus	2A & 2B	2,714,836,130	2,884,216,756
<b>Loan Funds</b>			
Secured Loan	3	39,242,630	49,750,672
		<u>2,949,082,190</u>	<u>3,128,970,858</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	4	205,132,796	155,841,443
Less: Accumulated Depreciation		59,882,485	25,077,458
Net Block		145,250,311	130,763,985
Capital Work in Progress		326,583	44,566,568
<b>Investments</b>	5	1,670,962,522	1,691,144,059
<b>(Refer Note No. 10 of Schedule 15 and Note No. 5 of Schedule `16')</b>			
<b>Deferred Tax Asset</b>	6	65,366,029	7,683,032
<b>(Refer Note No. 14 of Schedule 16)</b>			
<b>Current Assets, Loans and Advances</b>			
Sundry Debtors	7	32,538,397	104,907,310
Cash & Bank Balances	8	59,967,836	46,133,561
Loans & Advances	9	936,519,301	1,180,410,963
		<u>1,029,025,535</u>	<u>1,331,451,834</u>
<b>Less: Current Liabilities &amp; Provision</b>			
Current Liabilities	10	28,568,942	74,761,500
Provisions	11	1,971,904	1,877,119
		<u>30,540,846</u>	<u>76,638,619</u>
<b>Net Current Assets</b>		998,484,689	1,254,813,215
<b>Miscellaneous Expenditure</b>			
Profit & Loss Account	2B	68,692,056	-
		<u>2,949,082,190</u>	<u>3,128,970,858</u>
<b>Significant Accounting Policies</b>	15		
<b>Notes to Account</b>	16		

As per our report of even date attached

For S.R. DINODIA & CO.,  
Chartered Accountants  
Regn. No. 01478N

(SANDEEP DINODIA)  
Partner  
M. No. 083689

Place: New Delhi  
Date: 30th May, 2011

On behalf of the Board of Directors

(DEEPAK SETH)  
Chairman  
DIN 00003021

(PULKIT SETH)  
Managing Director  
DIN 00003044

(SHAIENDRA SANCHETI)  
Chief Finance Officer

(SANDEEP SABHARWAL)  
Company Secretary



**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

PARTICULARS	SCHEDULE	(Amount in Rupees)	
		CURRENT YEAR	PREVIOUS YEAR
<b>INCOME</b>			
Sales		225,450,975	446,490,361
Export Incentives		445,780	1,934,461
Other Income	12	120,478,525	111,745,398
		<u>346,375,280</u>	<u>560,170,220</u>
<b>EXPENDITURE</b>			
Cost of Goods Traded		202,331,243	421,386,797
Manufacturing & Other Expenses	13	106,815,853	149,648,320
Finance Cost	14	5,482,454	8,163,552
Depreciation		34,808,464	21,216,064
		<u>349,438,014</u>	<u>600,414,734</u>
<b>Profit (Loss) before Taxation &amp; Adjustments:</b>		(3,062,734)	(40,244,514)
<b>Provision for Tax</b>			
Provision for Deferred Tax (Refer to Note No. 14 of Sch. 16)		57,682,997	634,859
Provision For Wealth Tax		(83,916)	(47,519)
<b>Profit (Loss) after Taxation before Extra ordinary/Other Adjustments</b>		<u>54,536,347</u>	<u>(39,657,173)</u>
Extraordinary Item (refer note no.19 of Sch. 16)		(292,383,045)	-
Prior Period Expenses		(225,984)	(810,250)
<b>Net Profit/(Loss) for the Year</b>		<u>(238,072,682)</u>	<u>(40,467,423)</u>
Profit brought forward		158,057,022	198,524,446
<b>Amount Available for Appropriation</b>		<u>(80,015,660)</u>	<u>158,057,022</u>
Balance Carried to Balance Sheet		(80,015,660)	158,057,022
		<u>(80,015,660)</u>	<u>158,057,022</u>
<b>Paid up Equity Share Capital (Nos. of shares)</b>		19,500,343	19,500,343
<b>Earnings Per Share (Rs.)</b>			
Numerator		(238,072,682)	(40,467,423)
Nominal value per share (Rs.)		10/-	10/-
Basic Earning Per Share		(12.21)	(2.08)
Diluted Earning Per Share		(12.21)	(2.08)
<b>(Refer Note No.12 of Schedule 16')</b>			
<b>Significant Accounting Policies</b>	15		
<b>Notes to Account</b>	16		

As per our report of even date attached

For S.R. DINODIA & CO.,  
Chartered Accountants  
Regn. No. 01478N

(SANDEEP DINODIA)  
Partner  
M. No. 083689

Place: New Delhi  
Date: 30th May, 2011

On behalf of the Board of Directors

(DEEPAK SETH)  
Chairman  
DIN 00003021

(PULKIT SETH)  
Managing Director  
DIN 00003044

(SHAIENDRA SANCHETI)  
Chief Finance Officer

(SANDEEP SABHARWAL)  
Company Secretary

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(Amount in Rupees)

PARTICULARS	Year Ended 31.03.2011	Year Ended 31.03.2010
<b>A. Net Profit Before Tax &amp; Adjustments</b>	(3,062,734)	(40,244,514)
Adjustments for:		
Depreciation	34,808,464	21,216,064
Foreign Exchange Fluctuation	(12,360,663)	28,281,266
Loss on sale of Assets	83,333	649,510
Profit/Loss on sale of Investments	-	7,829,075
Finance Cost	5,482,454	8,163,552
Share in the (Profit) / Loss from Partnership firm	1,126,277	(68,153)
Non operating Incomes	(70,521,345)	(81,905,055)
<b>Operating Profit /(loss) before working capital changes</b>	(44,444,215)	(56,078,253)
Adjustments for :		
Trade and Other Receivables	132,267,286	(42,802,799)
Trade Payables	(46,156,506)	32,146,611
<b>Cash Generated from operations</b>	41,666,565	(66,734,443)
Direct Taxes (Paid)/ Refunds	(5,365,871)	(13,927,957)
Add/(less):-Prior period adjustments	(225,984)	(810,250)
Add/(less):-Extraordinary adjustments	(292,383,045)	-
<b>Net Cash Generated / (used) in operating Activities</b>	(256,308,335)	(81,472,649)
<b>B. Cash Flow from Investing Operations:</b>		
Sale of Fixed Assets	-	8,750
Fixed Assets Purchased	(5,138,137)	(43,818,716)
(Increase)/Decrease in share application money	197,983,365	(43,685,562)
Purchase of Investments	(255,371,365)	(103,345,540)
Loan given	(8,820,339)	(160,820,748)
Sale of Investment	275,552,901	90,256,620
Interest on Fixed Deposits	2,057,620	9,813,719
Dividend on current investment-Non Trade	-	945,970
Interest on Loan	65,772,443	69,329,222
Share in profit in Firm	(1,126,277)	68,153
Rent Received	2,803,500	2,803,500
<b>Cash from investing activities</b>	273,713,710	(178,444,632)
<b>C. Cash Flow from Financing Activities</b>		
Increase /(Decrease) in Security Deposit	-	(938,000)
Loans taken	-	2,400,000
Repayment of Loans	(10,508,042)	(9,942,654)
Dividend Paid	58,733	(3,485)
Finance Cost	(5,482,454)	(8,163,552)
Net cash used in financing activities	(15,931,763)	(16,647,691)
<b>Increase in Cash/Cash equivalents (A+B+C)</b>	1,473,612	(276,564,972)
Exchange Fluctuations	12,360,663	(28,281,267)
Net Increase in Cash/Cash equivalents (A+B+C)	13,834,275	(304,846,239)
Cash / Cash equivalents at the beginning of the year	46,133,561	350,979,800
Cash / Cash equivalents at the close of the year	59,967,836	46,133,561
<b>Components of Cash and Cash equivalents</b>		
Cash and Cheques on hand	227,222	5,529,616
Balances with Scheduled Banks		
i) In Current Accounts	17,140,614	38,203,946
ii) In Fixed Deposits	42,600,000	2,400,000
	59,967,836	46,133,561

As per our report of even date attached

On behalf of the Board of Directors

For S.R. DINODIA & CO.,  
Chartered Accountants  
Regn. No. 01478N

(DEEPAK SETH)  
Chairman  
DIN 00003021

(PULKIT SETH)  
Managing Director  
DIN 00003044

(SANDEEP DINODIA)  
Partner  
M. No. 083689

(SHAIENDRA SANCHETI)  
Chief Finance Officer

(SANDEEP SABHARWAL)  
Company Secretary

Place: New Delhi  
Date: 30th May, 2011

## SCHEDULES FORMING PART OF THE BALANCE SHEET

(Amount in Rupees)

	AS AT 31ST MARCH, 2011	AS AT 31ST MARCH, 2010
<b>SCHEDULE -1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
24,990,000 (Previous Year 24,990,000) Equity Shares of Rs. 10/- Each	249,900,000	249,900,000
10,000 (Previous Year 10,000 ) 4% Non Cumulative Redeemable Preference Share of Rs. 10/- each	100,000	100,000
	<u>250,000,000</u>	<u>250,000,000</u>
<b>Issued Subscribed &amp; Fully Paid Up</b>		
19,500,343 (Previous Year 19,500,343) Equity Shares of Rs 10/- Each fully paid up*.	195,003,430	195,003,430
	<u>195,003,430</u>	<u>195,003,430</u>
* Out of which 9,329,338 equity shares were allotted as fully paid Bonus shares by capitalisation of accumulated profits and General Reserve		
<b>SCHEDULE-2</b>		
<b>A. RESERVES &amp; SURPLUS</b>		
Amalgamation Reserve	990,000	990,000
Capital Redemption Reserve	600,000	600,000
Share Premium	2,713,246,130	2,713,246,130
	<u>2,714,836,130</u>	<u>2,714,836,130</u>
<b>B. PROFIT &amp; LOSS ACCOUNT</b>		
General Reserve	11,323,604	11,323,604
Profit & Loss A/c	(80,015,660)	158,057,022
	<u>(68,692,056)</u>	<u>169,380,626</u>
<b>SCHEDULE-3</b>		
<b>SECURED LOANS</b>		
<b>From Banks</b>		
Term Loan*	39,019,066	44,674,566
<b>From Others</b>		
Vehicle Loan**	223,564	5,076,106
	<u>39,242,630</u>	<u>49,750,672</u>
<b>Notes :</b>		
*Term Loan		
(1) Repayable within one year Rs. 6,392,728/- ( Previous year :Rs.5,655,500/- )		
(2) Secured by equitable mortgage on property situated at plot no.21/13-x,block-A,Naraina Industrial Area, Phase-II, New Delhi.		
**Vehicle Loan		
(1) Repayable within one year Rs.223,564/- (Previous year : 4,852,542/-)		
(2) Secured against hypothecation of vehicles		

**SCHEDULE FORMING PART OF THE BALANCE SHEET**  
**SCHEDULE –4**  
**FIXED ASSETS**

(Amount in Rupees)

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As At 1.4.2010	Additions	Sale/ Deduction	As At 31.03.2011	Upto 01.04.2010	For the Year	Adjustments/ Sale	Total up to 31.03.2011	As At 31.03.2011	As At 31.03.2010
<b>Tangible Assets</b>										
Land-Leasehold *	1,036,027	-	-	1,036,027	-	-	-	-	1,036,027	1,036,027
Buildings	1,772,301	-	-	1,772,301	1,729,791	-	-	1,729,791	42,510	42,510
Office Equipments	1,567,708	326,613	19,466	1,874,855	187,809	90,113	666	277,257	1,597,598	1,379,899
Plant & Machinery	16,343,262	1,924,000	-	18,267,262	2,143,598	2,693,457	-	4,837,055	13,430,207	14,199,664
Vehicle	17,017,491	-	-	17,017,491	3,172,911	1,616,662	-	4,789,573	12,227,918	13,844,560
Furniture & Fittings	1,973,769	50,908	67,303	1,957,374	388,355	114,116	2,771	499,701	1,457,673	1,585,414
<b>Intangible Assets</b>										
Software	116,130,885	47,076,601	-	163,207,486	17,454,993	30,294,116	-	47,749,109	115,458,377	98,675,892
Capital Work in Progress**	44,566,568	3,033,250	47,273,235	326,583	25,077,458	34,808,464	3,436	59,882,485	145,250,311	130,763,985
Previous Year	200,408,011	52,411,372	47,360,004	205,459,379	25,077,458	34,808,464	3,436	59,882,485	145,576,894	175,330,553
	157,357,452	172,874,059	129,823,500	200,408,011	3,971,291	21,216,064	109,898	25,077,458	175,330,553	153,366,160

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

\*\* Capital Work in progress includes:

- Expenditure incurred on SAP implementation of Rs. NIL (Previous Year 44,239,985/-)
- Capital Advance Rs. 326,583.00 (Previous Year Rs 326,583.00) to DDA for converting its leasehold land into freehold land

## SCHEDULES FORMING PART OF THE BALANCE SHEET

(Amount in Rupees)

	AS AT 31ST MARCH, 2011	AS AT 31ST MARCH, 2010
<b>SCHEDULE-5</b>		
<b>INVESTMENTS</b>		
<b>A. Long-term Investment</b>		
<b>Investment in Subsidiaries</b>		
<b>Unquoted - Trade</b>		
Pearl Global Ltd.		
22,39,400 ( Previous Year 22,394,00 ) Redeemable Preference Shares of Rs.100/- each	223,940,000	223,940,000
4,969,588 (Previous Year 4,969,588) Equity Shares of Rs.10/- each fully paid up (Refer to Note 1 below)	3,413,870	3,413,870
Norp Knit Industries Limited., Bangladesh		
2,415,587 (Previous Year 493,761) Equity Shares of Taka 100 Each fully paid up	155,915,393	31,878,768
Nor Pearl Knitwear Limited., Bangladesh		
Nil (Previous Year 3,868,115) Equity Shares of TaKa 100 Each fully paid up	-	263,226,624
Multinational Textiles Group Limited., Mauritius		
21,948,270 (Previous Year 20,071,170) Equity Shares of USD 1 each fully paid up	1,005,025,338	916,159,852
House of Pearl Fashions (U.S.) Limited., US		
100 (Previous Year 100) without par value fully paid up shares	36,426,274	26,546,350
Lerros Fashions India Ltd.		
16,483,487(Previous Year 13,224,554) equity shares of Rs.10 each fully paid up	164,834,870	132,245,540
Lerros Fashions India Ltd.		
3,990,000(Previous Year 3,990,000) Preference shares of Rs.10 each fully paid up	39,900,000	39,900,000
<b>Investment in partnership firm</b>	<b>41,506,777</b>	<b>53,833,055</b>
	<b>1,670,962,522</b>	<b>1,691,144,059</b>
<b>Notes :</b>		
1. It Includes 4,752,000 (Previous Year 4,752,000) Bonus Shares and 1,888 shares issued by Pearl Global Limited in consideration for 549 shares of Mina Export being the amalgamated company.		
2. Aggregate amount of of quoted investment is NIL (Pervious Year Rs. NIL )		
3. Aggregate market value of quoted investment is NIL (Pervious Year. Rs. NIL)		
4. Aggregate amount of Unquoted investment is Rs.1,670,962,522 (Pervious Year. Rs.1,691,144,059)		

## SCHECULE-6

### DEFERRED TAX ASSET (NET)

Opening Deferred Tax Asset	7,683,032	7,048,173
Deferred Tax Asset/(Liability) for the year	57,682,997	634,859
<b>(Refer Note No. 14 of the Schedule 16')</b>	<b>65,366,029</b>	<b>7,683,032</b>

**SCHEDULE FORMING PART OF THE BALANCE SHEET**

	<b>AS AT 31ST MARCH, 2011</b>	<b>(Amount in Rupees) AS AT 31ST MARCH, 2010</b>
<b>SCHECULE-7</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured - Considered Good)		
Over Six Months	32,538,397	24,484,605
Others	-	80,422,705
	<u>32,538,397</u>	<u>104,907,310</u>
<b>SCHECULE-8</b>		
<b>CASH &amp; BANK BALANCES</b>		
Cash in Hand	227,222	342,795
Cheques in Hand	-	5,186,821
Balances with Scheduled Banks		
i) In Current Accounts	17,140,614	38,203,946
ii) Fixed Deposit*	42,600,000	2,400,000
	<u>59,967,836</u>	<u>46,133,561</u>
*Pledge with the bank Nil (Previous Year Rs.2,400,000)		
<b>SCHECULE-9</b>		
<b>LOANS &amp; ADVANCES</b>		
(Unsecured -Considered Good)		
Loans to:		
Subsidiaries	575,554,116	599,964,669
Others	224,076,178	190,845,285
Advances recoverable in Cash or in Kind or for value to be received	97,331,396	322,525,336
Advance to Subsidiaries	9,891,996	42,692,012
Security Deposits	2,160,000	2,160,000
Advance Tax (including tax deducted at source)	27,505,616	22,223,661
Net of Provision of Rs. 32,605,624 (Previous Year : 34,220,590)	<u>936,519,301</u>	<u>1,180,410,963</u>



**SCHEDULE FORMING PART OF THE BALANCE SHEET**

(Amount in Rupees)

	AS AT 31ST MARCH, 2011	AS AT 31ST MARCH, 2010
<b>SCHEDULE-10</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors -others		
– Due to Micro, Small and Medium enterprises *		-
– Others	3,828,459	37,434,714
Other Liabilities **	24,659,498	37,304,534
Unpaid Dividend	80,985	22,252
	<u>28,568,942</u>	<u>74,761,500</u>

\* The company has not received information from vendors regarding the Micro, Small and Medium Enterprises and Development Act, 2006. Hence disclosure related to unpaid amount outstanding at the year end together with the amount of interest paid/payable have not been given. For this purpose, we have relied upon the information provided by the management.

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

**SCHEDULE-11**

**PROVISIONS**

Leave Encashment	1,971,904	1,877,119
	<u>1,971,904</u>	<u>1,877,119</u>

**SCHEDULE-12**

**OTHER INCOME**

	CURRENT YEAR	PREVIOUS YEAR
Interest on Fixed Deposit with Bank	1,945,403	8,471,224
Tax Deducted At Source Rs.194,541 (Previous Year 2,560,638 )		
Interest on Loan (Others)	65,772,443	69,329,222
Tax Deducted At Source Rs.4,833,882 (Previous Year Rs.8,173,040)		
Rent Received	2,803,500	2,803,500
Tax Deducted At Source Rs.268,354 (Previous Year Rs.409,906)		
Dividend on current investment-Non Trade	-	945,970
Profit and Loss on sale of non-trade current/short-term investments		
– Mutual Fund	-	355,139
Profit from Partnership Firm	-	68,153
Foreign Exchange Fluctuation	16,489,657	-
Sundry Balances written back	-	155
Miscellaneous Income	33,467,522	29,772,035
	<u>120,478,525</u>	<u>111,745,398</u>

## SCHEDULES FORMING PART OF THE PROFIT &amp; LOSS ACCOUNT

	(Amount in Rupees)	
	CURRENT YEAR	PREVIOUS YEAR
<b>SCHEDULE-13</b>		
<b>MANUFACTURING &amp; OTHER EXPENSES</b>		
Power & Fuel	1,242,233	856,697
Rent	4,740,000	1,381,100
Repairs		
– Building	267,064	22,760
– Others	6,324,580	3,428,564
Salaries & Allowances	44,930,127	31,106,879
Contribution to Provident Fund & Other Funds	1,041,262	348,569
Employees Welfare	831,105	387,426
Insurance	1,541,451	1,585,851
Rates & Taxes	1,127,755	1,423,358
Fabrication & Processing Charges	14,516	–
Sampling Expenses	4,169,445	9,580,669
Auditors Remunerations		
– Statutory Audit Fee	716,950	716,950
– Tax Audit Fee	132,360	110,300
– Other Matters	45,144	930,171
Legal & Professional Charges	9,333,223	8,639,232
Travelling & Conveyance	10,542,719	15,890,629
Printing & Stationary	2,353,591	1,805,926
Communication Expenses	2,425,868	2,112,464
Sundry Balances Written Off	315,928	–
Inward Freight & Clearing Charges	797,902	3,034,099
Freight Outward	1,504,795	2,376,303
Sales Promotion	246,078	245,016
Commission Expenses	–	432,578
Bank Charges	2,501,713	6,230,923
Loss on sale of Assets	83,333	649,510
Loss on investments at fair value	–	7,829,075
Loss From Partnership Firm	1,126,277	–
Foreign Exchange Fluctuation	–	39,669,439
Miscellaneous Expenses	8,460,434	9,703,841
	<u>106,815,853</u>	<u>149,648,320</u>
<b>SCHEDULE - 14</b>		
<b>FINANCE COST</b>		
<b>Interest :</b>		
– Interest on fixed loans	5,482,454	6,495,732
– Others	–	1,667,820
	<u>5,482,454</u>	<u>8,163,552</u>

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

### SCHEDULE - 15

#### SIGNIFICANT ACCOUNTING POLICIES

##### 1. Accounting Convention

The financial statements have been prepared to comply with the mandatory Accounting Standards issued by the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956 (the 'Act'). The financial statements have been prepared under the historical cost convention on accrual basis. The accounting policies have been consistently applied by the company unless otherwise stated.

##### 2. Use of Estimates

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

##### 3. Inventories

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

##### 4. Cash Flow Statement

Cash flows are reported using the indirect method as specified in Accounting Standard (AS-3) 'Cash Flow Statement' as issued by the Companies (Accounting Standards) Rules, 2006.

##### 5. Depreciation

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

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

##### 6. Revenue Recognition

- Export sale is recognized on the basis of date of Airway Bill/ Bill of lading.
- Sales are shown as net of trade discount and include Freight & Insurance recovered from buyers as per the terms of sale.
- Interest income is recognized on time proportion basis.
- Dividend income is recognized when the right to receive is established.
- In case of High Sea Sales revenues are recognized on transfer of title of goods to the customer.

##### 7. Fixed Assets

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

##### 8. Intangible Assets

Intangible assets such as technical know how fees, etc. which do not meet the criteria laid down, in the terms of Accounting Standard 26 on "Intangible Assets" as issued by the Companies (Accounting Standards) Rules, 2006, are written off in the year in which they are incurred. If such costs/ expenditure meet the criterion, it is recognized as an intangible asset and is measured at cost. It is amortized by way of a systematic allocation of the depreciable amount over its useful life and recognized in the balance sheet at net of any accumulated amortization and accumulated impairment losses thereon.

##### 9. Foreign Currency Transactions

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

##### 10. Investment and Financial Assets

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

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

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

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

##### Fair value

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

##### 11. Derivative financial instruments and hedging

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

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

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

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

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

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

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

##### 12. Employee Benefit

Expenses and Liabilities in respect of employee benefits are recorded in accordance with Revised Accounting Standard 15 – Employees Benefits (Revised 2005 as issued by the Companies (Accounting Standards) Rules, 2006.

##### (i) Post Employment Benefit Plans

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

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

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

##### (ii) Short Term Employee Benefits

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

##### 13. 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.

**14. Leases**

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

**15. Taxes On Income**

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

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

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

**16. Impairment of Assets**

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

**17. Provision, Contingent Liabilities And Contingent Assets**

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

**SCHEDULE – 16****NOTES TO ACCOUNT****1. Contingent Liabilities**

- (a) Corporate Guarantee given by the company to UCO Bank, Hong Kong for securing trade finance limits to its step down subsidiary Norwest Industries Ltd, Hong Kong for HKD 280 million equivalent to Rs.1,626,800,000 & GBP 30 Million equivalent to Rs.2,157,900,000 (Previous Year: HK\$ 200 million equivalent to Rs.1,160,000,000 & GBP 19 Million equivalent to Rs.1,289,530,000).
- (b) Corporate Guarantee given by the company to HSBC Limited, Indonesia for securing credit facilities to its step down subsidiary PT Norwest Industry, Indonesia for USD 2,500,000/- equivalent to Rs.111,625,000 (Previous Year: USD 2,500,000/- equivalent to Rs.112,575,000).
- (c) Corporate Guarantee given by the company to THE CIT GROUP / COMMERCIAL SERVICES INC, New York for working capital and letter of credit facilities to its wholly owned subsidiary M/s House of Pearl Fashions (US) Ltd for USD 400,000 equivalent to Rs.17,860,000 (Previous Year: USD 400,000 equivalent to Rs.18,012,000).
- (d) Corporate Guarantee given by the company to HSBC for HKD 300 Million, equivalent to Rs.1,743,000,000 for securing credit facilities to its step down subsidiaries Norwest Industries Ltd., Simple Approach Ltd. and Zamira Fashion Ltd(Previous Year:- HKD 300 Million, equivalent to Rs.1,740,000,000 ).
- (e) Corporate Guarantee given by the company to Standard Chartered Bank, Hong Kong for USD 16,928,000 equivalent to Rs.755,835,200 for securing credit facilities to its step down subsidiary Norwest Industries Ltd(Previous Year :USD 16,928,000 equivalent to Rs.762,267,840).
- (f) Corporate guarantee given by the company to HSBC, Bangladesh for BDT 889,760,000 equivalent to Rs.542,753,600 for securing various credit facilities to its subsidiary Norp Knit Industries Ltd (Previous Year: BDT 293,700,000 equivalent to Rs.193,842,000).
- (g) Corporate Guarantee given by the company to THE CIT GROUP / COMMERCIAL SERVICES INC, New York for credit facilities to its subsidiary Depa International Inc. merged with House of Pearl Fashions (US) Ltd, a wholly owned subsidiary for USD 1,000,000 equivalent to Rs.44,650,000 (Previous Year: USD 6,000,000 equivalent to

Rs. 270,180,000).

- (h) Corporate Guarantee given by the company to BNP Paribas, for letter of credit facility to its subsidiary Norwest Industries Ltd. for USD 6,250,000 equivalent to Rs.279,062,500 (Previous Year: USD 4,750,000 equivalent to Rs.213,892,500).
- (i) Corporate Guarantee given by the company to Canara Bank, HK Branch, for securing various credit facilities to its subsidiary Norwest Industries Ltd. for USD 3,000,000 equivalent to Rs.133,950,000 (Previous Year: USD 3,000,000 equivalent to Rs.135,090,000).
- (j) Corporate Guarantee given by the company to Bank of Baroda, Hongkong, for securing credit facilities to its step down subsidiary Simple Approach Ltd. for USD 4,000,000 equivalent to Rs.178,600,000 (Previous Year: Nil ).
- (k) Corporate Guarantee given by the company to Bank of Baroda, Hongkong, for securing credit facilities to its step down subsidiary Norwest Industries Ltd. for USD 5,000,000 equivalent to Rs.223,250,000 (Previous Year: Nil ).
- (l) Corporate Guarantee given by the company to Bank of India, Hongkong, for securing credit facilities to its step down subsidiary Simple Approach Ltd. for USD 2,500,000 equivalent to Rs.111,625,000 (Previous Year: Nil).
- (m) Corporate Guarantee given by the company to Intesa Sanpaolo S.p.A, Hongkong, Branch for securing credit facilities to its step down subsidiary Norwest Industries Ltd. for USD 18,000,000 equivalent to Rs.803,700,000 (Previous Year: Nil)
- (n) Corporate Guarantee given by the company to Intesa Sanpaolo S.p.A, Hongkong, Branch for securing credit facilities to its step down subsidiary Simple Approach Ltd. for USD 3,000,000 equivalent to Rs.133,950,000 (Previous Year: Nil ).
- (o) Corporate Guarantee given by the company to Intesa Sanpaolo S.p.A, Hongkong, Branch for securing credit facilities to its step down subsidiary Zamira Fashion Ltd. for USD 3,000,000 equivalent to Rs.133,950,000 (Previous Year: Nil).
- (p) Corporate Guarantee given by the company to Intesa Sanpaolo S.p.A, Hongkong, Branch for securing credit facilities to its step down subsidiary Nor Lanka Manufacturing Ltd. for USD 6,000,000 equivalent to Rs.267,900,000 (Previous Year: Nil).
- (q) Corporate Guarantee given by the company to ICICI Bank Limited, New Delhi for Rs.100,000,000/- for derivative limits to its subsidiary Pearl Global Limited (Previous Year: Rs.100,000,000/-).
- (r) Corporate guarantee given by the company to HSBC for Rs.200,000,000/- for Import documentary credits and import deferred payment credits to its subsidiary Pearl Global Limited. (Previous Year: Rs.200,000,000/-).
- (s) Corporate Guarantee given by the company to Development Credit Bank for USD 10,000,000/- equivalent to Rs.446,500,000 for derivatives/FX Forward Contact to its subsidiary Pearl Global Limited (Previous Year: USD 10,000,000/- equivalent to Rs. 450,300,000) .
- (t) Corporate Guarantee given by the company to UCO Bank for Rs.50,000,000/- for Term Loan facilities to its Subsidiary Pearl Global Limited( Previous Year: Rs. 50,000,000/- both for Term loan and working capital facilities).
- (u) Corporate Guarantee given by the company to UCO Bank for Rs.415,000,000/- for Working Capital Credit facilities to its Subsidiary M/s Pearl Global Limited.( Previous Year: Rs. 415,000,000/- both for Term loan and working capital facilities).
- (v) Corporate Guarantee given by the company to Standard Chartered Bank for Rs.960,000,000/- for securing Fund and Non Fund Based credit facilities to its subsidiary Pearl Global Ltd (Previous Year: Rs.556,750,000/-).
- (w) Corporate Guarantee given by the company to Standard Chartered Bank to secure derivative limits sanctioned to its subsidiary Pearl Global Ltd. for Rs.300,000,000/- (Previous Year: Rs.300,000,000/-).
- (x) Corporate Guarantee given by the company to Yes Bank for Rs.80,000,000/- for working capital facility to its subsidiary Pearl Global Ltd (Previous Year: Rs.130,000,000/-).
- (y) Corporate Guarantee given by the company to Yes Bank for Rs.132,500,000/- for Term Loan and Corporate Loan to its subsidiary Pearl Global Ltd. (Previous Year: Rs.132,500,000/-).
- (z) Corporate Guarantee given by the company to Yes Bank for Rs.100,000,000/- for Corporate Loan –II, to its subsidiary Pearl Global Ltd. (Previous Year: Nil).
- (aa) Corporate Guarantee given by the company to DhanLaxmi Bank Limited, New Delhi for Rs.55,000,000/- for derivative limits to its subsidiary Pearl Global Limited (Previous Year: Rs. Nil ).
2. a) Vehicle loans are secured against hypothecation of respective vehicles.
- b) Term loan from Axis bank is secured by equitable mortgage on property situated at plot no. 21/13-x, block-A, Naraina Industrial Area, Phase-II, New Delhi owned by promoter directors of the company and personal guarantee by the promoter directors.

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

(Amount in Rs.)

Name of the partner	% of Share		Profit/(Loss) during the		Capital at the end of	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Deepak Seth & Sons(HUF)	25%	25%	(375,426)	22,718	1,079,984	1,455,409
House of Pearl Fashions Limited	75%	75%	(1,126,277)	68,153	41,506,777	53,833,055
<b>Total</b>			<b>(1,501,703)</b>	<b>90,871</b>	<b>42,586,761</b>	<b>55,288,464</b>

4. **Capital Commitments**

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

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

Name of the Company	Shares at the Beginning	Shares purchased during the year	Shares sold/redeemed during the year	Shares at the Closing
Nor Pearl Knitwear Limited., Bangladesh (Equity Shares)	3,868,115	-	3,868,115*	-
Lerros Fashion India Ltd. (Equity Shares)	13,224,554	3,258,933	-	16,483,487
Norp Knit Industries Limited, Bangladesh (Equity Shares)	493,761	1,921,826	-	2,415,587
Multinational Textiles Group Limited (Equity Shares)	20,071,170	1,877,100	-	21,948,270

\* During the year, the company has disposed off its entire investment in its subsidiary, Nor Pearl Knitwear Ltd., as per Reserve Bank of India approval.

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

(Amount in Rs.)

1. Advances includes	Current Year	Previous Year
<b>(A)Advances</b>		
<b>Aries Travel Pvt. Ltd.</b> Maximum balance outstanding during the period Rs 810,000/- (P.Y. Rs. 540,000)	270,000	540,000
<b>Norp Knit Industries Ltd.</b> Maximum balance outstanding during the period Rs. 7,971,164/- (P.Y. Rs. 2,657,445)	7,067,979	2,657,445
<b>Nor Pearl Knitwear Ltd.</b> Maximum balance outstanding during the period Rs. 276,111/- (P.Y. Rs. 276,111)	-	276,111
<b>Norwest Industries Ltd., Hongkong</b> Maximum balance outstanding during the period Rs. 5,354,073/- (P.Y. Rs. 6,279,778)	2,388,679	1,327,853
<b>Simple Approach Ltd., Hongkong</b> Maximum balance outstanding during the period Rs. 1,126,760/- (P.Y. Rs. 1,111,802)	435,338	1,035,690
<b>PT Norwest, Indonesia</b> Maximum balance outstanding during the period Rs. 38,430/- (P.Y. Rs. 38,430)	-	38,430
<b>Multinational Textile Group Ltd.</b> Maximum balance outstanding during the period Rs. 1,171,230/- (P.Y. Rs. 1,171,230)	-	1,171,230
<b>Lerros Fashions India Ltd.</b> Maximum balance outstanding during the period Rs NIL -/ (P.Y. Rs. 5,186,821)	-	-
<b>Little People Education Society</b> Maximum balance outstanding during the period Rs 28,007,190/- (P.Y. Rs. 19,094,142)	-	19,094,142
<b>(B) Share Application Money Includes:</b>		
<b>Lerros Fashions India Ltd.</b> Maximum balance outstanding during the period Rs 57,700,000/- (P.Y. Rs. 127,000,000)	25,110,670	32,500,000
<b>House of Pearl Fashions (US) Ltd.</b> Maximum balance outstanding during the period Rs 9,879,924/- (P.Y. Rs. 9,879,924)	-	9,879,924

<b>Multinational Textile Group Ltd.</b> Maximum balance outstanding during the period Rs. 88,865,486/- (Previous Year Rs. 88,865,486)	-	88,865,486
<b>Norp Knit Industries Ltd.</b> Maximum balance outstanding during the period Rs. 136,942,824/- (Previous Year Rs. 61,589,074)	38,011,199	129,859,824
<b>2. Loan includes:</b>		
<b>Little People Education Society</b> Maximum balance outstanding during the period Rs. 216,189,648/- (Previous Year Rs. 212,999,879)	206,189,648	180,845,285
<b>Pearl Polymer Ltd.</b> Maximum balance outstanding during the period Rs. 11,259,999/- (Previous Year Rs. 10,659,343)	10,000,000	10,000,000
<b>Pearl Global Limited</b> Maximum balance outstanding during the period Rs. 381,531,360/- (Previous Year Rs. 360,242,582)	375,672,360	307,943,395
<b>House of Pearl Fashions (US) Ltd.</b> Maximum balance outstanding during the period Rs. 20,576,800/- (Previous Year Rs. 19,671,201)	20,576,800	19,671,201
<b>Multinational Textile Group Ltd.</b> Maximum balance outstanding during the period Rs. 179,304,956/- (Previous Year Rs. 171,266,584)	179,304,956	171,266,584
<b>3. Debtors Includes:</b>		
<b>Vau Apparels Pvt Ltd.</b> Maximum balance outstanding during the period Rs. 24,290,991/- (Previous Year Rs. 24,290,991)	22,440,990	24,290,991
<b>House of Pearl Fashions (US) Ltd.</b> Maximum balance outstanding during the period Rs. 90,661,543/- (Previous Year Rs. 131,348,789)	8,130,904	71,559,078
<b>Simple Approach Ltd. Hongkong</b> Maximum balance outstanding during the period Rs. 11,494,990/- (Previous Year Rs. 20,287,155)	1,966,503	2,586,399

**7. Details of Managerial Remuneration**

Particulars	Current Year	Previous Year
Salary to Managing Director	4,800,000	4,800,000
Contribution to Provident Fund	9,360	9,360
<b>Total</b>	<b>4,809,360</b>	<b>4,809,360</b>

**Notes:**

- Provision for / contribution to employee retirement benefits are excluded above.
- Above managerial remuneration has been calculated in accordance to the schedule XIII of Companies Act, 1956.

**Computation of Net Profit as per section 349 and section 198 of Companies Act,1956.****(Amount in Rs.)**

Particulars	Current Year	Previous Year
Profit/(Loss) before Taxes as per Profit & Loss Account	(295,671,763)	(41,054,764)
Add:-Managerial Remuneration	4,809,360	4,809,360
Add: Directors sitting Fee	280,000	440,000
<b>Net Profit/(Loss)</b>	<b>(290,582,403)</b>	<b>(35,805,404)</b>

**8. Payment to Auditors****(Amount in Rs.)**

Particulars	Current Year	Previous Year
Statutory Audit Fee	650,000	650,000
Tax Audit Fee	120,000	100,000
Other Matters	45,144	93,310
Service Tax	79,310	86,861
<b>Total</b>	<b>894,454</b>	<b>930,171</b>

## 9. Employee Benefits

The Company has adopted Accounting Standard 15 (revised 2005) 'Employee Benefits' as issued by the Companies (Accounting Standards) Rules, 2006. The Company has classified the various benefits provided to employees as under:-

### (i) Defined Contribution Plan

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

The company recognized Rs. 1,041,262 (Previous Year: Rs.348,569) for provident fund contributions in the profit and loss account and Rs. Nil (Previous Year: Rs. 252,250) debited under the head "Capital work-in-progress towards the implementation cost of SAP. The contributions payable to these plans by the company are at rates specified in the rules of the schemes.

### (ii) Defined Benefit Plan

The present value of obligation is 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. The obligation for leave encashment is recognized in the same manner as gratuity.

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

Amount (Rs.)

	Current Year		Previous Year	
	Gratuity (Funded)	Earned leave (Unfunded)	Gratuity (Funded)	Earned leave (Unfunded)
Defined benefit obligations at beginning of the year	2,763,497	1,877,119	1,888,414	405,347
Interest Cost	221,080	150,170	151,073	32,428
Service Cost	681,312	665,979	668,123	889,782
Benefits Paid	(201,929)	(641,335)	-	(76,150)
Gain / Loss	(157,442)	(80,029)	55,887	625,712
Defined benefit obligations at year end	3,306,518	1,971,904	2,763,497	1,877,119

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

Amount (Rs.)

	Current Year		Previous Year	
	Gratuity (Funded)	Earned leave (Unfunded)	Gratuity (Funded)	Earned leave (Unfunded)
Fair value of plan assets at beginning of the year	2,050,824	N.A.	13,97,140	N.A.
Expected Return on plan assets	184,574	-	125,743	-
Contributions	1,092,284	-	520,118	-
Benefits Paid	(201,929)	-	-	-
Actuarial gain/(loss) on plan assets	76,062	-	7,823	-
Fair value of plan assets at the year end.	3,201,815	N.A.	2,050,824	N.A.

### (c) Reconciliation of fair value of assets and obligations

	Current Year		Previous Year	
	Gratuity (Funded)	Earned leave (Unfunded)	Gratuity (Funded)	Earned leave (Unfunded)
Fair Value of plan assets as at the end of the period	3,201,815	-	20,50,824	-
Present Value of Obligation as at 31 <sup>st</sup> March 2011	3,306,518	1,971,904	2,763,497	1,877,119
Funded status/Difference	(104,703)	-	(712,673)	-
Excess of actual over estimated	76,062	-	7,823	-
Net assets/(liability) recognized in balance sheet	(104,703)	(1,971,904)	(712,673)	(1,877,119)

### (d) Expenses recognized during the year

Amount (Rs.)

	Current Year		Previous Year	
	Gratuity (Funded)	Earned leave (Unfunded)	Gratuity (Funded)	Earned leave (Unfunded)
Current Service Cost	681,312	665,979	668,123	889,782
Interest Cost	221,080	150,170	151,073	32,428
Past Service Cost	175,862	-	-	-
Expected return on plan assets	(184,574)	-	(125,743)	-
Actuarial (Gain)/Loss	(409,366)	(80,029)	48,064	625,712
Net Cost	484,314	736,120	741,517	1,547,922

### (e) Actuarial Assumptions

Amount (Rs.)

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

### 10. Related Party Disclosure

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

#### a) Subsidiary Companies:

##### Domestic

Pearl Global Limited	India
Lerros Fashions India Ltd.	India

##### Overseas

Norp Knit Industries Limited	Bangladesh
House of Pearl Fashions (US) Limited,	USA
Multinational Textile Group Limited	Mauritius
Global Textiles Group Limited	Mauritius
Pacific Supply Chain Limited	UK
Zamira Fashions ( Europe) Limited	UK
Poeticgem Limited	UK
Pacific Logistics Limited	UK
FX Imports Company Limited	UK
Magic Global Fashion Ltd.	UK
Poetic Knitwear Limited	UK
Norwest Industries Limited	Hong Kong
Zamira Fashion Limited	Hong Kong
FX Import Hongkong Ltd.	Hong Kong
PG Group Limited (formerly known as Pearl Ges Ltd.)	Hong Kong
Pearl GES Home Group Limited	Hong Kong
Pearl Global Fareast Limited	Hong Kong
Simple Approach Limited	Hong Kong
Poeticgem (Canada) Limited	Canada
PT Norwest Industry	Indonesia
Pearl GES Home Group SPA,	Chile
Nor Delhi Manufacturing Limited (formerly known as Magic Global Fashions Ltd.)	Hong Kong
Nor Lanka Manufacturing Limited (formerly known as Poetic Hongkong)	Hong Kong
Grand Pearl Trading Limited	China

**b) Associates:****Domestic**

Hopp Fashions	India
Pearl Wears	India
Vastras	India
Little People Education Society	India
Pearl Retail Solutions Pvt Ltd	India
Deepak Seth & Sons (HUF)	India
Pearl Apparels Limited	India
Vau Apparels Pvt Ltd	India
Nim International Commerce Pvt. Ltd.	India

**Overseas**

Pallas Holdings Limited	Mauritius
SACB Holdings Limited	Mauritius
JSM Trading (FZE.)	Dubai
Lerros Moden GMBH	Germany
Premier Pearl Garment Joint Stock Co. Ltd.	Vietnam
Superb Mind Holdings Limited	Mauritius
Grupo Extremo SUR S.A.	Chille
Fru Holdings Ltd.	Mauritius
NAFS	UK

**c) Key Management Personnel**

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

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

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

	Current Year	Previous Year
Purchase of goods	47,097,726	49,552,066
Sale of goods	83,255,514	326,764,231
Investment made	255,371,365	208,683,820
Loan given	-	154,016,000
Rent received	120,000	120,000
Expenses paid by us on their behalf	10,835,989	8,728,954
Expenses reimbursed	2,409,065	39,499,972
Share application money given	57,388,000	198,729,382
Sap Income	7,033,044	14,953,045
Corporate Fees	2,936,902	1,48,18,988
Office Maintenance	-	2,886,921
Advance given	223,971,969	325,699,564
Advance received	120,338,806	6,282,354
Advance recovered	79,571,705	279,526,884
Interest Income	46,242,664	49,052,932
Commission Expenses	-	429,157
Purchase of Asset	-	450,000
<b>Closing Balance</b>		
Loan to subsidiary	575,554,116	563,799,948
Advance to subsidiaries/Others	55,607,068	167,477,098
Sundry Debtors	10,097,407	74,145,477
Interest Receivable	28,211,038	36,164,721

**ii) Associates**

	Current Year	Previous Year
Advance Rent Paid	1,860,000	-
Rent Received	2,012,625	2,683,500
Rent Paid	2,340,000	4,320,000
Profit/(Loss) from partnership firm	(1,126,277)	68,153
Expenses paid by us on their behalf	-	319,302
Expenses Paid	-	124,087
Expenses reimbursed	2,483,998	557,380
Loan Given	-	3,74,00,000
Loan Received Back	-	4,57,52,241
Interest Income	9,063,387	18,952,502
Advance received	-	350,000
<b>Closing Balance</b>		
Advances/Others	93,731,871	98,259,191
Loan	176,405,545	180,845,285

**Key Managerial Personal**

Remuneration to Managing Director	4,809,360	4,809,360
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(III) Disclosure of related parties having more than 10% interest in each transaction in the ordinary course of business:-

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

	Current Year	Previous Year
<b>Purchase of goods</b>		
- Norp Knits Industries Limited	42,159,270	24,822,677
- Pearl Global Limited	4,938,456	24,729,389
<b>Sale of goods</b>		
- House of Pearl Fashions (US) Limited	56,501,749	272,754,641
- Simple Approach Limited	26,753,765	40,596,754
<b>Investment made</b>		
- Pearl Global Limited	-	53,640,000
- Lerros Fashion India Limited	32,589,330	155,043,820
- Multinational Textiles Group Ltd.	88,865,486	-
- Norp Knit Industries Ltd.	124,036,625	-
- House of Pearl Fashions Ltd.	9,879,924	-
<b>Loan given</b>		
- Multinational Textiles Group Ltd.	-	114,516,000
- Pearl Global Limited	-	39,500,000
<b>Rent received</b>		
- Pearl Global Limited	120,000	120,000
<b>Expenses paid by us on their behalf</b>		
- Norwest Industries Limited	-	1,723,370
- Pearl Global Limited	4,988,025	1,750,799
- Poeticgem Limited	3,363,124	3,541,885
- Multinational Textiles Group Ltd.	-	1,171,230
- Norp Knit Industries Ltd.	2,162,444	-
<b>Expenses reimbursed</b>		
- Pearl Global Limited	1,230,568	25,847,941
- Poeticgem Limited	351,715	10,634,230
- Norp Knit Industries Ltd.	657,482	-
<b>Share application money given</b>		
- Norp knit Industries Limited	32,188,000	68,270,750
- Multinational Textile Group Ltd.	-	56,113,092
- Lerros Fashion India Ltd.	25,200,000	74,000,000



	Amount (Rs.)	
	Current Year	Previous Year
<b>Sap Income</b>		
- Norwest Industries Limited	3,216,564	6,386,821
- Poetigem Limited	2,153,151	4,222,579
- House of Pearl Fashion ( US ) Ltd	670,118	
<b>Corporate Fees</b>		
- Lerros Fashion India Limited	-	1,951,884
- Norpknit Industries Limited	2,936,902	2,836,588
- Pearl Global Limited	-	10,030,516
<b>Office Maintenance</b>		
- Poetigem Limited	-	2,886,921
<b>Advance given</b>		
- Pearl Global Limited	223,971,969	25,436,475
<b>Advance received</b>		
- Norwest Industries Limited	-	6,282,354
- Pearl Global Limited	120,338,806	-
<b>Advance recovered</b>		
- Pearl Global Limited	79,571,705	279,567,627
<b>Interest Income</b>		
- Pearl Global Limited	31,545,097	32,778,949
- Nor Pearl Knitwear Ltd.	3,870,713	8,183,107
- Multinational Textiles Group Ltd.	9,727,681	6,924,711
<b>Commission Expenses</b>		
- Norwest Industries Limited	-	429,157
<b>Purchase of Asset</b>		
- Pearl Global Limited	-	450,000
<b>Closing Balance</b>		
- Pearl Global Limited	403,883,398	344,108,116
- Norp Knit Industries Limited	-	132,517,269
- Multinational Textile Group Limited	179,304,956	261,303,278

ii) Associates

	Current Year	Previous Year
<b>Advance Rent Paid</b>		
- Little People Education Society	1,860,000	-
<b>Rent Received</b>		
- Pearl academy of fashion India Ltd.	2,012,625	2,683,500
<b>Rent Paid</b>		
- Little People Education Society	2,340,000	1,260,000
- Pearl School of business	-	3,060,000
<b>Profit/(Loss ) from partnership firm</b>		
- HOPP Fashions	(1,126,277)	68,153
<b>Expenses paid by us on their behalf</b>		
- Little People Education Society	-	319,302
- Pearl Academy of Fashion (India) Ltd. (Now known as Pearl Apparels Ltd.)	134,911	-
<b>Expenses paid</b>		
- Pearl Academy of Fashion (India) Ltd. (Now known as Pearl Apparels Ltd.)	-	124,087
<b>Expenses Recovered</b>		
- Pearl School of business	-	226,480
- Little People Education Society	2,355,998	-
<b>Loan Given</b>		
- Little People Education Society	-	37,400,000
<b>Loan Received Back</b>		
- Little People Education Society	-	37,390,116
<b>Interest Income</b>		
- Little People Education Society	9,063,387	18,952,502
<b>Advance received</b>		
- Vau Apparels Pvt. Limited	-	350,000
<b>Closing Balance</b>		
- Vau Apparels Pvt Limited	22,440,991	23,940,991
- Little People Education Society	206,189,648	199,939,427
- HOPP Fashions	41,506,777	53,833,055

iii) Key Managerial Personal

	Current Year	Previous Year
<b>Remuneration to Managing Director</b>		
- Mr.Pulkit Seth	4,809,360	4,809,360

11. Leases

(a) Assets Given on Lease

- (i) The company has given certain assets on operating lease and lease rent income amounting to Rs. 2,803,500 (Previous Year Rs. 2,803,500) has been credited in Profit & loss Account. The future minimum lease payments receivables and detail of assets as at 31st March, 2011 are as follows:

Minimum Lease Payments Receivables (Amount in Rupees)

	Current Year	Previous Year
Not later than 1 year	2,803,500	2,803,500
Later than 1 year but not later than 5 years	9,498,084	11,807,400
Later than 5 years	-	9,660,600

- (ii)

	Current Year	Previous Year
Gross Investment on leased Assets	2,808,329	2,808,329
Accumulated Depreciation on Lease Assets as on 31 <sup>st</sup> March, 2011	1,729,791	1,729,791
Depreciation Charged During the Year	-	59,195

- (iii) General Description on Lease Terms:

Particulars	Purchase Option	Escalation Clause	Contingent Rent	Sub-Leasing
Pearl Global Ltd.	No	No	No	No
Creative Art Education Society	No	15% After Every 3 Yrs.	No	No

(b) Assets taken on Lease

- (i) The company has taken certain assets on non-cancelable operating lease and lease rent debited to Profit & Loss account amounting to Rs 4,740,000. (Previous Year Rs. 1,381,100\*.. The details of future minimum lease payments is as under:

(Amount in Rupees)

	Minimum Lease Payments Payables	Current Year	Previous Year
(i) Not later than in 1 year		4,332,000	1,320,000
(ii) Later than 1 year but not later than 5 years		6,451,500	6,157,800
(iii) Later than 5 years		2,327,600	4,073,300
<b>Total</b>		13,111,100	11,551,100

- (ii) General Description of Lease Terms

Particulars	Purchase Option	Escalation Clause	Contingent Rent	Sub-Leasing
Little People Education Society (PSB)	No	No	No	No
Shakuntla Yadav	No	Yes (@ 15%)	No	No

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

12. Earning per share

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

	Current Year (Rs.)	Previous Year (Rs.)
Profit/(Loss) attributable to the equity shareholders	(238,072,682)	(40,467,423)
Basic/weighted average no. of equity shares outstanding during the period	19,500,343	19,500,343
Nominal value of Equity shares	10	10
<b>Basic Earning per share (Rs.)</b>	<b>(12.21)</b>	<b>(2.08)</b>
Potential Equity shares	Nil	Nil
<b>Dilutive Earning per share (Rs.)</b>	<b>(12.21)</b>	<b>(2.08)</b>

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

## a) Capacity and Production

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

## b) Breakup of Sales

(Amount in Rs.)

Class of Goods	Unit	Current Year		Previous Year	
		Qty	Amount (Rs.)	Qty	Amount (Rs.)
Readymade Garments -Traded	Pcs.	919,686	225,450,975	1,701,342	446,490,361

## c) Details of Traded Goods

(Amount in Rs.)

Class of Goods	Unit	Opening Stock		Purchases		Closing Stock	
		Qty	Amount (Rs.)	Qty	Amount (Rs.)	Qty	Amount (Rs.)
Readymade Garments	Pcs	-	-	919,686	202,331,243	-	-
		(-)	(-)	(1,701,342)	(421,386,797)	(-)	(-)

Amounts in bracket denotes previous year amounts

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

(Amount in Rs.)

Particulars	Current Year	Previous Year
Garments	202,331,243	421,386,797
<b>Total</b>	<b>202,331,243</b>	<b>421,386,797</b>

## e) Earnings in Foreign Exchange (on accrual basis)

(Amount in Rs.)

Particulars	Current Year	Previous Year
Export of Goods- FOB basis	215,031,134	433,077,525
Interest Income	14,697,567	16,273,983
SAP/Mgmt Charges	9,969,947	19,874,074
Others	-	5,727,910
Designing Income	21,413,136	-
<b>Total</b>	<b>261,111,784</b>	<b>474,953,492</b>

## f) Expenses in Foreign Exchange (on accrual basis)

(Amount in Rs.)

Particulars	Current Year	Previous Year
Foreign Travelling	-	554,377
Advertisement Expenses	-	517,064
Commission	-	429,157
Sampling Expenses	-	8,803,391
Air Freight Charges	1,322,746	-
Recruitment Expenses	510,235	-
Repair & Maintenance Other	351,715	-
Others	-	1,789,711
<b>Total</b>	<b>2,184,696</b>	<b>12,093,700</b>

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

(Amount in Rs.)

Particulars	Balance as at 01.04.2010	Expenses/Savings during the year	Balance as at 31.03.2011
<b>Deferred Tax Assets</b>			
Unabsorbed Depreciation	17,719,361	13,198,616	30,917,977
Business losses	3,213,185	(2,256,381)	956,804
Capital losses	4,731,222	55,108,775	59,839,997
Others	933,103	912,698	1,845,801
<b>Total (A)</b>	<b>26,596,871</b>	<b>66,963,708</b>	<b>93,560,579</b>
<b>Deferred Tax Liabilities</b>			
Depreciation	(18,913,839)	(9,280,711)	(28,194,550)
<b>Total (B)</b>	<b>(18,913,839)</b>	<b>(9,280,711)</b>	<b>(28,194,550)</b>
<b>Net Deferred Tax Asset/(Liability)</b>	<b>7,683,032</b>	<b>57,682,997</b>	<b>65,366,029</b>

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

15. In view of the management, the current assets, loans and advances have a value on realization in the ordinary courses of business at least equal to the amount, at which they are stated in the Balance Sheet as at 31st March, 2011.
16. The company has not dealt in any derivative financial instrument during the year.
17. There is no reportable segment of the company in view of the Accounting Standard -17 'Segment Reporting' as issued by the Companies (Accounting Standards) Rules,2006.
18. The House of Pearl Fashions Limited has raised Rs. 2,854,335,000 through a public issue of shares during the financial year 2006-07, the proceeds of which are deployed as follows (on payment basis) :

S. No.	Particulars	Amount (In Rs.)
1.	Investment in subsidiary companies for increasing the Group's production capacity by :	
a.	Manufacturing Facilities at cost effective locations	46,555,793
b.	Expansion of a new bottom manufacturing facility by Pearl Global Limited at Madras Export Promotion Zone Tambaram	25,000,000
c.	Establishment of a new woven and knits manufacturing facility by PT Norwest Indonesia at Semarang , Indonesia	5,969,250
d.	Acquisition of an existing knitted garment Manufacturing facility by Pearl Global Limited in Khandsa Gurgaon Haryana, India	54,000,000
e.	New Manufacturing Facility by Norp Knit Industries Ltd./other subsidiaries or joint ventures companies at cost effective locations	15,058,950
2.	Investment in Pearl Global Ltd for design center	38,000,000
3.	Setting up an Integrated Information Technology System	179,082,063
4.	Prepayment of certain term loans availed by the company and its subsidiaries	492,374,989

Signature to Schedule 1 to 16

Place: New Delhi  
Date: 30th May, 2011

S. No.	Particulars	Amount (In Rs.)
5.	Investment in its subsidiary company, Multinational Textiles, for payment of purchase of SACB Holdings Limited and Pallas Holdings Limited as part of the Group restructuring.	491,729,400
6.	Setting up a domestic branded apparel retail business	229,845,540
7.	Acquisition of existing companies to set up joint ventures companies for marketing & distribution or whole sale and supply business in apparel, accessories or related segments within or outside India	490,555,682
8.	Meeting Share Issue expenses	191,950,492
9.	*Extended working capital & temporary loans to its subsidiaries as an interim use of funds.	531,877,537
10.	Balance amount lying in the mutual funds and fixed deposits & Bank Balances	62,335,304

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

\*Extended a working capital loans of Rs. 27,129,029/- on a rolling basis to its subsidiary House of Pearl Fashions (US) Ltd. as an interim use of funds.

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

\*Extended a temporary loan of Rs. 66,838,573/- for working capital to its subsidiary Pearl Global Limited as an interim use of funds.

\*Extended a temporary loan of Rs. 101,207,655/- for working capital to other subsidiaries as an interim use of funds.

19. During the current financial year company has disposed off entire investment in its subsidiary Nor Pearl Knitwear Ltd, for a total consideration of Rs.1034.45 Lacs as per RBI approval. This has resulted extra ordinary loss of Rs.292,383,045/- due to written off loans & loss on investment after adjusting the sales consideration of Rs.1034.45 Lacs during the current reported year.
20. Previous year figures have been regrouped/ recasted wherever necessary.

On behalf of the Board

(DEEPAK SETH)  
Chairman  
DIN 00003021

(PULKIT SETH)  
Managing Director  
DIN 00003044

(SHAIENDRA SANCHETI)  
Chief Financial Officer

(SANDEEP SABHARWAL)  
Company Secretary

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

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

**I. Registration Details**

CIN No.	L 7 4 8 9 9 D L 1 9 8 9 P L C 0 3 6 8 4 9	
Registration No.	0 3 6 8 4 9	State Code <input type="text"/>
Balance Sheet Date	3 1 0 3 2 0 1 1	

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

Public Issue	<input type="text"/>	N I L	Right Issue	<input type="text"/>	N I L
Bonus Issue	<input type="text"/>	N I L	Private Placement	<input type="text"/>	N I L

**III. Position of Mobilisation and Deployment of Funds (Rupees in Thousands)**

Total Liabilities	<input type="text"/>	2 9 4 9 0 8 2	Total Assets	<input type="text"/>	2 9 4 9 0 8 2
<b>Sources of Funds</b>					
Paid-up Capital	<input type="text"/>	1 9 5 0 0 3	Reserves & Surplus	<input type="text"/>	2 7 1 4 8 3 6
Secured Loans	<input type="text"/>	3 9 2 4 3	Unsecured Loans	<input type="text"/>	N I L
Deferred Tax Liability (Net)	<input type="text"/>	N I L			
<b>Application of Funds</b>					
Net Fixed Assets *	<input type="text"/>	1 4 5 5 7 7	Investments	<input type="text"/>	1 6 7 0 9 6 3
Net Current Assets	<input type="text"/>	9 9 8 4 8 5	Miscellaneous Expenditure	<input type="text"/>	N I L
Accumulated Losses	<input type="text"/>	2 8 6 9 2	Deferred Tax Asset (Net)	<input type="text"/>	6 5 3 6 6

\* Including capital work in Progress.

**IV. Performance of Company (Rupees in Thousands)****Turn Over (Total Income)**

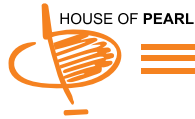
Income	<input type="text"/>	3 4 6 3 7 5	Total Expenditure	<input type="text"/>	3 4 9 4 3 8
Profit before tax	<input type="text"/>	- 3 0 6 3	Profit after tax	<input type="text"/>	- 2 3 8 0 7 3
<b>Earning per share (in Rs.)</b>					
Basic	<input type="text"/>	- 1 2 . 2 1	Dividend Rate %	<input type="text"/>	N I L
Diluted	<input type="text"/>	- 1 2 . 2 1			

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

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

On behalf of the board

(DEEPAK SETH)  
Chairman  
DIN 00003021(PULKIT SETH)  
Managing Director  
DIN 00003044Place: New Delhi  
Dated: 30th May, 2011Shaileendra Sancheti  
Chief Finance OfficerSandeep Sabharwal  
Company Secretary



Statement Regarding Subsidiary Companies Pursuant to Section 212 (3) and 212 (5) of Companies Act, 1956								
Name of the Subsidiary Company	Country	Financial Year to which accounts relates	Holding Co's Interest as at close of financial year of subsidiary company		Net aggregate amount of subsidiary company's profits after deducting its losses or vice-versa, so far as it concerns members of Holding company which are not dealt within the company's account.		Net aggregate amount of subsidiary company profit after deducting its losses or vice-versa, dealt within the company's accounts	
			Share Holding	Extent of Holding	For the current financial year Profit/(Loss) Amount (Rs.)	For the previous financial year Profit/(Loss) Amount (Rs.)	For the current financial year Profit/(Loss) Amount (Rs.)	For the previous financial year Profit/(Loss) Amount (Rs.)
<b>Domestic :</b>								
Pearl Global Limited	India	2010-11	4,969,588 Equity Shares of Rs. 10/- each	60.49%	65,292,273	98,197,326	-	-
Lerros Fashions India Limited	India	2010-11	164,83,487 Equity & 3,990,000 Preference Shares of Rs. 10/- each, respectively	59.64% & 100% respectively	(70,796,910)	(71,376,557)	-	-
<b>Overseas :</b>								
Norp Knit Industries Limited	Bangladesh	2010-11	493,761 equity shares of Taka 100 each	99.99%	18,347,483 @	23,493,063	-	-
House of Pearl Fashions (US) Ltd.	USA	2010-11	shares without par value	78%	3,901,699 @	(10,230,951)	-	-
Multinational Textile Group Limited	Mauritius	2010-11	20,071,170 Equity Shares of USD 1 each fully paid up	100%	3,712,769 @	(46,667,201)	-	-
Global Textile Group Limited #	Mauritius	2010-11	5,771,556 Equity Shares of USD 1 each fully paid up	100%	(683,266) @	(1,068,607)	-	-
Poetigem Limited #	UK	2010-11	50,000 Equity Shares of GBP 1 each fully paid up	100%	(14,521,457) @	29,914,517	-	-
Pacific Logistics Limited #	UK	2010-11	10,000 Equity Shares of GBP 1 each fully paid up	100%	(4,437,414) @	(6,266,030)	-	-
Poetigem (Canada) Limited #	Canada	2010-11	100 Common Shares without par value	100%	3,995,257 @	(9,427,976)	-	-
PT Norwest Industry #	Indonesia	2010-11	14,998 Equity Shares of USD 10 each fully paid up	99.87%	13,977,927 @	21,659,970	-	-
Norwest Industries Limited #	Hong Kong	2010-11	1,020,000 Equity Shares of USD 1 each fully paid up	85%	254,181,494 @	315,422,334	-	-
FX Import Company Limited #	UK	2010-11	12,600 ordinary shares of 1 Pound each	50%	(11,358,088) @	(7,801,724)	-	-
Zamira Fashion Limited #	Hong Kong	2010-11	167,500 shares of US\$ 1 each	67%	(11,549,495) @	(11,795,303)	-	-
Pacific Supply Chain Limited #	UK	2010-11	1000 shares of 1 Pound each	100%	(101,712) @	(360,865)	-	-
Simple Approach Limited #	HK	2010-11	187,500 Ordinary Shares of USD 1 each	75%	3,453,781.04 @	32,039,269.60	-	-
PG Group Limited #	HK	2010-11	510,000 ordinary shares of USD 1 each	51%	14,273,459.94 @	(25,722,351.81)	-	-
PG Home Group Limited #	HK	2010-11	225,000 ordinary shares of USD 1 each	90%	(404,443.91) @	(8,439,477.57)	-	-
Pearl GES Home Group SPA #	Chile	2010-11	1,000 shares without par value	100%	5,595,501.36 @	-	-	-
Magic Global Fashion Ltd. #	UK	2010-11	100 ordinary shares of GBP 1 each	100%	(4,308,478.06) @	(2,024,629.97)	-	-
Zamira Fashions (Europe) Ltd. #	UK	2010-11	100 ordinary shares of GBP 1 each	100%	(6,839,217.06) @	(4,998,829.11)	-	-
Poetic Knitwear Ltd. #	UK	2010-11	67 ordinary shares of GBP 1 each	67%	(32,870,059.07) @	(28,539,742.22)	-	-
FX Import Hong Kong Ltd. #	Hong Kong	2010-11	10,000 ordinary shares of HKD 1 each	100%	2,762,888.78 @	392,085.80	-	-
Pearl Global Fareast Ltd. #	Hong Kong	2010-11	413,000 ordinary shares of USD 1 each	100%	(3,106,599.35) @	(8,109,177.20)	-	-
Nor Lanka Manufacturing Ltd. #	Hong Kong	2010-11	10,000 shares of HKD 1 each	100%	12,073,104.90 @	(294.80)	-	-
Razamtazz Limited #	Mauritius	2010-11	1 Ordinary shares of GBP 1 each	100%	(444,743) @	-	-	-
SACB Holdings Limited #	Mauritius	2010-11	50,000 Ordinary shares of USD 1 each	51%	(404,851) @	-	-	-

# Shares held through wholly owned subsidiaries.

@ Exchange Rate of 31.03.2011 has been considered for conversion for current year's figures.

On behalf of the board

(DEEPAK SETH)  
Chairman  
DIN 00003021

(PULKIT SETH)  
Managing Director  
DIN 00003044

Place: New Delhi  
Dated: 30th May, 2011

Shailendra Sancheti  
Chief Finance Officer

Sandeep Sabharwal  
Company Secretary

Pearl Global Limited

**DIRECTORS' REPORT**

To the Shareholders,

The Directors of your Company have pleasure in presenting the 31st Annual Report on the business and operations of the Company and the Audited Financial Accounts for the year ended 31st March 2011.

**Financial**

The performance of the Company for the financial year ended 31st March 2011 is summarized below:

PARTICULARS	(Rs. In Lacs)	
	2010 – 11	2009 – 10
Sales Turnover ( including Export Incentives)	64,411.34	54,924.45
Other Income	2,097.87	488.27
Profit before Interest, Depreciation & Tax	3,238.92	3,102.54
Interest ( Net )	1,514.22	1,123.42
Depreciation/Amortisation	601.62	553.02
Profit (Loss) before Tax	1,123.09	1,426.10
Provision for Taxation (including deferred Tax)	343.93	444.13
Tax Adjustments for earlier years	-	-
Profit (Loss) after Tax	652.92	981.97
Transfer to Reserves	-	-

**Business & Operations**

Garment industry has long been playing a major role in the Indian economy, providing much needed foreign currency and employment to millions of people over the decades. Today, around 45% of the total textile exports in India account for readymade garments. Garment exports in India have registered growth since December, 2010. The Indian garment industry has shown ray of light for future growth with beginning of the year 2011. However, rising raw material cost is a major cause of concern for the industry. The cotton price has seen an unprecedented rise during last year. Further, the appreciation of Indian Rupee against US dollar by 7-8% during the year has impacted the export realization.

We have re-strengthened our strategic relationship with some of the top global retailers to leverage our scalable and cost efficient production and operational capabilities with focus on providing innovative design, more product categories, high value additions and cost efficiencies to our customers.

To capitalize on further growth in the apparel Industry and associated demand for our products, the company has increased its production capacity at its manufacturing facility in India during past two years. At the same time, the company has focused on continuous cost reduction and managed to achieve the growth with similar level of fixed overheads.

During the year, your Company registered a remarkable growth of nearly 20% on year on year basis, whereas the Indian Apparel Industry did not grow at this pace. This would ensure improving the margins of the Company. The gross income of the company stood at Rs.665.09 Crores, a 20% growth over last year's Rs.554.13 Crores. The PBIDT for the year is Rs.32.39 Crores as against Rs.31.02 Crores.

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

**Dividend**

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

**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 would retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Necessary resolutions for their re-appointment are included in the notice convening Annual General Meeting.

The Board of Directors in its meeting held on 30th May 2011, revised the remuneration of Mr. Sanjay Pershad as Whole-time Director of the Company from Rs.2,63,000/- to Rs.1,50,000 per month and also re-appointed Mr. Pulkit Seth as Managing Director for a period of one year till 31st May 2012. Shareholders' approval for the same are being sought in the ensuing Annual General Meeting.

**Directors Identification Number (DIN)**

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

Mr. Deepak Seth	-	00003021	Mr. Santosh Gadia	-	00073801
Mr. Pallak Seth	-	00003040	Mr. Anshuman Khanna	-	00075651
Mr. Pulkit Seth	-	00003044	Dr. Ashutosh Prabhudas Bhupatkar	-	00479727
Mrs. Shefali Seth	-	01388430	Mr. Anil Nayar	-	01390190
Mr. Sanjay Pershad	-	00003054	Mr. Shelley Cherian	-	02123028
Mr. A K G Nair	-	00011177			

**Subsidiaries**

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

**Auditors**

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

**Segment Reporting**

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

**Public Deposits**

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

**Corporate Governance Voluntary Guidelines 2009**

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

**Corporate Social Responsibility Voluntary Guidelines 2009**

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

Pearl Global Limited

#### 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 demat shares, as required under Securities Contract (Regulation) Act, 1956. The detail of RTA forms part of the Corporate Governance Report.

#### 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 2011, 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 2011 as a Going Concern and on accrual basis.

#### Particulars of Employees

Particulars of employees required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 are Nil.

#### 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-1 to this Report.

#### Acknowledgements

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

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

For and on behalf of the Board  
for PEARL GLOBAL LIMITED

**(DEEPAK SETH)**  
CHAIRMAN  
(DIN – 00003021)

Place: Gurgaon  
Date: 30th May, 2011

Pearl Global Limited

**Annexure I 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.
- Effective utilization of work station for energy conservation

**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:**

- Due to additional electrical equipments installed for enhancing capacity, the overall energy consumption reduced to some extent.

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

N.A.

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

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

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

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

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

**3. Future Plan of action**

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

**4. Expenditure on R & D**

	(Rs. / Lacs)	
	2010-11	2009-10
a) Capital	NIL	NIL
b) Recurring	271.75	639.80
c) Total	271.75	639.80
d) Total R & D expenditure as a percentage of total turnover is approx. 0.40 % (previous year 1.2%).		

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

Not Applicable

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

Not Applicable

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

a Technology Imported : Not Applicable

b Year of Import :

c Has technology been fully absorbed ?

d If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.

**C. Foreign Exchange Earnings and Outgo**

(Rs.)

**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.**

	2010-11	2009-10
<b>i. Foreign Exchange Earnings :</b>		
Export of Goods – FOB basis	6,116,157,153	5,263,396,770
Export of software FOB basis	-	10,081,500
Claim Received	1,429,920	7,796,525
Commission received	9,000,000	-
Designing Charges	-	13,452,620
Testing Charges	-	794,410
Others	704,622	958,540
<b>Total</b>	<b>6,127,291,695</b>	<b>5,296,480,365</b>
<b>ii. Foreign Exchange Outgo :</b>		
Import	3,021,757,809	2,589,480,177
Interest on Loan	-	7,724,310
Foreign Traveling	1,328,173	1,355,841
Export Commission	8,071,763	42,086,583
Others	9,080,889	38,141,979
<b>Total</b>	<b>3,040,238,634</b>	<b>2,678,788,890</b>



Pearl Global Limited

## AUDITORS' REPORT

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

We have audited the attached balance sheet of **Pearl Global Limited** as at **31st March 2011**, the profit and loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
- (c) The Company's balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (e) On the basis of written representations received from the directors as on 31st March 2011 and taken on record by the Board of Directors. We report that none of the directors are disqualified as on 31st March 2011 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 2011;
  - (ii) in the case of the profit and loss account, the profit for the year ended on that date; and
  - (iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For **S.R.DINODIA & CO.**  
 CHARTERED ACCOUNTANTS  
 Regn. No. 001478N

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

Place : New Delhi  
 Date : 30th May, 2011

## 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 2011 was conducted by the management during the year. In our opinion, the frequency of physical verification is reasonable. No material discrepancies were noticed on such verification.
  - c) In our opinion and according to the information and explanations given to us, no substantial part of fixed assets has been disposed off by the Company during the year.
- ii)
  - a) On the basis of information and explanation provided by the management, the inventory has been physically verified during the year by the management except the inventories in transit and lying with the third parties. In our opinion the frequency of physical verification followed by the management is reasonable.
  - b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
  - c) In our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii)
  - a) The company has granted loans and unsecured advances during the year to three parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum balance involved in the transaction is Rs. 45,05,558. (The year end balance was Rs. 45,05,558).
  - b) The rate of interest and other terms and conditions on which advances have been given are not prime facie prejudicial to the interest of the company.
  - c) In respect of the aforesaid, all the advances were repayable on demand.
- iv)
  - a) The company had taken unsecured loans from one of the company and two other parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum balance involved in the transaction is Rs.387,628,236 (The year end balance was Rs. 382,065,013).
  - b) The rate of interest and other terms and conditions on which loan has been taken are not prime facie prejudicial to the interest of the company.
  - c) On the basis of information available, in respect of the aforesaid loan, the principal amount has not fallen due for repayment.
- v) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices, there is no continuing failure to correct the weaknesses in the aforesaid internal control systems.
- vi)
  - a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
  - b) In our opinion and according to explanation given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained u/s 301 of the Companies Act, 1956 and exceeding values of Rs.5 Lacs have been made at prices which are reasonable with regard to the prevailing market prices at the relevant times.
- vii) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits within the meaning of section 58A, 58AA and the other relevant provisions of the Companies Act, 1956 and rules framed thereunder.
- viii) In our opinion, the company has an internal audit system commensurate with the nature and size of its business.
- ix) The Central Government has not prescribed the maintenance of cost records under section 209 (1) (d) of the Companies Act 1956, for any of the products of the company.

## Pearl Global Limited

- x) a) According to the information and explanation given to us, the company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues as applicable to it.
- b) According to the records of the Company examined by us and the information and explanations given to us, there is no amount outstanding in respect of aforesaid statutory dues on account of any dispute as at 31st March, 2011.
- c) On the basis of our verification of records and information and explanations provided, the detail of disputed statutory dues aggregating amounting to Rs 1,944,752 which have not been deposited on account of matters pending before appropriate authorities are as under:

Name of the statute	Nature of Dues	Amount in Rs.	Period to which Amount Relates	Forum where dispute is pending
Employee State Insurance	E.S.I	219,281	-	E.S.I court
Apparel Export Promotion Council	Penalty	842,193	1999	High court, New Delhi

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

- xvi) In our opinion and on the basis of information and explanation given to us, the company has given the guarantees as mentioned in the point no. 1(e) of Schedule 17 for loans taken by others from banks or financial institutions.
- xvii) On the basis of information and explanation given to us, we are of opinion that the term loans were applied for the purposes for which the loans were obtained.
- xviii) According to the information and explanations given to us and on the basis of an overall examination of the balance sheet of the company, in our opinion, funds raised on short term basis have not been used for long term investments.
- xix) During the year, the company has not allotted any shares on preferential basis to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xx) The Company has not issued any debentures during the year. Therefore, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xxi) According to the information and explanation given to us, the company has not raised any money by way of public issues during the year under audit. Therefore, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xxii) During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India and according to the information and explanation given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year nor have we been informed of such case by the management.

For **S.R.DINODIA & CO.**  
Chartered Accountants  
Regn. No. 001478N

**(SANDEEP DINODIA)**  
Partner  
M. No. 083689

Place : New Delhi  
Date : 30th May, 2011



Pearl Global Limited

**BALANCE SHEET AS AT 31ST MARCH, 2011**

(Amount in Rs.)

PARTICULARS	SCHEDULE	AS AT	
		31ST MARCH, 2011	AS AT 31ST MARCH, 2010
<b>SOURCES OF FUNDS</b>			
Shareholder's Funds		-	
Share Capital	1	306,089,800	306,089,800
Reserves and & Surplus	2	811,509,074	709,779,034
			1,015,868,834
<b>Loan Funds</b>			
Secured Loans	3	1,485,432,264	1,141,647,662
Unsecured Loans		382,065,013	297,342,358
Deferred Tax Liability (Net) (Refer Note No. 20 of Sch. 17)	4	78,292,246	48,412,269
		<u>3,063,388,397</u>	<u>2,503,271,123</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	1,618,928,523	1,327,731,719
Less: Depreciation		381,663,794	343,342,601
<b>Net Block</b>		<u>1,237,264,729</u>	<u>984,389,117</u>
Capital Work in Progress		55,849,430	208,002,302
		<u>1,293,114,159</u>	<u>1,192,391,420</u>
<b>Investments</b>			
	6	21,831,173	34,232,560
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	7	1,532,689,580	1,210,949,369
Sundry Debtors	8	560,161,647	571,748,748
Cash & Bank Balances	9	401,206,634	264,441,728
Loans & Advances	10	372,290,669	247,391,987
		<u>2,866,348,531</u>	<u>2,294,531,832</u>
Less :Current Liabilities & Provisions			
Current Liabilities	11	1,108,358,802	1,009,659,058
Provisions	12	9,546,664	8,225,630
		<u>1,117,905,466</u>	<u>1,017,884,688</u>
<b>Net Current Assets</b>		<u>1,748,443,065</u>	<u>1,276,647,144</u>
		<u>3,063,388,397</u>	<u>2,503,271,123</u>
<b>Significant Accounting Policies</b>	16		
<b>Notes to Account</b>	17		

As per our report of even date attached

For S.R. DINODIA & CO.,  
Chartered Accountants  
Regn. No. 001478N

(SANDEEP DINODIA)  
Partner  
M.NO. 083689

Place: New Delhi  
Date : 30th May, 2011

On behalf of the Board

(DEEPAK SETH)  
Chairman  
DIN 00003021

(PULKIT SETH)  
Managing Director  
DIN 00003044

(NITIN MITTAL)  
Chief Finance Officer

Pearl Global Limited

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011**

PARTICULARS	SCHEDULE	(Amount in Rs.)	
		CURRENT YEAR	PREVIOUS YEAR
<b>INCOME</b>			
Turnover			
Sales		6,189,913,678	5,307,949,483
Export Incentives		251,220,429	184,496,078
		<u>6,441,134,106</u>	<u>5,492,445,561</u>
Job Work Receipts		819,022	-
Other Income	13	208,968,226	48,827,245
		<u>6,650,921,354</u>	<u>5,541,272,806</u>
<b>EXPENDITURE</b>			
Purchase of Trading Goods		1,783,497,979	2,005,976,665
Manufacturing & Other Expenses	14	4,543,531,038	3,225,041,660
Finance Cost	15	151,421,609	112,341,993
Depreciation/Amortisation		60,162,038	55,302,415
		<u>6,538,612,665</u>	<u>5,398,662,733</u>
<b>PROFIT</b>			
Profit before Taxation and Adjustments		112,308,689	142,610,073
Provision for - Current Tax		(21,317,952)	18,150,889
Provision for - Wealth Tax		(126,737)	(142,000)
Provision for - Deferred Tax		(29,879,977)	(44,018,524)
MAT Credit Adjustment		16,931,335	(18,150,889)
Prior Period Adjustment		(5,171,748)	(252,223)
Extra ordinary Item (Refer to Note No. 25 of Sch. 17)		(7,451,337)	-
<b>Profit/Loss</b>		<b>65,292,273</b>	<b>98,197,326</b>
Transfer to General Reserve		-	-
Balance Brought Forward		140,181,363	41,984,037
		<u>205,473,635</u>	<u>140,181,363</u>
<b>Balance carried forward to Balance Sheet</b>			
Paid up Equity Share Capital (Nos.of shares)		8,214,980	8,214,980
Numerator (Rs.)		65,292,273	98,197,326
<b>Earning Per Share</b>			
- Basic		7.95	11.95
- Dilutive		7.95	11.95
<b>(Refer note 19 of schedule 17)</b>			
<b>Significant Accounting Policies</b>	16		
<b>Notes to Account</b>	17		

As per our report of even date attached

For **S.R. DINODIA & CO.,**  
Chartered Accountants  
Regn. No. 001478N

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

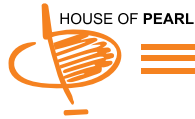
Place: New Delhi  
Date : 30th May, 2011

On behalf of the Board

**(DEEPAK SETH)**  
Chairman  
DIN 00003021

**(PULKIT SETH)**  
Managing Director  
DIN 00003044

**(NITIN MITTAL)**  
Chief Finance Officer



Pearl Global Limited

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011**

PARTICULARS	(Amount in Rs.)	
	YEAR ENDED 31.03.2011	YEAR ENDED 31.03.2010
<b>A. Profit Before Tax and adjustments</b>	<b>112,308,689</b>	<b>142,610,073</b>
Adjustments :		
Depreciation	60,162,038	55,302,415
Interest Expense	151,421,609	112,341,993
Exchange Fluctuation	(6,698,205)	43,600,671
Rent Income	(7,867,900)	(7,631,100)
(Profit) / Loss on Restatement of Investment at fair value	(23,139)	(2,934,726)
(Profit) / Loss on sale of Assets (Net)	(20,075,542)	(4,844,275)
Excess Provision written back	(839,725)	(710,680)
Sundry balance written off (Net)	(1,019,688)	156,732
Interest, Dividend & Income from other Investments	(597,402)	(694,761)
Operating Profit /(loss) before working capital changes	<u>286,770,736</u>	<u>337,196,341</u>
Adjustment for :		
Trade and Other Receivables	(103,463,786)	98,898,368
Trade Payables	175,211,951	101,362,061
Inventory	(321,740,211)	(392,715,271)
Cash Generated from operations	36,778,690	144,741,500
Add/Less: Prior period income/expenses	(5,171,748)	(252,223)
Add/Less: Extra-Ordinary Item	(7,451,337)	
Direct Taxes (Paid)/ refunds	(15,958,369)	(15,047,385)
Net Cash Generated / (used) in operating activities	<u>8,197,236</u>	<u>129,441,891</u>
<b>B. Cash Flow from Investing Operations:</b>		
Purchase of fixed Assets	(183,222,734)	(228,830,130)
Rent Received	7,867,900	7,631,100
Interest, Dividend & Income from other Investment	3,214,309	2,230,628
Sale of fixed Assets	42,413,498	43,351,423
Investment made during the year	(100,000)	(28,428,867)
Sale of Investment	12,524,525	-
Net Cash Generated / (used) in Investing activities	<u>(117,302,502)</u>	<u>(204,045,846)</u>
<b>C. Cash Flow from Financing Activities</b>		
Dividend paid	(8,124)	-
Interest paid	(189,327,167)	(110,702,160)
Unsecured Loan Taken	84,722,655	81,242,358
Issue of Preference Shares	-	53,640,000
Loans taken - Packing Credit	431,255,237	(9,793,826)
Loans taken - Long Term	155,902,651	341,312,330
Repayment of Term loans	(243,373,287)	(106,216,674)
Net cash Generated/(used) in financing activities	<u>239,171,966</u>	<u>249,482,028</u>
Increase in Cash/Cash equivalents (A+B+C)	130,066,700	174,878,075
Exchange Fluctuation	6,698,205	(43,600,674)
Net Increase in cash/Cash Equivalents	136,764,905	131,277,401
Cash / Cash equivalents at the beginning of the year	264,441,728	133,164,327
Cash / Cash equivalents at the close of the year	<u>401,206,634</u>	<u>264,441,728</u>
Component of cash & cash equivalents at the year end:		
Cash and cheques in hand	8,346,853	5,581,970
Balance with Scheduled Banks		
i) In Current Accounts	131,316,298	119,818,504
ii) In Fixed Deposits	212,722,733	139,041,255
iii) In Margin Account	48,820,750	-
	<u>401,206,634</u>	<u>264,441,728</u>

As per our report of even date attached

On behalf of the Board

For S.R. DINODIA & CO.,  
Chartered Accountants  
Regn. No. 001478N

(DEEPAK SETH)  
Chairman  
DIN 00003021

(PULKIT SETH)  
Managing Director  
DIN 00003044

(SANDEEP DINODIA)  
Partner  
M.NO. 083689

(NITIN MITTAL)  
Chief Finance Officer

Place: New Delhi  
Date : 30th May, 2011

Pearl Global Limited

**Schedules forming part of the Balance Sheet**

	AS AT 31ST MARCH, 2011	(Amount in Rs.) AS AT 31ST MARCH, 2010
<b>SCHEDULE-1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
26,450,000 (Previous Year 26,450,000) Equity Shares of Rs.10/- each	264,500,000	264,500,000
32,56,000 (previous year 3,256,000) 10.5% redeemable preference shares of Rs.100/- each	325,600,000	325,600,000
	<u>590,100,000</u>	<u>590,100,000</u>
<b>ISSUED SUBSCRIBED &amp; PAID UP</b>		
8,214,980 (Previous Year 8,214,980) Equity Shares of Rs.10/- each		
Fully Paid Up	82,149,800	82,149,800
2,239,400 (Previous Year 2,239,400) 10.5% non-cumulative redeemable preference shares of Rs.100/- each	223,940,000	223,940,000
Fully Paid Up		
	<u>306,089,800</u>	<u>306,089,800</u>

**Notes:**

- The above includes 4,800,000 Equity Shares of Rs. 10/- each allotted as fully paid Bonus Shares by capitalisation of General Reserve during the financial year 1993-94.
- Out of the above 4,969,588 (Previous year 4,969,588 Nos) of Equity Shares of Rs.10/- each are held by House of Pearl Fashions Ltd, the holding company.
- Out of total 2,239,400 preference shares, 1,703,000 preference shares are redeemable in 2012 and balance 536,400 preference shares are to be redeemed in 2015.
- 302,203 equity shares have been allotted on 24th April 2007 on account of merger of Pearl Styles Ltd and City Estates Pvt. Ltd with the Company.

**SCHEDULE-2****RESERVE & SURPLUS**

Capital Redemption Reserve	8,900,000	8,900,000
Amalgamation Reserve	4,504,755	4,504,755
Revaluation Reserve	39,296,855	39,296,855
Share Premium Account	64,918,034	64,918,034
General Reserve	398,071,794	398,071,794
Hedging Reserve	90,344,001	53,906,234
<b>(Refer note 8 of schedule 17)</b>		
Profit & Loss Account	205,473,635	140,181,363
	<u>811,509,074</u>	<u>709,779,034</u>

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

## a) Term Loan \*

- Rupee Loan	335,682,224	423,152,859
--------------	-------------	-------------

## b) Pawning Credit

- Rupee Loan	516,139,613	515,044,799
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- Foreign currency Loan	633,610,427	203,450,004
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	<u>1,485,432,264</u>	<u>1,141,647,662</u>
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**UNSECURED LOANS**

- From Holding Company	375,672,360	272,463,961
------------------------	-------------	-------------

- From Directors	6,392,653	24,878,397
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	<u>1,867,497,277</u>	<u>1,438,990,020</u>
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**(Refer note 4 of the schedule 17)**

\* Amount Repayable within one year Rs. 83,227,272.72 (Previous Year Rs. 242,640,455.11)

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

Opening Deferred Tax Liability	48,412,269	4,393,745
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Add: Liability accrued for the year	29,879,977	44,018,524
-------------------------------------	------------	------------

	<u>78,292,246</u>	<u>48,412,269</u>
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**(Refer note 20 of the schedule 17)**

Pearl Global Limited

**Schedules forming part of the Balance Sheet**

**SCHEDULE -5**

(Amount in Rs.)

**FIXED ASSETS**

PARTICULARS	GROSS BLOCK				DEPRECIATION / AMORTISATION			NET BLOCK AS ON		
	AS ON 01.04.2010	ADDITIONS	DEDUCTIONS	TOTAL 31.03.2011	AS ON 01.04.2010	ADDITIONS	DEDUCTIONS/ ADJUSTMENTS	UPTO 31.03.2011	31.03.2011	31.03.2010
<b>Tangible Assets</b>										
Land Freehold	208,598,050	-	3,605,897	204,992,153	-	-	-	-	204,992,153	208,598,050
Land Leasehold	15,606,000	-	-	15,606,000	1,990,628	431,978	-	2,422,606	13,183,394	13,615,372
Building	335,679,882	259,226,440	17,587,544	577,318,778	77,079,782	11,867,980	6,603,454	82,344,308	494,974,470	258,600,100
Plant & Machinery	641,939,713	56,584,554	8,400,258	690,124,009	210,067,945	34,807,646	5,376,902	239,498,688	450,625,321	431,871,768
Vehicles	47,453,305	9,796,781	14,556,228	42,693,858	16,977,420	3,990,453	9,860,144	11,107,730	31,586,128	30,475,885
Furniture & Fixtures	61,808,543	7,861,931	28,875	69,641,599	29,999,024	5,561,290	345	35,559,969	34,081,630	31,809,519
<b>Intangible Assets</b>										
<b>Software</b>										
- Internally Generated	15,734,521	-	-	15,734,521	6,991,893	3,146,904	-	10,138,797	5,595,723	8,742,627
- Others	911,705	1,905,901	-	2,817,606	235,908	355,788	-	591,696	2,225,909	675,796
<b>Total</b>	1,327,731,719	335,375,607	44,178,802	1,618,928,523	343,342,601	60,162,038	21,840,845	381,663,794	1,237,264,730	984,389,118
Capital Work-in- progress	208,002,302	119,401,871	271,554,744	55,849,430	-	-	-	-	55,849,430	208,002,302
	1,535,734,021	454,777,478	315,733,545	1,674,777,953	343,342,601	60,162,038	21,840,845	381,663,794	1,293,114,159	1,192,391,420
Previous Year	1,347,267,668	266,078,428	77,612,074	1,535,734,021	289,896,817	55,302,415	1,856,630	343,342,601	1,192,391,420	1,057,370,851

Notes :

- Capital WIP includes:
  - Capital Advances Rs.15,923,089 (Previous year Rs. 4,790,599)
  - Pre-operative expenses of Rs. 3,929,503 (Previous year : 3,708,353)
- 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.
- The opening balances of Land and Building include Rs. 45,229,131.59 and 5,932,276.71 respectively on account of revaluation during the year 2002. The revaluation of land was based on the fair market value at that time and the Building based on the depreciated value of CPWD plinth area rates and carried out by an independent valuer approved by the Government of India.
- The above includes the amount of land of Rs. 15,954,319 & Building of Rs. 14,890,483 situated at Narshingpur, Tehsil District Gurgaon for which the company has executed an agreement for the construction of commercial complex in collaboration with DLF Retail Developers Ltd on 30th November, 2007. However, as certified by the management, the work has not started during the financial year 2010-2011.

( Amount in Rs. )

AS AT  
31ST MARCH, 2011

AS AT  
31ST MARCH, 2010

**SCHEDULE-6**

**INVESTMENTS**

**Long Term- At cost**

**Investment in Government Securities**

National Saving Certificate

4,000

4,000

(Pledged with Sales Tax Authorities)

**Unquoted (Trade)**

Investment in Subsidiaries

Pearl Global Far East Limited

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

19,702,124

19,702,124

Pearl Global (Australia) Pty. Ltd.

-

7,248,543

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

**Current Investments**

**Held For Trading**

**Investment in Equity Shares**

**Quoted (Trade)**

GIVO Ltd

-

229,080

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

**Quoted (Non - trade)**

Bhagheeratha Engineering Ltd

-

60,750

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

PNB Gilts Ltd

-

440,632

Pearl Global Limited

**Schedules forming part of the Balance Sheet**

	AS AT 31ST MARCH, 2011	( Amount in Rs. ) AS AT 31ST MARCH, 2010
Nil Equity Shares (Previous year 18,398) of Rs.10/- each fully paid up Punjab National Bank	-	3,040,350
Nil Equity Shares (Previous year 3,000) of Rs.10/- each fully paid up UCO Bank	-	220,350
Nil Equity Shares (Previous year 3900) of Rs.10/- each fully paid up Chennai Petroleum Ltd	-	295,400
Nil Equity Shares (Previous year 1,000) of Rs.10/- each fully paid up ICICI Bank Ltd	-	952,700
Nil Equity Shares (Previous year 1000) of Rs.10/- each fully paid up Gem Spinners	-	36,720
Nil Equity Shares (Previous year 10,800) of Rs.10/- each fully paid up		
<b>Unquoted (Non - trade)</b>		
<b>Investment in Mutual Funds</b>		
Unquoted (Non - trade)		
Principal Emerging Blue Chip Fund-Regular Growth Plan 20498.13 Units (Previous 17295.05) of Rs. 29.02 each	594,856	509,339
Principal Monthly Income Plan-Dividend Payout Monthly 45325.16 Units (Previous 45235.16) of Rs. 10.60 each	480,469	490,971
Reliance Regular Savings Fund-Debt Plan - Growth Option 79216.71 Units (Previous 79216.71) of Rs. 13.25 each	1,049,724	1,001,600
	<u>21,831,173</u>	<u>34,232,560</u>

Notes:

- i) Aggregate market value of quoted investments is Rs. NIL (Previous year Rs. 5,275,982)  
ii) Aggregate of unquoted investments is Rs. 21,831,173 (Previous year Rs. 28,956,578)

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

Stores and Spares	11,970,025	6,459,530
Raw Material	651,903,740	479,009,696
Finished Goods	735,763,706	599,377,283
Finished Goods - Trading	1,252,967	-
Work in Progress	131,279,351	123,714,096
Goods in Transit (Raw Material & Accessories)	417,145	2,179,615
Goods in Transit (Finished Goods)	102,645	209,149
	<u>1,532,689,580</u>	<u>1,210,949,369</u>

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

Over Six Months		
- Considered Good	47,083,021	38,646,653
- Considered Doubtful	578,893	578,893
Others	513,078,626	533,102,094
Less: Provisions for Doubtful Debts	(578,893)	(578,893)
	<u>560,161,647</u>	<u>571,748,748</u>

**SCHEDULE-9****CASH AND BANK BALANCES**

Cash in hand	1,451,882	3,969,709
Cheques in hand	6,894,970	1,612,261
Balance with Scheduled Banks		
i) In Current Accounts	131,316,298	119,818,504
ii) In Fixed Deposits *	212,722,733	139,041,255
iii) In Margin Account	48,820,750	-
	<u>401,206,634</u>	<u>264,441,728</u>

\* Under lien with authorities. Rs. 212,221,866/- (previous year Rs. 130,059,644)



Pearl Global Limited

**Schedules forming part of the Balance Sheet**

	AS AT 31ST MARCH, 2011	AS AT 31ST MARCH, 2010
(Amount in Rs.)		
<b>SCHEDULE-10</b>		
<b>LOANS &amp; ADVANCES</b>		
(Unsecured - Considered Good)		
Loan	1,526,142	1,526,142
Staff Loan	5,688,186	5,549,975
Advances Recoverable in cash or in kind or for value to be received	133,534,979	54,918,311
Export Incentive Receivables	65,334,884	62,975,882
Other Receivables	129,474,225	97,134,438
MAT Credit Entitlement	35,082,234	18,150,889
Advance Tax	1,650,019	7,136,349
(Net of Provision for tax Rs. 51,382,924/- (P.Y. Rs. 41,858,628/-)		
	<u>372,290,669</u>	<u>247,391,987</u>
<b>SCHEDULE-11</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors		
- Due to Micro Small and Medium Scale Enterprises		
- Due to Small Scale Enterprises (FAR EAST)	-	-
(Refer note 24 of schedule 17)		
- Others	821,965,927	762,803,880
Other Liabilities	285,524,649	245,978,828
Unclaimed Dividend *	868,226	876,350
	<u>1,108,358,802</u>	<u>1,009,659,058</u>
* It does not include any amount which is due to Investor Education Protection Fund.		
<b>SCHEDULE-12</b>		
<b>PROVISION</b>		
Leave Encashment	9,546,664	8,225,630
	<u>9,546,664</u>	<u>8,225,630</u>

**Schedules forming part of the Profit & Loss Account**

	Current Year	Previous Year
<b>SCHEDULE - 13</b>		
<b>OTHER INCOME</b>		
Other Operating Income	30,243,003	21,333,013
Rent - TDS Rs. 1,172,664/- (Previous Year Rs.1,418,100/-)	7,867,900	7,631,100
Interest Received on loans		
- on Loan TDS Rs. 13,735/- (Previous year Rs. NIL)	421,910	551,088
- on Income Tax		
Interest on Fixed Deposit with Bank		
[TDS Rs. 330,005.76 (Previous year 478,180/-)	10,607,972	4,691,814
Dividend		
- From Non Trade Investments	175,492	143,673
Profit on Sale of Assets	20,071,509	4,844,275
Foreign Exchange Fluctuation	136,532,427	
Income from Traded/Non Trade Investments	188,279	2,934,726
Income from reinstatement from Investments at fair value (net)	23,139	-
(Refer note 3 & 6 of schedule 17)		
Miscellaneous Income	2,836,594	6,697,556
	<u>208,968,226</u>	<u>48,827,245</u>

Pearl Global Limited

**Schedules forming part of the Profit & Loss Account**

(Amount in Rs.)

**SCHEDULE - 14****MANUFACTURING, ADMINISTRATIVE, SELLING & OTHER EXPENSES**

	<u>CURRENT YEAR</u>		<u>PREVIOUS YEAR</u>	
Raw Material Consumed				
Opening Stock	478,054,418		369,671,824	
Purchases	2,241,226,675		1,800,502,071	
Less:				
Cost of Goods Sold	115,884,724		65,266,941	
Closing Stock	645,094,292		478,054,418	
	<u>1,958,302,076.41</u>	<u>1,958,302,076</u>	<u>1,626,852,535.89</u>	<u>1,626,852,536</u>
(Increase) / Decrease in Stock				
Work in Progress				
Opening Stock	123,714,096		84,388,403	
Closing Stock	(131,279,351)	(7,565,255)	(123,714,096)	(39,325,694)
Finished Goods				
Opening Stock	599,377,283		354,845,579	
Closing Stock	(735,763,706)	(136,386,424)	(599,377,283)	(244,531,703)
Manufacturing Expenses		1,425,288,261		944,844,707
Stores and Spares Consumed		68,261,928		46,248,974
Power & Fuel		103,647,230		73,720,927
Salaries, Wages & Other Benefits to Staff		513,138,567		363,850,384
Contribution to Provident Fund & Other Funds		40,183,032		31,930,270
Gratuity		5,421,362		3,721,492
Staff Welfare Expenses		20,268,580		14,245,344
Legal & Professional Charges		23,024,590		26,174,366
Travelling & Conveyance		41,718,854		39,502,010
Rent		34,288,127		8,599,744
Rates & Taxes		8,686,972		11,797,609
Repairs				
- Building	1,093,205.00		420,000	
- Plant & Machinery	5,562,011.49		957,384	
- Others	12,916,326.38	19,571,543	7,645,189	9,022,573
Printing & Stationary		11,934,848		10,838,188
Auditor's Remuneration		1,278,509		1,155,596
Communication Expenses		8,369,278		8,109,817
Freight Outward		103,328,144		20,321,990
Insurance		4,180,258		3,369,733
Clearing & Forwarding Charges etc.		148,442,708		97,634,614
Foreign Exchange Fluctuation		-		(23,466,809)
Product Development Expenses		20,881,358		22,256,624
Loss on Sale of Fixed Assets		184,247		-
Claim to buyers		2,489,848		23,292,376
Bank Charges		84,571,507		72,698,188
Sundry Balances Written off		(1,019,688)		156,732
Miscellaneous Expenses		41,040,579		72,021,072
		<u>4,543,531,038</u>		<u>3,225,041,660</u>

**SCHEDULE - 15****FINANCE COST****Interest :**

- Fixed Loans	26,757,423	20,315,960
- Others	124,664,186	92,026,033
	<u>151,421,609</u>	<u>112,341,993</u>

## SCHEDULE-16

### SIGNIFICANT ACCOUNTING POLICIES

#### 1. Accounting Convention

The financial statements have been prepared to comply with the mandatory accounting standards issued by the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on accrual basis except for investment available for sale and held for trading which is measured at fair value and Land and Building which is measured at revalued cost. The accounting policies have been consistently applied by the company unless otherwise stated.

#### 2. Use of Estimates

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

#### 3. Inventories

- 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 amortized equally 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) In case of High Sea Sales, revenues are recognized on transfer of title of goods to the customer.
- d) Sale of software is recognized at the delivery of complete module & patches through transfer of code.
- e) Income from job work is recognized on the basis of proportionate completion method.
- f) Commission income is recognized when the services are rendered.
- g) Interest income is recognized on time proportion basis.
- h) Purchases are recognized upon receipt of such goods by the company. Purchases of imported goods are recognized after completion of custom clearance formalities and upon receipt of such goods by the company.
- i) Dividend income is recognized when the right to receive is established.

#### 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 recognized 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 and financial Assets

The company has classified its investment as:

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

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

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

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

#### Fair value

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

#### 10. Derivative financial instruments and hedging

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

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

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

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

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

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

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

#### 11. Employee Benefits

Expenses and Liabilities in respect of employee benefits are recorded in accordance with Revised Accounting Standard 15 – Employees Benefits (Revised 2005) as issued by the Companies (Accounting Standards) Rules, 2006.

#### i) Post Employment Benefit Plans

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

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

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past

## Pearl Global Limited

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

ii) **Short Term Employee Benefits**

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

**12. Borrowing Costs**

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

**13. Leases**

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

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

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

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

**14. Taxes On Income**

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

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

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

**15. Impairment of Assets**

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

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

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

**SCHEDULE -17**

**NOTES TO THE ACCOUNT**

**1. Contingent Liabilities:-**

- (a) Claims against the Company not acknowledged as debts and other matters Rs. 1,061,474/- (Previous Year: Rs.1,944,752).
- (b) Export Bills Discounted with banks Rs. 305,655,221/- (Previous Year Rs. 377,250,832/-).
- (c) Irrevocable letter of credit outstanding with banks Rs.1,341,481,268/- (Previous Year 776,293,336/-)
- (d) Bank Guarantee given to government authorities Rs.24,976,000/- (Previous Year Rs.225,000).
- (e) 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).

**2. Capital Commitments**

Estimated amount of contracts remaining to be executed on capital account (net of advances); Rs. NIL (Previous year Rs. 23,096,437).

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

Arising from the announcement dated 29th March 2008, the company had adopted Accounting Standard 30. (Financial Instrument : Recognition and Measurement) in its entirety. The adoption of this standard in the current year had resulted into the following:-

- (i) Increase in the value of investments resulted net profit of Rs.23,139/- (Previous Year: Increase in the value of investments by Rs. Nil ).
- (ii) Aggregate increase in reserve by Rs. 90,344,001/- (Previous Year: Aggregate decrease in reserve 53,906,234/-) due to creation of hedging reserves on account of Cash Flow hedges in the Balance Sheet.

**4. Secured Loans**

(i) Rupees Term Loan and Working Capital From the Hongkong & Shanghai Banking Corporation is secured by ( \* ):

- First charge over stocks and receivables pari passu with consortium banks.
- First pari passu charge over the company's movable fixed assets (present and future)
- Exclusive first charge over the Fixed Assets of the Chennai unit at D-6/II, Phase II at MEPZ, SEZ Chennai financed from the proceeds of the term loan.
- Pari-Passu charge with UCO by way of mortgage of the Property situated at 446, Udyog Vihar Phase-V, Gurgaon to secure term loan.

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

- Exclusive first charge on the movable/immovable assets purchased from proceeds of term loan (including exclusive charge on the superstructure being built on the land at D-6/III, Phase II at MEPZ, SEZ Chennai).
- First charge on immovable property at 446, Udyog Vihar Phase -V, Gurgaon.

(iii) Rupee term loan from Yes Bank Ltd is secured by exclusive charge on movable fixed assets of the Company including plant & machinery located at Plot No. 751; Sector 37, Part-II, Pace City Gurgaon.

(iv) Rupee term loan & corporate loan from Yes Bank are secured by first charge on moveable fixed assets of the Company and exclusive charge on immovable property located at Plot No.10, Sector-5, Growth Centre, Bawal.

(v) Rupee term loan from Punjab National Bank is secured by exclusive charge on the movable/immovable assets purchased from proceeds of term loan (including exclusive charge on the land & building located at Plot No.51, Sector-32, Gurgaon).

(vi) Rupee short term loan from Punjab National Bank is secured by sub-servient charge on current assets of the Company ( \* ).

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

(viii) Pre- post shipment advances and working capital facilities from PNB, UCO Bank, BoB, Chinatrust Commercial Bank, Standard Chartered Bank and Yes Bank which are secured by First pari passu charge on movable fixed assets present & future comprising vehicle, furniture and fixtures, disposable fixed assets, the stocks of raw material, stocks in process, stores & spares, bill receivable & book debts and mortgage of the properties situated at following addresses:

Plot No.H-597-603, RICCO Industrial Area, Bhiwadi, Alwar

Plot No.16-17, Phase-VI, Udyog Vihar, Gurgaon

\* Point No. ( i ) & ( vi ) has been fully discharge during the year.

5. Company has opened one branch office in the state of New York effective from 27th July 2010 for the purpose of marketing & merchandising of its products.

6. The Profit from trade investment is Rs. 40,388 (Previous Year: Loss from Trade Investment Rs. 75,696).The Net Profit from the non trade investment is Rs.147,891 (Previous Year: Net Loss from Non-trade investment was Rs. 2,859,030).

7. The details of Investments made & sold during the year are given as Under:

Name Of the Security	Face Value	Opening Quantity	Purchase / Addition/ Reinvest during the year	Sold/ Written off during the year	Quantity at the closing
Principal Emerging Blue Chip Fund	Rs.29.02	17,295.05	3203.08	-	20498.13

Name Of the Security	Face Value	Opening Quantity	Purchase / Addition/ Reinvest during the year	Sold/ Written off during the year	Quantity at the closing
GIVO LTD.	Rs. 10/-	49,800	-	49,800	-
Bhagheeratha Engineering Ltd.	Rs. 10/-	5,000	-	5,000	-
PNB Gilts Ltd.	Rs. 10/-	18,398	-	18,398	-
Punjab National Bank	Rs. 10/-	3,000	-	3,000	-
Uco Bank	Rs. 10/-	3,900	-	3,900	-
Chennai Petroleum Ltd.	Rs. 10/-	1,000	-	1,000	-
ICICI Bank Ltd.	Rs. 10/-	1,000	-	1,000	-
Gem Spinners	Rs. 10/-	10,800	-	10,800	-
Pearl Global Ltd. Australia*	\$ 1/-	175,000	-	175,000	-

\* During the year, the company has disposed off its entire investment in its subsidiary.

#### 8. Forward Currency Contracts – Cash Flow Hedges

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

	As on 31st March 2011		As on 31st March 2010	
	USD	INR	USD	INR

Forward Foreign exchange contracts 77,200,000 3,697,347,750 25,423,230 1,211,609,006

These commitments have been entered into to hedge against future payments to suppliers and receipts from customers in the ordinary course of business that will fall due in the period ending 31st March 2012.

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

- b) The terms of the forward currency contracts have been negotiated to match the terms & commitments. The Cash Flow hedges of the expected future sales in April 2011 to March 2013 value assessed at a Profit of Rs. 90,344,001/- (Previous Year: Profit Rs.53,906,234) as on reporting date and this has been included in the hedging reserve.

#### 9. Currency derivatives

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

As on 31st March 2011, the company has no outstanding derivatives contracts.

#### 10. Details of Managerial Remuneration

(Amount in Rs.)			
		Current Year	Previous Year
a)	Salary to Whole Time Director	7,806,000	2,700,000
b)	Contribution to Provident Fund	18,720	9,360
	<b>Total</b>	<b>7,824,720</b>	<b>2,709,360</b>

#### Notes:

- Provision for / Contribution to employee retirement benefits are excluded above.
- No Remuneration paid/payable to the Managing Director during the year ending as of 31st March 2011.
- The above managerial Remuneration has been calculated in accordance to the Schedule XIII of Companies Act 1956.
- Computation of Net Profit as per section 349 and section 198 of companies Act, 1956:

(Amount in Rs.)

Particulars	Current Year	Previous Year
Profit /(Loss) before Taxes as per Profit & Loss Account	99,685,604	142,357,850
Add:- Managerial Remuneration	7,824,720	2,709,360
Add: Loss on sales of fixed asset	184,247	239,068
Add: Directors sitting Fee	46,000	36,000
Less: Profit on sale of investment	188,279	-
<b>Net Profit /(Loss)</b>	<b>107,552,292</b>	<b>145,342,278</b>
Maximum permissible remuneration to managing director/Whole time director under section 301 of companies Act,1956 @ 10% of profit computed above.	10,755,229	14,534,228
Maximum permissible remuneration to managing director/Whole time director under section 198 of companies Act,1956 @ 11% of profit computed above	11,830,752	15,987,651

#### 11. Auditors' Remuneration

(Amount in Rs.)			
		Current Year	Previous Year
a)	Audit Fee	620,000	600,000
b)	Tax Audit	125,000	125,000
c)	Other matters	419,211	322,684
d)	Service Tax	114,298	107,912
	<b>Total</b>	<b>1,278,509</b>	<b>1,155,596</b>

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

#### (i) SIPCOT

(Amount in Rs.)

Particulars of Expenses	As At	As At
	31st March, 2011	31st March, 2010
Legal Expenses	168,304	148,304
Subscription	25,139	25,139
Maintenance	23,993	23,993
Processing Charges	725,000	725,000
Conveyance	12,375	12,375
Others	89,997	89,997
Professional Fee	10,000	10,000
<b>Total</b>	<b>1,054,808</b>	<b>1,034,808</b>

#### (ii) TIRPUR

(Amount in Rs.)

Particulars of Expenses	As At	As At
	31st March, 2011	31st March, 2010
Interest on Term Loan	1,188,841	1,188,841
Traveling Expenses	94,699	94,699
Electricity expenses	909,408	799,408
Property tax	56,800	56,800
Miscellaneous expenses	223,138	218,938
Business Promotion	119,159	119,159
Telephone	57,400	47,200
Maintenance	225,250	148,500
<b>Total</b>	<b>2,874,695</b>	<b>2,673,545</b>
<b>GRAND TOTAL (i) + (ii)</b>	<b>3,929,503</b>	<b>3,708,353</b>

## Pearl Global Limited

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

## Sundry Debtors includes:

Name of the Concern	Current Year (Rs)		Previous Year (Rs.)	
	Balance as at 31.03.2011	Maximum amount during the year	Balance as at 31.03.2010	Maximum amount during the year
Simple Approach Ltd.	-	-	-	2,251,500
Norp Knit Industries	41,596,177	41,744,935	6,706,217	40,655,025
P.T. Norwest	8,095,235	11,732,842	11,170,337	25,533,125
House of Pearl Fashions (U.S) Ltd.	9,336,886	34,936,147	31,295,199	86,357,145
Lerros Moden GmbH	163,894	10,554,695	9,566,883	9,566,883

## Advances Includes:

Name of the Concern	Current Year (Rs)		Previous Year (Rs.)	
	Balance as at 31.03.2011	Maximum amount outstanding during the year	Balance as at 31.03.2010	Maximum amount outstanding during the year
Hopp Fashions	-	-	1,335,383	1,335,383
Lerros Fashions India Ltd.	2,346,199	2,346,199	-	-
Poeticgem.	-	-	10,259,974	12,838,212
Vastras	-	-	-	949,645
Depa International	-	-	173,518	1,644,013
Nim International Pvt. Ltd.	633,217	633,217	220,136	220,136
Aries Travels	-	-	20,443	20,443
Norwest Delhi	-	-	1,744,777	7,320,426

## Loans Includes:

Name of the Concern	Current Year (Rs)		Previous Year (Rs.)	
	Balance as at 31.03.2011	Maximum amount outstanding during the year	Balance as at 31.03.2010	Maximum amount outstanding during the year
Little People Education Society	1,526,142	1,526,142	1,526,142	1,526,142

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

## 15. Related Party Disclosure

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

## a) Ultimate Holding Company

**Domestic**  
House of Pearl Fashions Limited India

## b) Subsidiary

Pearl Global Fareast Limited Hong Kong  
Pearl Global ( Australia) Pty. Ltd. \* Australia

## c) Fellow Subsidiaries

**Domestic**  
Lerros Fashions India Ltd. India

**Overseas**  
Multinational Textile Group Limited. Mauritius  
Nor Pearl Knitwear Ltd.\* Bangladesh  
Norp Knit Industries Limited. Bangladesh  
Global Textiles Group Limited. Mauritius

Depa International Inc.\* USA  
Poeticgem (Canada) Limited Canada  
Poetic Hong Kong Ltd.\* Hong Kong  
P.T Norwest Industry Indonesia  
Poeticgem Limited. UK  
Pacific Logistics Limited. UK  
Norwest Industries Ltd Hong Kong  
House of Pearl Fashions (US) Ltd USA  
Zamira Fashion Ltd Hong Kong  
FX Import Co Ltd UK  
Pacific Supply Chain Limited UK  
Zamira Fashions (Europe) Limited UK  
Poetic Knitwear Limited UK  
FX Import Hongkong Limited Hong Kong  
PG Group Ltd.( formerly known as Pearl GES Group Ltd.) Hong Kong  
PG Home Group Ltd. (formerly known as Pearl GES Home Group Ltd.) Hong Kong  
Simple Approach Ltd. Hong Kong  
Pearl GES Home Group SPA Chile  
Magic Global Fashion Ltd. UK  
Nor Delhi Manufacturing Limited (formerly known as Magic Global Fashions Ltd) Hong Kong  
Nor Lanka Manufacturing Limited (formerly known as Poetic Hong Kong) Hong Kong  
Razamtazz Limited Hong Kong

## d) Associates

## Domestic

Vastras India  
Pearl Wears India  
Little People Education Society India  
Pearl Academy of Fashion (India) Limited\* India  
Crown Computerized Embroideries India\* India  
Pearl Apparels Limited. India  
Hopp Fashions India  
Pearl Retail Solutions Private Limited. India  
Deepak Seth & Sons (HUF) India  
Vau Apparels Pvt. Ltd India  
Nim International Commerce Pvt. Ltd. India

## Overseas

Pallas Holdings Ltd Mauritius  
J S M Trading (F.Z.E.) Dubai  
SACB Holdings Ltd Mauritius  
Lerros Moden GmbH Germany  
Premier Pearl Garment Joint Stock Co. Ltd. Vietnam  
Superb Mind Holdings Limited Mauritius  
Grupo Extremo SUR S.A. Chile  
Fru Holdings Ltd. Mauritius  
NAFS UK

## Key Management Personnel

Mr. Deepak Seth Chairman  
Mr. Pallak Seth Vice Chairman  
Mr. Pulkit Seth Managing Director  
Mr. Sanjay Pershad Whole Time Director  
Mrs. Shefali Seth Whole Time Director

## Relatives

Mrs. Payel Seth

\* Does not exist on 31.03.2011

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

(i) Holding Company

(Amount in Rs.)		
	Current Year	Previous Year
Purchase of Goods	-	13,412,836
Loan Returned	260,475,235	271,000,010
Loan Taken	-	39,500,000
Advance Received	252,233,881	341,604,742
Sale of Goods	4,938,456	24,729,389
Interest Expenses	31,545,097	32,778,949
Rent Paid	120,000	120,000
Expenses Paid by us on their behalf	1,591,601	25,312,688
Expenses Reimbursed	1,010,698	1,650,762
Issue of Preference Shares	-	53,640,000
Corporate Fees	-	10,030,516
<b>Closing Balance</b>		
Loan	375,672,360	307,943,395
Interest Payable	28,211,038	36,164,721

(ii) Subsidiary Company

(Amount in Rs.)		
	Current Year	Previous Year
Purchase of Goods	1,191,469	1,153,265
Expenses Paid by us on their behalf	-	542,796
Commission Expenses	-	1,576,356
Expenses Reimbursed	5,470,565	8,966,783
Share Application Money	6,693,965	23,031,539
Investment	-	26,439,394
<b>Closing Balance</b>		
Amount Payable to Subsidiary	5,690,435	9,443,697

(iii) Fellow Subsidiaries

(Amount in Rs.)		
	Current Year	Previous Year
Purchase of Goods	635,427,585	790,361,133
Commission Paid	9,159,854	25,675,695
Sale of Goods	65,793,956	221,170,539
Expenses Reimbursed	35,720,146	29,108,516
Sampling Expenses	1,317,274	8,733,436
Sampling Recovery	-	4,868,151
Sampling Income	11,244,235	13,452,620
Claim Income	14,000,545	-
Advance Received	-	1,743,094
Advance Recovered	-	13,100,000
Expenses Paid by us on their behalf	6,181,817	13,008,078
Advance Given	500,000	17,656,000
Job Work Receipt	704,622	-
<b>Closing Balance</b>		
Amount Payable to fellow Subsidiaries	123,678,036	163,938,771

(iv) Associates

(Amount in Rs.)		
	Current Year	Previous Year
Job Work Expenses	-	19,986,915
Advance Given	-	1,410,000
Sale of Goods	1,401,995	-
Share Application money return back	-	2,150,000
Rent Received	-	4,883,700
Rent Paid	7,140,000	5,040,000
Expenses Reimbursed	4,343,733	1,123,525
Expenses Paid by us on their behalf	2,552,271	1,284,407
Sale of Software	-	10,081,500
Advance Received	-	7,800,000
Advance Returned	-	5,170,000
Loan Given	1,526,142	-
Advance received back	-	1,506,002
Interest Income	10,060	22,500
Advance Rent	6,240,000	-
Sampling Expenses	-	13,720
<b>Closing Balance</b>		
Other Receivable	315,470	-
Sundry Debtors	-	9,269,343

(v) Key Managerial Personnel / Director/Relative

(Amount in Rs.)		
	Current Year	Previous Year
Interest paid	114,328	677,721
Loan taken from directors	-	30,000,000
Loan Repaid	10,000,000	15,675,572
Remuneration	7,824,720	2,709,360
Salary to Relative	-	600,000

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

(i) Holding Company (House of Pearl Fashions Limited)

(Amount in Rs.)		
	Current Year	Previous Year
Purchase of Goods	-	13,412,836
Loan Returned	260,475,235	271,000,010
Loan Taken	-	39,500,000
Advance Received	252,233,881	341,604,742
Sale of Goods	4,938,456	24,729,389
Interest Expenses	31,545,097	32,778,949
Rent Paid	120,000	120,000
Expenses Paid by us on their behalf	1,591,601	25,312,688
Expenses Reimbursed	1,010,698	1,650,762
Issue of Preference Shares	-	53,640,000
Corporate Fees	-	10,030,516
<b>Closing Balance</b>	403,883,398	344,108,116

## Pearl Global Limited

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

	Current Year	Previous Year
<b>Purchase of Goods</b>		
-Pearl Global Fareast Ltd.	1,191,469	1,153,265
<b>Expenses Paid by us on their behalf</b>		
-Pearl Global Fareast Ltd.	-	542,796
<b>Commission Expenses</b>		
-Pearl Global (Australia) Pty. Ltd.	-	1,576,356
<b>Expenses Reimbursed</b>		
-Pearl Global Fareast Ltd.	5,470,565	8,966,783
<b>Share Application Money</b>		
-Pearl Global Fareast Ltd.	4,915,610	14,161,446
-Pearl Global (Australia) Pty. Ltd.	1,778,355	8,870,093
<b>Investment</b>		
-Pearl Global Fareast Ltd.	-	19,190,851
-Pearl Global (Australia) Pty. Ltd.	-	7,248,543
<b>Closing Balance</b>		
-Pearl Global Fareast Ltd.	5,690,435	7,867,341
-Pearl Global (Australia) Pty. Ltd.	-	1,576,356

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

	Current Year	Previous Year
<b>Purchase of Goods</b>		
-Norpknit Industries Limited	524,603,156	363,551,065
-PT Norwest Industry	109,536,512	426,810,068
<b>Commission Paid</b>		
-House of Pearl Fashions (US) Limited	7,995,582	16,534,263
-Norwest Industries Ltd.	1,164,271	8,789,257
<b>Sale of Goods</b>		
- House of Pearl Fashions (US) Limited	9,428,334	167,660,131
- Norpknit Industries Limited	53,194,744	48,629,503
<b>Expenses Reimbursed</b>		
- House of Pearl Fashions (US) Limited	-	11,303,224
-Norpknit Industries Limited	21,916,687	6,169,599
-Norwest Industries Limited	-	6,670,381
-Simple Approach Ltd.	10,191,877	-
<b>Sampling Expenses</b>		
-Simple Approach Limited	1,317,274	8,719,532
<b>Sampling Recovery</b>		
- House of Pearl Fashions (US) Limited	11,244,235	4,064,545
<b>Sampling Income</b>		
-Norwest Industries Limited	-	13,452,620
<b>Claim Income</b>		
-Norpknit Industries Limited	13,868,631	-
<b>Advance Received</b>		
-Depa International Inc.	-	1,743,094
<b>Advance Recovered</b>		
-Norwest Industries Limited	-	8,100,000
-Lerros Fashions India Limited	-	5,000,000
<b>Expenses Paid by us on their behalf</b>		
-House of Pearl Fashions (US) Limited	1,043,303	2,981,886
-Norpknit Industries Limited	1,623,445	8,729,468
-Norwest Industries Limited	3,077,825	1,306,956
<b>Advance Given</b>		
- House of Pearl Fashions (US) Limited	-	4,556,000
- Norwest Industries Limited	-	8,100,000
- Lerros Fashions India Ltd.	500,000	5,000,000

## (Amount in Rs.)

	Current Year	Previous Year
<b>Closing Balance</b>		
-Norpknit Industries Limited	59,103,123	29,396,202
-Norwest Industries Limited	28,249,522	52,827,138
-P.T.Norwest Industry	-	57,861,250
-Poeticgem Ltd	30,524,014	47,094,358

## (iv) Associates (Amount in Rs.)

	Current Year	Previous Year
<b>Advance Given</b>		
-Vastras	-	1,410,000
<b>Loan Given</b>		
-Little People Education Society	1,526,142	-
<b>Advance Rent</b>		
-Little People Education Society	6,240,000	-
<b>Sales of Goods</b>		
- Lerros Modem GmbH	1,401,995	-
<b>Share Application money return back</b>		
-Vau Apparels Pvt. Limited	-	2,150,000
<b>Rent Paid</b>		
-Little People Education Society	7,140,000	5,040,000
<b>Expenses Reimbursed</b>		
-Pearl School of business	-	750,671
-Little People Education Society	3,967,171	-
<b>Expenses Paid by us on their behalf</b>		
-Nim International Commerce Pvt. Limited	413,081	220,080
-Little People Education Society	847,962	-
-Crown Computerized Embroideries *	1,290,125	1,022,044
<b>Sale of Software</b>		
-Lerros Modem GmbH	-	10,081,500
<b>Advance Received</b>		
-Vau Apparels Pvt. Limited	-	3,300,000
-Little People Education Society	-	4,500,000
<b>Advance Returned</b>		
- Little People Education Society	-	5,000,000
<b>Advance received back</b>		
-Vastras	-	1,506,002
<b>Interest Income</b>		
-Little People Education Society	10,060	22,500
<b>Closing Balance</b>		
-Lerros Modem GmbH	163,894	9,566,883
-HOPP Fashions	-	1,335,383

\* Not an Associate from 1.04.2010

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

	Current Year	Previous Year
<b>Interest paid</b>		
-Mr. Deepak Seth	114,328	230,137
-Mr. Pulkit Seth	-	447,584
<b>Loan taken from Directors</b>		
-Mr. Deepak Seth	-	10,000,000
-Mr. Pulkit Seth	-	20,000,000
<b>Loan Repaid</b>		
-Mr. Deepak Seth	10,000,000	10,075,572
-Mr. Pulkit Seth	-	5,600,000
<b>Remuneration</b>		
-Mr. Sanjay Pershad	3,165,360	2,709,360
-Ms. Sefali Seth	4,659,360	-
<b>Salary to Relative</b>		
-Mrs. Shefali Seth	-	600,000



Pearl Global Limited

16. Assets taken on Lease

The company has taken certain assets on non-cancelable operating lease and lease rent amounting to Rs. 34,288,127/(Previous Year Rs. 8,599,744) has been debited to Profit & Loss account. The future minimum lease payments is as under:

(Amount in Rs.)

	Minimum Lease Payments Payables	Current Year	Previous Year
(i)	Not later than in 1 years	36,642,128	10,121,218
(ii)	Later than 1 year but not later than 5 years	116,983,927	15,750,651
(iii)	Later than 5 years	4,593,755	7,048,932

General Description of Lease Terms:

Particulars	Purchase Option	Escalation Clause	Contingent Rent	Sub-Leasing
Naraina Industries Association	No	10% Every Year	No	No
P.Murugan	No	No	No	No
Ashish Dua	No	No	No	No
House of Pearl Fashions Ltd	No	No	No	No
Mrs. Ranjna Sabharwal	No	10% Every Year	No	No
Gopal Clothing Company Ltd.	No	17.5% after 30 month	No	No
Hope Apparels Pvt. Ltd.	No	5% Every year	No	No
Pearl School of Business	No	No	No	No
Beeku Exports	No	5% after lock in period of 3 year	No	No

17 Assets given on lease

a) The company has given certain assets on non-cancelable operating lease and lease rent income amounting to Rs 7,867,900 (Previous Year Rs. 7,631,100) has been credited in Profit & Loss account. The future minimum lease payments receivables and details of assets , as at March 31, 2011 are as follows:

(Amount in Rs.)

S.No.	Minimum Lease Payments Receivables	Current Year	Previous Year
(i)	Not later than in 1 years	8,418,300	7,868,700
(ii)	Later than 1 year but not later than 5 years	25,115,384	32,158,920
(iii)	Later than 5 years	-	15,462,360

b) Asset Description

(Amount in Rs.)

(i)	Gross Investment on Lease Assets	35,255,587	35,255,587
(ii)	Accumulated Depreciation	6,729,899	5,931,810
(iii)	Depreciation Charged during the Year	798,089	798,089

c) General Description of Lease Terms:

Particulars	Purchase Option	Escalation Clause	Contingent Rent	Sub-Leasing
B-Earth & Spire India P. Ltd.	No	20% (After 2 Years)	No	No
Crown Computerized Unit 16-17	No	No	No	No
Crown Computerized Unit 751	No	No	No	No
Crown Computerized Unit 274	No	No	No	No
Little People Education Society	No	20% (After Every 5 Years)	No	No
Creative Art Education Society	No	15% (After Every 3 Years)	No	No

18. 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. 25,301,028(Previous Year: Rs. 21,035,050) for provident fund contributions in the profit and loss account. The contribution payable to these plans by the company is at rates specified in the rules of the schemes.

(ii) Defined Benefit Plan

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

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

(Amount in Rs.)

	Current year			Previous Year		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Defined benefit obligations at beginning of the year	17,417,471	3,856,435	8,225,630	11,158,713	2,098,708	2,160,372
Current Service Cost	3,723,651	2,242,022	3,794,815	2,047,077	1,830,840	3,123,712
	1,393,398	308,515		892,697	167,897	
Interest Cost			658,050			172,830
Actuarial (gain)/loss	(650,893)	(947,015)	1,032,103	(11,170,184)	(241,010)	4,592,983
Benefits paid	(1,215,262)	(17,516)	(4,163,934)	-	-	(1,824,267)
Defined Benefit Obligations at year end	20,668,365	5,442,441	9,546,964	2,928,303	3,856,435	8,225,630

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

(Amount in Rs.)

	Current year			Previous Year		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Fair value of plan assets at beginning of the year	7,952,931	-	N.A	1,229,290	-	N.A
Expected Return on plan assets	648,316	-	-	353,236	-	-
Contribution Actuarial (gain)/loss	86,350	-	-	6,370,405	-	-
Benefits paid	(1,215,262)	-	-	-	-	-
Fair value of plan assets at the year end.	7,472,335	N.A	N.A	7,952,931	N.A	N.A

## c) Reconciliation of fair value of assets and obligations

(Amount in Rs.)

	Current year			Previous Year		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Fair value of plan assets at 31st March 2010	7,472,335	N.A	N.A	7,952,931	N.A	N.A
Present value of obligation as at 31st March 2010	20,668,365	5,442,441	9,546,664	2,928,303	3,856,435	8,225,630
Net Assets/(Liability) recognized in balance sheet	(13,196,030)	(5,442,441)	(9,546,664)	5,024,628	(3,856,435)	(8,225,630)

## (d) Expenses recognized during the year

(Amount in Rs.)

	Current year			Previous Year		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Current Service Cost	3,723,651	2,242,022	3,794,815	2,047,077	1,830,840	3,123,712
Interest Cost	1,393,398	308,515	658,050	892,697	167,897	172,830
Expected return on plan assets	(648,316)	-	-	(353,236)	-	-
Net Cost	3,817,840	1,603,522	5,484,968	1,963,765	1,757,727	7,889,525

## (e) Actuarial Assumptions

	Current year			Previous Year		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Discount Rate (per annum)	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Future increase in compensation	6.00%	5.50%	5.50%	6.00%	5.50%	5.50%

	Current year			Previous Year		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Expected rate of return on plan assets	8.00%	N.A	N.A	8.00%	N.A	N.A
In Service Mortality	L.I.C 1994-96 Ultimate	L.I.C 1994-96 duly modified	L.I.C 1994-96 Duly modified	L.I.C 1994-96 Ultimate	L.I.C 1994-96 duly modified	L.I.C 1994-96 Duly modified
Retirement age	58 Years	58 Years	58 Years	58 Years	58 Years	58 Years
Withdrawal rate	3%	3%	3%	3%	3%	3%
Upto 30 Years						
Upto 44 Years	2%	2%	2%	2%	2%	2%
Above 44 Years	1%	1%	1%	1%	1%	1%

## 19. Earning per share

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

Particulars	Current Year	Previous Year
	(Rs)	(Rs.)
Profit/(Loss) attributable to the equity shareholders basic/ Weighted average	65,292,273	98,197,326
No of Equity Share outstanding during the Year	8,214,980	8,214,980
Nominal value of Equity shares	10/-	10/-
<b>Basic Earning per share (Rs)</b>	<b>7.95</b>	<b>11.95</b>
Potential Equity Shares	-	-
<b>Diluted Earning per share (Rs)</b>	<b>7.95</b>	<b>11.95</b>

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

Particulars	(Amount in Rs.)		
	Balance as at 01.04.2010	Expenses / Savings during the Year	Balance as at 31.3.2011
<b>Deferred Tax Assets</b>			
Capital Losses	3,845,120	(3,845,120)	-
Unabsorbed Depreciation	30,786,397	(18,574,708)	12,211,689
Others	8,758,771	3,617,386	12,376,157
<b>Total (A)</b>	<b>43,390,288</b>	<b>(18,802,442)</b>	<b>24,587,846</b>

(Amount in Rs.)

Particulars	Balance as at 01.04.2010	Expenses / Savings during the Year	Balance as at 31.3.2011
<b>Deferred Tax Liabilities</b>			
Depreciation	91,802,557	11,077,535	102,880,092
<b>Total (B)</b>	<b>91,802,557</b>	<b>11,077,535</b>	<b>102,880,092</b>
<b>Net Deferred Tax Asset/(Liability) (A)-(B)</b>	<b>(48,412,269)</b>	<b>(29,879,977)</b>	<b>(78,292,246)</b>

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

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

## a) Capacity and Production

Class of Goods	Unit	Licensed Capacity		Installed Capacity*		Actual Production	
		For the Year	Previous Year	Current Year	Previous Year	For the Year	Previous Year
Ready-made Garments	No's	N.A.	N.A.	12,570,000	12,120,000	17,050,646	11,968,498

\*Above installed capacity as certified by the management and does not include the capacity, which can be expanded through contract work.

b) Breakup of Sales

Class of Goods	Unit	Current Year		Previous Year	
		Qty	Amount (Rs.)	Qty	Amount (Rs.)
Readymade Garments (Manufactured)	Pcs	16,205,454	4,168,416,305	10,906,205	2,988,065,175
Readymade Garments (Traded)	Pcs	9,358,187	1,860,672,134	10,330,954	2,154,505,409
Fabric	Mtrs. Kgs.	1,517,932 140,883	142,811,811	11,46,418 161,441	112,152,729
Others			18,013,428		53,226,170
			6,189,913,678		5,307,949,483

c) Details of Finished Goods (Amount in Rs.)

Class of Goods	Current Year				Previous Year			
	Opening Stock		Closing Stock		Opening Stock		Closing Stock	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Ready-made Garments (Pcs)	2,320,959	599,377,283	3,166,151	735,763,706	1,492,654	354,845,579	2,320,959	599,377,283

d) Purchases/Cost of Goods Traded

Class of Goods	Unit	Current Year		Previous Year	
		Qty	Amount (Rs.)	Qty	Amount (Rs.)
Readymade Garments	Pcs	9,358,187	1,638,684,846	10,330,954	1,888,218,030
Fabric	Mtrs. Kgs.	1,517,932 140,883	128,530,630	1,146,418 161,441	101,264,794
Others			16,282,504		16,493,842
			1,783,497,979		2,005,976,665

e) Breakup of Raw Material/Stores & Spares Consumed

Class of Goods	Current Year		Previous Year	
	Amount (Rs.)	%	Amount (Rs.)	%
<b>Raw Material Consumed</b>				
Indigenous	1,274,581,424	65.09	982,866,504	60.42
Imported	683,720,652	34.91	643,986,032	39.58
	1,958,302,076	100	1,626,852,536	100
<b>Stores and Spares Consumed</b>				
Indigenous	68,261,928	100	46,248,974	100

f) Raw Material Consumed

Class of Goods	Current Year		Previous Year	
	Qty.	Value (Rs.)	Qty.	Value (Rs.)
Fabric-woven (Mtrs.)	16,649,645	1,257,377,756	14,452,296	1,316,579,330
(KG)	1,232,618		905,109	
Others		700,924,320		310,273,206
		1,958,302,076		1,626,852,536

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

	Current Year	Previous Year
Raw Material	1,362,486,260	677,145,264
Capital Goods	20,586,703	24,116,883
Readymade Garments	1,638,684,846	1,888,218,030
Total	3,021,757,809	2,589,480,177

h) Expenditure in Foreign Currency (Amount in Rs.)

	Current Year	Previous Year
Interest on loan	-	7,724,310
Foreign Traveling	1,328,173	1,355,841
Export Commission	8,071,763	42,086,583
Legal & Professional Charges	39,698	-
Courier Charges	474,794	-
EDI Expenses	5,628,374	-
Donation	1,391,910	-
Freight outward	1,173,924	-
Entertainment Expenses	17,369	-
Air Freight	315,488	-
Sale Promotion Expenses	39,932	-
Others	-	38,141,979
Total	18,480,825	89,308,713

i) Earnings in Foreign Exchange (Amount in Rs.)

	Current Year	Previous Year
Export of Goods- FOB basis	6,116,157,153	5,263,396,770
Export of Software FOB basis	-	10,081,500
Claim Received	1,429,920	7,796,525
Commission received	9,000,000	-
Designing Recovery	-	13,452,620
Job Work Receipts	704,622	-
Testing Charges	-	794,410
Others	-	958,540

22. In view of the management, the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated as on balance sheet date.
23. The company has issued preference share capital on following terms:

Type of Shares	No. of Shares	Date of Issue	Terms of Redemption
10.5% Non-Cumulative Redeemable Preference Shares	1,372,000	29-01-08	To be redeemed in 2012.
10.5% Non-Cumulative Redeemable Preference Shares	250,000	20-06-08	To be redeemed in 2012.
10.5% Non-Cumulative Redeemable Preference Shares	81,000	05-03-09	To be redeemed after 5 Years from the date of allotment.
10.5% Non-Cumulative Redeemable Preference Shares	536,400	30-01-10	To be redeemed after 5 Years from the date of allotment.
<b>Total</b>	<b>2,239,400</b>		

24. Pursuant to amendments to schedule VI to Companies Act, 1956 vide notification number GSR 719 (E) dated November 16, 2007, the company has not received information from vendors regarding the Micro, Small and Medium Enterprises and Development Act, 2006. Hence, disclosure related to unpaid and outstanding amount at the year end together with the interest paid/payable have not been given.
25. During the current financial year company has close down one of its subsidiary Pearl Global (Australia) Pty. Limited by taking the deregistration certificate from Australian Securities & Investments Commission (ASIC). This has resulted extra-ordinary loss of Rs.7,451,337/- due to written off the carrying amount in the books.
26. The Company has capitalized borrowing cost of Rs. 10,104,849/- (Previous Year Rs. Nil.) to various fixed assets including capital work in process in the year ended 31st March, 2011.
27. Previous Year's figures have been regrouped/recast wherever necessary.

Signature to Schedule 1 to 17

On behalf of the Board  
**(DEEPAK SETH)** Chairman  
 DIN 00003021  
**(PULKIT SETH)** Managing Director  
 DIN 00003044

Place : New Delhi  
 Dated : 30th May 2011

**(NITIN MITTAL)**  
 Chief Finance Officer

## Norp Knit Industries Limited

## DIRECTORS' REPORT

To the Shareholders,

The Directors of your Company have pleasure in presenting the Annual Report on the business and operations of the Company and the Audited Financial Accounts for the year ended 31st March 2011.

**Financial**

The company has earned a profit after tax of Tk. 29,935,036 during the financial year ended 31st March 2011.

**Results and Dividend**

During the current financial year under review the company embarked on an expansion programme to add capacities to its existing product line of Knitted garments and diversify into production of Woven Bottoms. A state of the art manufacturing plant was set up in close proximity to its existing knitted garments factory in Gazipur. The company has also ventured into backward integration by setting up a knitting facility for conversion of yarn into knitted fabric to reduce lead time in executing export orders and avail incentive entitlements.

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

**Statement of Directors responsibilities**

The Directors are responsible for the preparation of financial statements, which comply 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 prevention and detection of fraud and other irregularities.

For and on behalf of the Board  
for **Norp Knit Industries Ltd**

Sd/-  
Director

Date: 10th May, 2011

**Auditors' Report**

To the Shareholders of Norp Knit Industries Ltd.

We have audited the accompanying Balance Sheet of **Norp Knit Industries Ltd.** as of 31 March, 2011 and the related Profit & Loss Account for the period of Twelve Months ended on 31 March, 2011 and Cash Flow Statement and Statement of Changes in Equity for the period then ended. The preparation of these statements is the responsibility of the Company's Management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

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

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards, give a true and fair view of the state of the Company's affairs as of 31 March, 2011 and its Cash Flow for the period of Twelve Months ended on 31 March, 2011 and comply with the Companies Act, 1994 and other applicable laws and regulations.

We also report that:

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books; and
- the company's Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account and returns.

Sd/-  
**G Biswas & Co.**  
Chartered Accountants  
Place : Dhaka  
Date: 10th May, 2011

**BALANCE SHEET AS AT 31 MARCH, 2011**

	NOTE	Amount in Taka	
		As on 31 March 2011	As on 31 March 2010
<b>Sources of fund</b>			
Shareholders' equity			
Share capital	4	241,560,700	49,378,100

## Amount in Taka

		As on 31 March 2011	As on 31 March 2010
Share Money Deposit		56,562,400	200,445,000
Retained earnings		155,575,184	125,640,148
		<u>453,698,284</u>	<u>375,463,248</u>
<b>Long Term Liabilities</b>			
Loan from HSBC	5	174,572,500	-
		<u>628,270,784</u>	<u>375,463,248</u>
<b>Application of fund</b>			
<b>Property, plant and equipment:</b>			
At cost less accumulated depreciation	6	340,053,573	49,425,209
<b>Current assets:</b>			
Goods in Transit		12,829,689	1,588,476
Inventories	7	312,746,837	148,583,357
Trade receivables	8	116,390,032	111,162,879
Inter-company receivables	9	189,853,858	82,984,854
Advances, deposits and prepayments	10	118,262,894	81,950,324
Cash and bank balances	11	31,232,419	61,692,988
		<u>781,315,729</u>	<u>487,962,878</u>
<b>Current liabilities:</b>			
Secured loan from HSBC Bank		58,030,892	-
Trade and other payables	12	304,723,924	118,536,661
Inter-company payables	13	130,343,702	43,388,178
		<u>493,098,518</u>	<u>161,924,839</u>
<b>Net current assets</b>		<u>288,217,211</u>	<u>326,038,039</u>
<b>Deferred Tax</b>		<u>628,270,784</u>	<u>375,463,248</u>

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

Sd/-  
Managing Director

Sd/-  
Director

Sd/-  
G. Biswas & Co.  
Chartered Accountants  
Dhaka, May10, 2011

**PROFIT AND LOSS ACCOUNT FOR THE TWELVE MONTHS ENDED ON MARCH 31, 2011**

		1 April 2010 To 31 March 2011	1 April 2009 To 31 March 2010
Turnover		1,184,866,794	781,802,682
Cost of goods sold	14	(1,001,336,315)	(639,860,762)
<b>Gross profit/(loss)</b>		<u>183,530,479</u>	<u>141,941,920</u>
Administrative, selling and distribution expenses	15	(149,276,494)	(106,786,667)
Pre-operative expenses		-	-
		<u>34,253,985</u>	<u>35,155,253</u>
Other income	16	365,371	1,115,297
<b>Net profit/(loss) before tax</b>		<u>34,619,356</u>	<u>36,270,550</u>
<b>Tax Expenses :</b>			
Prov for Tax		(4,684,320)	(675,000)
Deferred Tax		-	-
		<u>(4,684,320)</u>	<u>(675,000)</u>
<b>Net Profit/(Loss) for the year</b>		<u>29,935,036</u>	<u>35,595,550</u>

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

Sd/-  
Managing Director

Sd/-  
Director

As per our annexed report of same date

Sd/-  
G. Biswas & Co.  
Chartered Accountants  
Dhaka, May 10, 2011

**CASH FLOW STATEMENT FOR THE TWELVE MONTHS ENDED ON MARCH 31, 2011**

	Amount in Taka	
	Twelve Months ended 31 March 2011	Twelve Months ended 31 March 2010
<b>Cash flow from operating activities</b>		
Net profit for the period	29,935,036	35,595,550
<b>Add: Adjustment of items not involving movement of cash</b>		
Pre-operating expenses	-	-
Depreciation	27,689,181	23,784,963
Profit on Sale of Assets	-	-
Write-Off of Deferred Tax	-	27,286
	<u>27,689,181</u>	<u>23,812,249</u>
Operating Profit before changes in working capital	<u>57,624,217</u>	<u>59,407,799</u>
<b>Adjustment for changes in working capital</b>		
Decrease / (Increase) in Inventories	(164,163,480)	17,569,747
Decrease / (Increase) in Goods in Transit	(11,241,213)	(1,588,476)
Decrease / (Increase) in Trade receivables	(5,227,153)	(30,385,855)
Decrease / (Increase) in Inter-company receivables	(106,869,004)	9,705,054
Decrease/(Increase) in advances, deposits and prepayments	(36,312,570)	(53,838,353)
Increase / (Decrease) in Secured loan	58,030,892	-
Increase / (Decrease) in Creditors for goods and other payables	186,187,262	(6,727,800)
Increase / (Decrease) in Inter-company payables	86,955,524	16,624,232
Increase / (Decrease) in Withholding Tax	-	-
	<u>7,360,258</u>	<u>(48,641,451)</u>
Net cash from operating activities	<u>64,984,475</u>	<u>10,766,348</u>
<b>Cash flow from investing activities:</b>		
Purchase of fixed assets	(318,390,879)	(6,264,837)
Sale of Assets	73,335	13,639
Net cash used in investing activities	<u>(318,317,544)</u>	<u>(6,251,198)</u>
<b>Cash flow from financing activities:</b>		
Proceeds from issue of shares	-	-
Share Money Deposit Received	48,300,000	98,325,000
Loan from HSBC	174,572,500	-
Loan from Orchid Trading Limited	-	(96,082,110)
Net cash flow from financing activities	<u>222,872,500</u>	<u>2,242,890</u>
<b>Increase in cash and cash equivalents</b>	<u>(30,460,569)</u>	<u>6,758,040</u>
<b>Cash and cash equivalent at opening</b>	<u>61,692,988</u>	<u>54,934,947</u>
<b>Cash and cash equivalent at closing (Note 11)</b>	<u>31,232,419</u>	<u>61,692,987</u>

**STATEMENT FOR CHANGES IN EQUITY FOR THE TWELVE MONTHS ENDED ON MARCH 31, 2011**

Particulars	Amount in Taka			Total
	Share capital	Share Money Deposit	Retained earnings	
Balance as on March 31, 2009	49,378,100	102,120,000	90,044,598	241,542,698
Share Money Deposit	-	98,325,000	-	98,325,000
Net profit for the year ended 31.03.10	-	-	35,595,550	35,595,550
Balance as on March 31, 2010	49,378,100	200,445,000	125,640,148	375,463,248
Share Money Deposit	-	48,300,000	-	48,300,000
Increase in Paid-up capital	192,182,600	(192,182,600)	-	-
Net profit for the year ended 31.03.11	-	-	29,935,036	29,935,036
Balance as on March 31, 2011	241,560,700	56,562,400	155,575,184	453,698,284

**NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED MARCH 31, 2011**

**1. LEGAL STATUS AND NATURE OF THE COMPANY:**

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 historical cost convention, using the accrual basis of accounting.

**2.03 Functional and presentational currency:**

These Financial Statements are prepared in Bangladesh Taka (Taka/TK), which is the Company's functional currency. All financial information presented in taka have been rounded off to the nearest integer.

**2.04 Going Concern:**

The Company has adequate resources to continue its operation for the foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the accounts. The current resources of the company provide sufficient fund to meet the present requirements of its existing business.

**3. SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

**3.01 Foreign currency translation**

Foreign currencies are translated into Taka on a notional rate on the transaction dates. All monetary assets and liabilities are converted into taka at the exchange rate prevailing on the balance sheet date. Exchange gains or losses arising out of translation of assets and liabilities at the closing date are recognised in the Income Statement.

**3.02 Property, Plant and Equipment:**

Property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure directly attributable to the acquisition and installation of the Property, Plant and Equipment.

**3.03 Depreciation :**

Depreciation on fixed assets is charged on straight line method using different rates varying from 10% to 20% on cost of the assets. Depreciation is charged from the month following the month of acquisition/ installation of the Property, Plant and Equipment.

**3.04 Inventories**

Inventories include raw material, work-in-progress and finished goods. These are measured at the lower of cost and net realisable value in accordance with IAS 2. Cost is determined using the first-in-first-out principles. Net realisable value is the estimated selling price in the ordinary course of business less estimated cost necessary to make the sale.

**3.05 Trade Receivable:**

Trade Receivables at the Balance Sheet date are stated at amount which are considered realisable.

**3.06 Trade Payable:**

Liabilities are recognised for amounts to be paid in future for goods and services received.

**3.07 Provisions:**

Provisions are made where an obligation exists for future liability in respect of past event and where the amount of the obligation can be reliably estimated.

**3.08 Impairment:**

The carrying amounts of the assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication

## Norp Knit Industries Limited

exists then the recoverable amount of the asset is estimated. Impairment losses, if any, are recognised in profit & 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 with export proceeds of an exporter of Knitwear and Woven garments is received shall deduct tax at the rate 0.40 percent of the total export proceeds all the time of crediting the proceeds to the account of the exporter and will be regarded as final tax liability. Accordingly the company is now liable to tax on export proceeds at the rate of 0.40 percent.

**3.12 Deferred Tax**

The Company has adopted Deferred Tax Accounting Policy as per Bangladesh Accounting Standard. Accordingly, Deferred Tax Liability / Asset is accounted for all temporary timing differences arising between the Tax base of the assets and liabilities

and their carrying value for financial Reporting process. In view of prevalent tax law as indicated in Note 3.11 Deferred Tax accounting is not considered necessary in view of the fact that for assessment under the provision of Section 53BB no temporary difference will arise between tax base of assets and liabilities and their carrying amounts in the financial statements.

**3.13 Employee benefits**

The Company has not yet introduced any provident fund, gratuity scheme and pension scheme for the employees.

**4. Share Capital**

	As on 31 March 2011	As on 31 March 2010
Authorized capital:		
25,00,000 (2010: 25,00,000) ordinary share of Tk. 100 each	250,000,000	250,000,000
Issued, subscribed and paid up capital:		
2,415,607 (2010: 493,781) ordinary shares of Tk. 100 each	241,560,700	49,378,100
The aforesaid capital was subscribed as under:		
<b>Subscribers:</b>	<b>No. of shares</b>	<b>No. of shares</b>
House of Pearl Fashions Ltd.	2,415,587	493,761
Mr. Pallak Seth	10	10
Mr. Pulkit Seth	10	10
	<b>2,415,607</b>	<b>493,781</b>

**5. Loan from HSBC**

This represents the amount received from the Hongkong and Shanghai Banking Corporation Limited for operations.

**6. PROPERTY, PLANT AND EQUIPMENT AS ON 31.03.11**

Particulars	Cost				Depreciation					
	Cost as on 31.03.2010	Addition for the period Apr'10- Mar'11	Deletion for the period Apr'10- Mar'11	Cost as on 31.03.2011	Total depreciation as on 31.03.2010	Addition for the period Apr'10- Mar'11	Depreciation on Disposal of Assets for the period Apr'10-Mar'11	Total depreciation as on 31.03.2011	W.D. Value as on 31.03.2011	W.D. Value as on 31.03.2010
<b>Unit 1</b>										
Building & Civil Works	20,138,734	13,700	-	20,152,434	14,192,933	2,607,746	-	16,800,679	3,351,755	5,945,801
Plant & Machinery	93,054,372	1,409,298	-	94,463,670	68,148,889	13,437,557	-	81,586,445	12,877,225	24,905,483
Vehicles	2,163,975	-	100,000	2,063,975	576,594	430,402	26,665	980,331	1,083,644	1,587,381
Furniture & Fixtures	10,352,002	251,554	-	10,603,556	3,943,563	955,147	-	4,898,710	5,704,846	6,408,439
Office Equipments & Computers	5,633,851	705,907	-	6,339,758	3,200,854	691,283	-	3,892,137	2,447,621	2,432,997
Telephone Installation & Connection	572,410	14,250	-	586,660	486,372	52,781	-	539,153	47,507	86,038
Air Conditioners	1,587,100	-	-	1,587,100	1,274,680	207,209	-	1,481,889	105,211	312,420
Fire extinguisher	415,040	-	-	415,040	323,633	45,148	-	368,781	46,259	91,407
<b>Unit 2</b>										
Building & Civil Works	-	22,516,971	-	22,516,971	-	650,177	-	650,177	21,866,794	-
Plant & Machinery, utility & Electrical Installations	-	261,169,342	-	261,169,342	-	7,734,395	-	7,734,395	253,434,947	-
Furniture & Fixtures	-	21,696,459	-	21,696,459	-	699,738	-	699,738	20,996,721	-
Office Equipments & Computers	-	3,107,186	-	3,107,186	-	91,838	-	91,838	3,015,348	-
Factory Equipments	-	375,837	-	375,837	-	12,135	-	12,135	363,702	-
Telephone Installation & Connection	6,950	1,279,068	-	1,286,018	232	41,524	-	41,756	1,244,262	6,718
Fire extinguisher	-	1,358,486	-	1,358,486	-	32,102	-	32,102	1,326,384	-
<b>Total</b>	<b>133,924,434</b>	<b>313,898,058</b>	<b>100,000</b>	<b>447,722,492</b>	<b>92,147,750</b>	<b>27,689,181</b>	<b>26,665</b>	<b>119,810,266</b>	<b>327,912,226</b>	<b>41,776,684</b>
<b>Capital Work in Progress-Unit 1</b>										
Plant & Machinery	3,149,637	-	-	3,149,637	-	-	-	-	3,149,637	3,149,637
<b>Capital Work in Progress-Unit 2</b>										
Building & Civil Works	1,040,000	12,143,539	13,183,539	-	-	-	-	-	-	1,040,000
Electrical installations	94,522	19,521,626	19,616,148	-	-	-	-	-	-	94,522
Gas and utility and Transmission Lines	831,159	21,669,430	22,500,589	-	-	-	-	-	-	831,159
Plant & Machinery	420,924	168,010,290	167,384,900	1,046,314	-	-	-	-	1,046,314	420,924
Plant & Machinery - Knitting	-	-	-	-	-	-	-	-	-	-

Norp Knit Industries Limited

Particulars	Cost				Depreciation					
	Cost as on 31.03.2010	Addition for the period Apr'10-Mar'11	Deletion for the period Apr'10-Mar'11	Cost as on 31.03.2011	Total depreciation as on 31.03.2010	Addition for the period Apr'10-Mar'11	Depreciation on Disposal of Assets for the period Apr'10-Mar'11	Total depreciation as on 31.03.2011	W.D. Value as on 31.03.2011	W.D. Value as on 31.03.2010
Furniture & Fixtures & work-aids	42,714	19,797,256	19,839,970	-	-	-	-	-	-	42,714
Office Equipments & Computers	198,938	2,076,936	2,275,874	-	-	-	-	-	-	198,938
Factory Equipments		360,135	360,135							
Telephone Installation & Connection		1,232,290	1,232,290							
Fire extinguisher		19,550	19,550							
CCTV		251,726	-	251,726					251,726	
SAP, Software installations - CWIP - Unit 1 & 2		7,693,670	-	7,693,670					7,693,670	
New Project Expenses related to building										
Plants & machinery, gas connection etc	1,870,632	62,545,331	64,415,963	-	-	-	-	-	-	1,870,632
<b>Total</b>	<b>7,648,526</b>	<b>315,321,779</b>	<b>310,828,958</b>	<b>12,141,347</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,141,347</b>	<b>7,648,526</b>
<b>Total Fixed Assets</b>	<b>141,572,960</b>	<b>629,219,837</b>	<b>310,928,958</b>	<b>459,863,839</b>	<b>92,147,750</b>	<b>27,689,181</b>	<b>26,665</b>	<b>119,810,266</b>	<b>340,053,573</b>	<b>49,425,210</b>

6.01 Allocation of depreciation

	1-Apr-10 to 31-Mar-11 Taka	1-Apr-09 to 31-Mar-10 Taka	As on 31 March 2011 Taka	As on 31 March 2010 Taka
Cost of Goods sold (Note 14.02)	25,346,702	21,144,592	115,162,736	78,831,930
Administrative, Selling and Distribution Expenses (Note 15)	2,342,480	2,640,371		
	<u>27,689,181</u>	<u>23,784,963</u>		
Deposits				
Margin against L/C and B/G			130,600	167,600
Security deposits			2,923,460	2,910,460
			<u>3,054,060</u>	<u>3,078,060</u>

7. INVENTORIES

	As on 31 March 2011 Taka	As on 31 March 2010 Taka		As on 31 March 2011 Taka	As on 31 March 2010 Taka
Raw materials	108,772,655	54,975,842	Prepayments		
Work-in-progress	107,326,178	44,575,007	Prepaid Insurance	46,098	40,334
Finished goods	96,648,004	49,032,508		46,098	40,334
	<u>312,746,837</u>	<u>148,583,357</u>		<u>118,262,894</u>	<u>81,950,324</u>

8. TRADE RECEIVABLES

ATS Apparels	330,619	-	11. CASH AND BANK BALANCES		
Fawaz Al Hokair & Co	3,115,357	-	Cash in hand	741,279	512,206
Al Libas International Fashions LLC	65,128,591	65,128,591	<b>Balances with bank</b>		
Anand Fashion International Dubai	13,800,000	13,800,000	Fixed deposit with United Commercial Bank	2,398,732	10,079,658
Celio International	34,015,465	22,558,809	Current Account with United Commercial Bank	365,060	290,805
Friends International	-	19,107	Margin deposit with United Commercial Bank	4,531,528	46,978,207
S.Oliver Bernd Freier GmbH & Co kg	-	9,656,372	Exchange Retention Quota with United Commercial Bank	72,290	720,878
	<u>116,390,032</u>	<u>111,162,879</u>	HSBC-001-112432-011		3,111,234
			HSBC-001-112432-095	773,210	
			HSBC-001-112432-047	1,122,542	
			HSBC-001-112432-091	15,844,538	
			HSBC Margin L/C	3,456,412	
			HSBC- Bank Guarantee	1,926,828	
				<u>30,491,140</u>	61,180,782
				<u>31,232,419</u>	<u>61,692,988</u>

9. INTER-COMPANY RECEIVABLES

Pearl Global Limited-(Sales)	86,950,831	-	12. TRADE AND OTHER PAYABLES		
Norwest Industries Limited (Expenses)	3,216,678	360,797	Trade payables :		
Pearl Global Limited-Chennai (Sales)	95,296,543	62,547,752	Basic Thread Industries Ltd.	1,538,671	1,664,228
Pearl Global Limited-Chennai (Exp)	2,979,706	3,921,350	Coats Bangladesh	1,329,768	1,524,272
Nor - Pearl Knitwear Limited (Expense)	-	16,154,955	HTMS Packaging	204,563	76,999
Simple Approach Ltd (Expenses)	1,410,100	-	J. R. Fashion	1,486,628	891,716
	<u>189,853,858</u>	<u>82,984,854</u>	Nice Dyeing Factory	1,132,131	36,428,364
			Victory City Company Ltd.		10,990,209
			Aduri Knit Composite Ltd.	21,218	9,404,421
			Zumana Paper Box	7,142,207	2,443,330
			Others	234,974,391	28,966,264
				<u>247,829,577</u>	<u>92,389,803</u>

10. ADVANCES, DEPOSITS AND PREPAYMENTS

Advances (considered good) to:					
Landlord against rent	212,844	807,324			
Suppliers	110,785,033	74,849,636			
Employees	420,304	315,896			
Others	3,744,555	2,859,074			

## Norp Knit Industries Limited

	As on 31 March 2011	As on 31 March 2010		As on 31 March 2011	As on 31 March 2010
	Taka	Taka		Taka	Taka
Other payables			Embroidery Charges	618,360	635,330
Management fee payable	1,500,000	1,500,000	Clearing and forwarding inward	11,249,348	7,481,839
Liability for Tax	1,740,793	675,000	L/C charges for inputs	9,014,323	5,517,031
Withholding tax payable	911,789	400,961	Subcontract Expenses	7,530,259	7,249,546
Export bills discounted	18,973,702	13,256,496	Depreciation (Note 6.01)	25,346,702	21,144,592
Others	33,768,063	10,314,401	Insurance	2,279,426	2,255,167
	<u>56,894,347</u>	<u>26,146,858</u>		<u>104,691,333</u>	<u>72,704,934</u>
	<u>304,723,924</u>	<u>118,536,661</u>	<b>15. Administrative, selling and distribution expenses</b>		
<b>13. INTER-COMPANY PAYABLES</b>			Salaries	63,530,119	38,074,091
Pearl Global Fareast Ltd	812,714	-	Marketing Expenses	28,474,288	22,210,686
House of Pearl Fashions Ltd.	10,922,521	4,072,035	Interest	9,355,063	-
Poeticgem Ltd.	14,393,299	14,393,299	Communication	2,864,449	2,052,289
Simple Approach Ltd.	8,420,828	2,665,332	Conveyance	1,379,314	903,474
Simple Approach Ltd. (Expenses)	-	346,038	Entertainment	388,350	204,671
Norpearl Knitwear Ltd.	1,475,100	561,640	Office Stationery	2,093,453	1,470,339
Pearl Global Limited-Chennai (Creditor-Goods)	1,802,494	-	Stationery Printing	678,084	454,771
Pearl Global Limited (Creditors-Goods)	54,703,858	7,493,115	Clearing & forwarding outward	13,400,960	6,502,732
Pearl Global Limited (Creditors-Expenses)	37,812,888	13,856,719	Bank Charges	6,029,394	3,901,357
	<u>130,343,702</u>	<u>43,388,178</u>	Travelling - Foreign	777,442	182,674
			Vehicle fuel & maintenance	9,381,167	5,906,133
<b>14. COST OF GOODS SOLD</b>			Courier & postage	4,072,407	3,025,242
Raw material consumed (Notes 14.01)	873,705,628	497,161,830	Corporate Charges	4,424,832	4,022,700
Wages	133,306,021	61,803,605	Audit fee / Internal Audit	1,130,988	282,150
Manufacturing overheads (Notes 14.02)	104,691,333	72,704,934	Depreciation (Note 6.01)	2,342,480	2,640,371
	<u>1,111,702,982</u>	<u>631,670,369</u>	Exchange Loss	(4,528,810)	2,546,441
Add: Opening work-in-progress	44,575,007	37,828,974	Others	3,482,514	12,406,546
	<u>1,156,277,989</u>	<u>669,499,343</u>		<u>149,276,494</u>	<u>106,786,667</u>
Less: Closing work-in-progress	107,326,178	44,575,007	<b>15.01. Salaries</b>		
Cost of goods manufactured	1,048,951,811	624,924,336	This includes the following emoluments to one of the directors of the company:		
Add: Opening stock of finished goods	49,032,508	63,968,934	Remuneration	-	NA
Cost of goods available for sale	1,097,984,319	688,893,270	Housing	-	NA
Less: Closing stock of finished goods	96,648,004	49,032,508		<u>-</u>	<u>-</u>
Cost of goods sold	<u>1,001,336,315</u>	<u>639,860,762</u>	<b>16. Other income</b>		
			Interest Earned	365,371	1,115,297
<b>14.1 RAW MATERIAL CONSUMED</b>			Others	-	-
Opening inventory	54,975,842	64,355,196		<u>365,371</u>	<u>1,115,297</u>
Purchases during the period	927,502,441	487,782,476	<b>17. Contingent liability</b>		
Closing inventory	108,772,655	54,975,842	Contingent liability of the company was Tk. 225.33 million as on 31 March 2011 in respect of letters of credit outstanding and Tk 1,926 millions in respect of bank guarantee.		
	<u>873,705,628</u>	<u>497,161,830</u>	<b>18. Number of employees</b>		
			The number of employees engaged as on 31st March, 2011 who received a total remuneration of Tk. 3,000 per month or above was 3537 person (996 persons as on 31st March 2010)		
<b>14.2 MANUFACTURING OVERHEADS</b>			<b>19. Exchange gain/(loss)</b>		
Stores, Spares & Maintenance	6,394,724	3,797,942	This represents gain/(loss) arising from translation of foreign currency into local currency.		
Factory cleaning & Upkeep	2,499,281	884,232	<b>20. General</b>		
Factory rent	5,954,250	5,733,068	Figures are rounded off to nearest Taka.		
Security services	3,389,098	1,957,075	Previous year figures have been rearranged, wherever necessary, to conform to current period's presentation.		
Power & Fuel	18,702,515	7,159,681			
Consumables	3,897,945	2,809,957			
Compliance Expenses	1,386,716	767,173			
Sampling expenses	88,599	476,982			
Testing Charges	5,601,818	4,236,749			
Machinery Higher	737,970	598,570			



Norp Knit Industries Limited

21. Related party

Name of the parties	Nature	Transactions	Transaction value (Taka)		Balance outstanding (Taka)	
			Year ended 31 Mar 2011	Year ended 31 Mar 2010	As At 31 Mar 2011	As At 31 Mar 2010
Norwest Industries Ltd.	Group Company	Sales of goods		1,877,059		
		Expenses payable	21,296,445	892,862		
		Expenses recoverable	24,152,327	955,794	3,216,678	360,797
Pearl Global Ltd.	Group Company	Sales of goods	671,003,725	520,608,383	86,950,832	62,547,752
		Purchase	75,079,662	70,266,073	54,703,858	7,493,116
		Expenses payable	26,793,311	13,045,335	37,812,889	13,856,719
		Expenses recoverable	2,837,142	1,443,207		
Pearl Global Ltd -Chennai	Group Company	Sales of goods	176,752,122	-	95,296,543	-
		Purchase	8,727,224	-	1,802,495	-
		Expenses recoverable	7,492,125	7,668,075	2,979,706	3,921,350
Pearl Global Fareast Ltd	Group Company	Expenses payable	-	-	812,714	-
House of Pearl Fashion Ltd-USA	Group company	Sale of goods				
Poeticgem Ltd.	Group company	Sale of goods				
		Expenses payable	-	-	14,393,299	14,393,299
		Expenses recoverable				
House of Pearl Fashions Ltd.	Parent Company	Sale of goods	63,152,621	36,021,520	-	-
		Corporate Charges	4,424,832	4,037,535	10,922,521	4,072,035
		Expenses recoverable	1,016,042	-	-	-
		Expenses payable	3,441,696	-	-	-
		Share money deposit	48,300,000	98,325,000	56,562,400	200,445,000
PT Norwest Industry	Group Company	Purchase	2,731,861			
Nor Pearl Knitwear Ltd	Group Company	Sale of goods				
		Expenses payable	15,452,095	2,878,288	1,475,100	561,640
		Expenses recoverable	8,560,902	2,152,025	-	16,154,955
Simple Approach Ltd	Group Company	Sale of goods	112,569,401	125,448,349	-	-
		Expenses payable	2,057,704	-	8,420,828	346,038
		Expenses recoverable	3,813,843	-	1,410,100	2,665,332

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

The company purchased raw materials from the group company. The purchases are on the same terms and conditions as those entered into with other suppliers and payable under normal payment terms.

In addition, the company disbursed loan, advance against sale, received equity money to/from group companies as per business norm.

Lerros Fashions India Ltd.

**DIRECTORS' REPORT**

To the Shareholders,

The Directors of your Company have pleasure in presenting the 4th Annual Report on the business and operations of the Company and the Audited Financial Accounts for the year ended 31st March, 2011.

**Financial**

The performance of the Company for the financial year ended 31st March, 2011 is summarized below:

(Rs. In Lacs)		
PARTICULARS	2010 - 2011	2009 - 2010
Sales Turnover	93.95	1,448.69
Other Income	67.86	24.11
Profit before Tax	(1,011.19)	(1,005.47)
Provision for Tax	303.22	291.71
Profit (Loss) after Tax	(707.97)	(713.77)
Transfer to General Reserve	-	-

**Business & Operations**

The Company has entered into a Brand Licensing Agreement with Numero Uno Clothing Limited to grant an exclusive and non-transferable right and license to use the Lerros Marks and goodwill associated thereto solely for a period of 5 years for the purposes of manufacturing and procurement of Lerros Merchandise and to establish and operate Lerros Boutiques in India from 1st August, 2010.

Accordingly, the Company has recognized the Royalty receivable, as per the terms of the agreement, on accrual basis.

**Dividend**

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

**Directors**

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

**Directors Identification Number (DIN)**

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

Mrs. Payel Seth - 00003035	Mr. Pulkit Seth - 00003044	Mr. Shelley Cheriaan - 02123028
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**Auditors**

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

**Auditors' Report**

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

**Public Deposits**

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

**Notes to Accounts**

The observations of the Auditors, if any, have been adequately explained in Notes to Accounts and need no further clarification.

**Directors' Responsibility Statement**

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

- i) That in the preparation of the Annual Accounts for the financial year ended 31st March 2011, 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 2011 as a Going Concern and on accrual basis.

**Particulars of Employees**

Particulars of employees required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is Nil.

**Conservation of Energy and Technology Absorption**

Information pursuant to Section 217(1)(e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988 relating to "Energy Conservation" and "Technology Absorption" are not applicable.

**Foreign Exchange Earnings and Outgo**

There is no Foreign Exchange Earnings during the year.

An expenditure for Rs.1,07,176/- (Previous year Rs.2,14,052/-) in Foreign Currency incurred towards Travel Expenses during the period ended.

The Company at present does not envisage any export and no export plans in next 3 years. Import of Rs.170.07 Lacs (Previous year Rs.404.09 Lacs) made during the year.

**Acknowledgements**

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

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

for and On Behalf of the Board  
for **LERROS FASHIONS INDIA LIMITED**

Place: New Delhi

Date : 30th May, 2011

**(Payel Seth)**

Director

DIN: 00003035

**(Shelley Cheriaan)**

Director

DIN: 02123028

**AUDITORS' REPORT**

To the Share Holders of **M/S LERROS FASHIONS INDIA LIMITED**

We have audited the attached Balance sheet of **M/S LERROS FASHIONS INDIA LIMITED** as at **31st March, 2011**, Profit & Loss Account and also the cash flow statement for year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
- c) The Company's Balance sheet, Profit & Loss Account and cash flow statement dealt with by this report are in agreement with the books of account.
- d) In our opinion, the Balance Sheet, Profit and Loss Account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956.
- e) On the basis of written representations received from the directors as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the directors is disquali-

Lerros Fashions India Ltd.

- fied as on 31st March, 2011 from being appointed as director in term of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) in the case of the Balance Sheet of the state of affairs of the Company as at **31st March, 2011**;
  - ii) in the case of the Profit & Loss Account, of the Loss for the year ended on that date;
  - iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

**For S.R. DINODIA & CO.,**  
Chartered Accountants  
Regn. No. 01478N

**(SANDEEP DINODIA)**  
Partner  
M. No. 083689

Place: New Delhi  
Dated: 30th May, 2011

**ANNEXURE TO THE AUDITORS' REPORT**

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

**M/S. LERROS FASHIONS INDIA LIMITED**

- i) a. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets which still need update.
- b. As explained to us, physical verification of a major portion of fixed assets as at 31st March 2011 was conducted by the management during the year. In our opinion, the frequency of physical verification is reasonable. No material discrepancies were noticed on such verification.
- c. In our opinion and according to the information and explanation given to us, the company has not disposed off substantial part of fixed assets during the year.
- ii) a. The inventory has been physically verified during the year by the management except the inventories in transit. In our opinion, the frequency of physical verification followed by the management is reasonable.
- b. In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c. In our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on verification between physical stocks and book records were not material.
- iii) During the year company has neither granted nor taken any loans, secured or unsecured to/ from the parties covered in the register maintained u/s 301 of the Companies Act 1956. Therefore, the provisions of clause 4(iii) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- iv) In our opinion and according to the information and explanations given to us, there is adequate internal control procedure commensurate with the size of the company and the nature of its business with regard to the purchase of inventory, fixed assets and for the sales of goods. Further, on the basis of our examination of the books and records of the company carried out in accordance with the generally accepted auditing practices, there is no continuing failure to correct the weaknesses in the aforesaid internal control systems.
- v) a. Based on the audit procedures applied by us and according to the information and explanations given to us, we are of opinion that the transactions that need to be entered into a register maintained under section 301 of the Companies Act, 1956 are being so entered.
- b. In our opinion and according to explanation given to us, the transactions made in pursuance of contracts and arrangements entered in the register maintained u/s 301 of the Companies Act, 1956 and exceeding values of Rs.5 Lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant times.
- vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits within the meaning of section 58A and 58AA of the Companies Act, 1956 and rules framed there under.
- vii) In our opinion, the company has an internal audit system which needs to be strengthened so as to commensurate with the nature and size of the business.
- viii) The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act 1956, for any of the products of the company.
- ix) a. According to the information and explanation given to us, the company is generally regular in depositing with appropriate authorities undisputed applicable statutory dues including income tax, wealth tax and other statutory dues as applicable to it.
- b. According to the records of the Company examined by us and on the basis of the information and explanations provided, there is no amount outstanding in respect of income tax, wealth tax and other statutory dues on account of any dispute as at 31st March, 2011.
- x) Since the company has been registered for less than 5 years, therefore, the provisions of clause 4(x) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- xi) Based on our audit procedure and on the basis of information and explanations given to us by the management, company has not taken any loan from the financial institutions. Therefore, the provisions of clause 4(xi) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- xiii) In our opinion, the company is not a chit fund or nidhi/ mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- xiv) The Company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- xv) In our opinion and on the basis of information and explanation provided, the company has not given any guarantees for loans taken by others from banks or financial institutions.
- xvi) On the basis of information and explanation given to us, no term loans were raised during the year by the company.
- xvii) On the basis of information and explanation given to us and overall examination of the balance sheet as at 31st March 2011, we report that no funds have been raised on short term basis which have been used for long term investments.
- xviii) During the year, the company has allotted Equity Shares on preferential basis to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956. The price at which the shares have been issued is not prejudicial to the interest of the company.
- xix) During the year covered by our audit report, the company has not issued any debentures during the year. Therefore, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company
- xx) According to the information and explanation given to us, the company has not raised any money by way of public issue during the year. Therefore, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.
- xxi) During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India and according to the information and explanation given to us during the year, we have neither come across any instance of fraud on or by the Company, noticed or reported nor have we been informed of such case by the management.

**For S.R. DINODIA & CO.,**  
Chartered Accountants  
Regn. No. 01478N

**(SANDEEP DINODIA)**  
Partner  
M. No. 083689

Place: New Delhi  
Dated: 30th May, 2011

Lerros Fashions India Ltd.

**BALANCE SHEET AS AT MARCH 31, 2011**

PARTICULARS	SCH	(Amount in Rs.)	
		AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholder's Funds</b>			
Share Capital	1	316,291,450	261,975,900
Share Application Money- Pending allotment		25,110,670	32,500,000
		<u>341,402,120</u>	<u>294,475,900</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	2	14,516,341	21,407,863
Less :-Depreciation		8,505,180	8,043,537
<b>Net Block of Fixed Assets</b>		<u>6,011,161</u>	<u>13,364,326</u>
		6,011,161	13,364,326
Deferred Tax Asset	3	77,297,955	46,975,850
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	4	10,850,700	27,482,063
Sundry Debtors	5	44,719,183	80,550,610
Cash & Bank Balances	6	9,128,560	858,750
Loans & Advances	7	37,650,749	46,264,725
		<u>102,349,193</u>	<u>155,156,148</u>
<b>Current Liabilities</b>	8	38,821,716	44,228,996
Provisions	9	-	459,937
		<u>38,821,716</u>	<u>44,688,933</u>
<b>Net Current Assets</b>		63,527,477	110,467,215
Profit & Loss A/c		194,565,527	123,668,509
		<u>341,402,120</u>	<u>294,475,900</u>
<b>SIGNIFICANT ACCOUNTING POLICIES</b> 13			
<b>NOTES TO ACCOUNT</b> 14			

As per our report of even date attached

On behalf of the Board

For **S.R. DINODIA & CO.**,  
Chartered Accountants  
Regn. No. 01478N

(SANDEEP DINODIA)  
Partner  
M. No. 083689  
Place : New Delhi  
Dated :

(PULKIT SETH)  
Director  
DIN 00003044

(PAYEL SETH)  
Director  
DIN 00003035

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

PARTICULARS	SCH	(Amount in Rs.)	
		CURRENT YEAR	PREVIOUS YEAR
<b>INCOME</b>			
Sales		9,395,432	144,869,327
Other Income	10	6,786,097	2,411,363
		<u>16,181,529</u>	<u>147,280,691</u>
<b>EXPENDITURE</b>			
Cost of Goods Traded	11	39,069,066	77,870,532
Administrative, Selling & Other Expenses	12	75,781,833	163,074,251
Depreciation	2	2,449,646	6,882,878
		<u>117,300,544</u>	<u>247,827,661</u>
<b>PROFIT/(LOSS) BEFORE TAXATION AND ADJUSTMENTS:</b>		(101,119,015)	(100,546,971)
Provision for Deferred Tax		30,322,105	29,170,413
<b>Loss for the year</b>		<u>(70,796,910)</u>	<u>(71,376,557)</u>
Prior Period Expenses		(100,108)	-
Loss Brought Forward		(123,668,509)	(52,291,951)
Balance carried to balance sheet		<u>(194,565,527)</u>	<u>(123,668,509)</u>
<b>Earning per share (Rs.)</b>			
Basic/Diluted		(2.84)	(8.79)
<b>(Refer Note No.7 of Schedule 14)</b>			
Significant Accounting Policies &	13		
Notes To Account	14		

As per our report of even date attached

On behalf of the Board

For **S.R. DINODIA & CO.**,  
Chartered Accountants  
Regn. No. 01478N

(SANDEEP DINODIA)  
Partner  
M. No. 083689  
Place : New Delhi  
Dated : 30th May, 2011

(PULKIT SETH)  
Director  
DIN 00003044

(PAYEL SETH)  
Director  
DIN 00003035

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	(Amount in Rs.)	
	Year Ended 31.03.2011	Year Ended 31.03.2010
<b>A. Net Profit Before Tax and Exceptional Items</b>	(101,119,015)	(100,546,971)
Adjustments :		
Depreciation	2,449,646	6,882,878
Prior Period Expenses	(100,108)	-
Loss on sale of Fixed assets	1,815,169	299,219
<b>Operating Profit/(loss) before working capital changes</b>	<u>(96,954,308)</u>	<u>(93,364,874)</u>
Adjustments for :		
Trade and Other Receivables	35,831,427	(53,218,267)
Loans & Advances	10,192,862	(4,839,320)
Inventories	16,631,363	(1,934,992)
Trade Payables	(5,867,217)	6,033,471
<b>Cash Generated from operations</b>	<u>(40,165,873)</u>	<u>(147,323,981)</u>
Direct Taxes (Paid)/ Refunds	(1,578,886)	(581,832)
<b>Net Cash Generated / (used) in operating Activities</b>	<u>(41,744,759)</u>	<u>(147,905,813)</u>
<b>B. Cash Flow from Investing Operations:</b>		
(Purchase)/Sale of Fixed Assets	3,088,349	(8,773,158)
<b>Cash from investing activities</b>	<u>3,088,349</u>	<u>(8,773,158)</u>

C. Cash Flow from Financing Activities	(Amount in Rs.)	
	Year Ended 31.03.2011	Year Ended 31.03.2010
Net Proceeds from issue of Share Capital	54,315,550	192,175,900
Net Proceeds from issue Share Application Loans taken-short term	(7,389,330)	(39,000,000)
<b>Net cash Generated/(used) in financing activities</b>	<u>46,926,220</u>	<u>153,175,900</u>
<b>Increase in Cash/Cash equivalents (A+B+C)</b>	<u>8,269,810</u>	<u>(3,503,072)</u>
<b>Net Increase in Cash/Cash equivalents (A+B+C)</b>	<u>8,269,810</u>	<u>(3,503,072)</u>
<b>Cash / Cash equivalents at the beginning of the year</b>	858,750	4,361,822
<b>Cash / Cash equivalents at the close of the year</b>	<u>9,128,560</u>	<u>858,750</u>
<b>Components of Cash and Cash equivalents</b>		
Cash and Cheques on hand	8,114	22,750
Balances with Scheduled Banks		
i) In Current Accounts	6,330,446	-
ii) In Fixed Deposits	2,790,000	836,000
	<u>9,128,560</u>	<u>858,750</u>

As per our report of even date attached

On behalf of the Board

For **S.R. DINODIA & CO.**,  
Chartered Accountants  
Regn. No. 01478N

(SANDEEP DINODIA)  
Partner  
M. No. 083689  
Place : New Delhi  
Dated : 30th May, 2011

(PULKIT SETH)  
Director  
DIN 00003044

(PAYEL SETH)  
Director  
DIN 00003035

Lerros Fashions India Ltd.

**SCHEDULE FORMING PART OF THE BALANCE SHEET**

(Amount in Rs.)

	AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
32,500,000 (Previous Year: 22,500,000) Equity Shares of Rs.10/- each	325,000,000	225,000,000
4,000,000 (Previous Year: 7,500,000) 10.50% Non- Cumulative Redeemable Preference Shares of Rs.10/- each	40,000,000	75,000,000
	<u>365,000,000</u>	<u>300,000,000</u>
<b>Issued, Subscribed and Fully Paid Up</b>		
27,639,145 (Previous Year: 22,207,590) Equity Shares of Rs.10/- Each*	276,391,450	222,075,900
3,990,000 (Previous Year: 3,990,000) 10.50% Non- cumulative Redeemable Preference shares of Rs.10/- Each**	39,900,000	39,900,000
	<u>316,291,450</u>	<u>261,975,900</u>

**Notes:**

- Out of the above 16,483,487 (Previous Year 13,224,554) Equity shares of Rs.10 each and 39,900,000 (Previous year 39,900,000) 10.5% Non - cumulative Redeemable Preference shares of Rs.10 each are held by the Holding Company M/s House Of Pearl Fashions Ltd.
- During the year, Nil (Previous Year 1,000,000) 10.5% Non- Cumulative Redeemable Preference Shares are redeemed.
- The remaining Preference Shares are redeemable as per terms mentioned in Note No. 12 of Schedule 14.

**SCHEDULE - 2**

**FIXED ASSETS**

(Amount in Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS ON 01-04-2010	ADDITIONS	DEDUCTIONS	TOTAL 31.03.2011	AS ON 01-04-2010	ADDITIONS	DEDUCTION	UPTO 31.03.2011	AS ON 31.03.2011	AS ON 31.03.2010
<b>TANGIBLE ASSETS</b>										
Leasehold Improvements	13,375,348		5,216,174	8,159,174	6,287,124	1,327,890	1,487,823	6,127,191	2,031,983	7,088,225
Plant & Machinery	1,049,295	51,473	45,800	1,054,968	76,239	50,883	1,923	125,199	929,769	973,057
Computer	1,906,710	142,378	110,088	1,939,000	421,575	324,707	30,898	715,384	1,223,616	1,485,134
Furniture & Fittings	1,204,105	47,171	1,251,276	-	342,928	59,136	402,064	-	-	861,177
Office Equipments	539,196	220,768	729,974	29,990	46,249	20,388	65,294	1,343	28,647	492,946
<b>INTANGIBLE ASSETS</b>										
Software	2,831,344			2,831,344	802,085	566,269		1,368,354	1,462,990	2,029,259
Website	501,865			501,865	67,337	100,373		167,710	334,155	434,528
CURRENT YEAR	21,407,863	461,790	7,353,312	14,516,341	8,043,537	2,449,646	1,988,002	8,505,180	6,011,161	13,364,327
PREVIOUS YEAR	12,958,224	8,828,290	378,650	21,407,864	1,184,958	6,882,878	24,299	8,043,538	13,364,327	11,773,265

**SCHEDULE- 7**

(Amount in Rs.)

	AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
<b>LOANS &amp; ADVANCES</b>		
<b>(Unsecured - Considered Good)</b>		
Advances recoverable in cash or kind or for value to be received	9,470,799	2,021,702
Security Deposit	26,098,979	43,740,938
Advance Tax	2,080,971	502,085
Net of Provision of Rs.292,100 (Previous Year Rs.292,100)		
<b>(Unsecured - Considered Doubtful)</b>		
Security Deposit	213,403	
Less: Provision for doubtful Advance	213,403	
	<u>-</u>	<u>-</u>
	<u>37,650,749</u>	<u>46,264,725</u>

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

(Amount in Rs.)

	AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
<b>SCHEDULE - 3</b>		
<b>DEFERRED TAX ASSET (NET)</b>		
Opening Deferred Tax Assets	46,975,850	17,805,437
Add: Asset/(Liability) accrued for the year (Refer Note No.9 of Schedule 14)	30,322,105	29,170,413
	<u>77,297,955</u>	<u>46,975,850</u>
<b>SCHEDULE - 4</b>		
<b>INVENTORIES</b>		
(As taken, valued and certified by the management)		
Stock in trade	10,850,700	24,745,992
Goods in Transit	-	2,736,071
	<u>10,850,700</u>	<u>27,482,063</u>
<b>SCHEDULE - 5</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured-Considered Good unless otherwise stated)		
Over Six months	44,719,183	11,599,044
Others	-	68,951,566
	<u>44,719,183</u>	<u>80,550,610</u>
<b>SCHEDULE- 6</b>		
<b>CASH &amp; BANK BALANCES</b>		
Cash in hand	8,114	22,750
Balance with scheduled Bank		
(i) In Current Account	374,840	-
(ii) Fixed Deposits with Axis Bank *	2,790,000	836,000
(iii) Cheques In Hand	5,955,606	-
	<u>9,128,560</u>	<u>858,750</u>

\* Pledge Rs.1,90,000 on account of Sales tax guarantee (Previous Year: Rs.1,90,000)

**SCHEDULE- 8**

(Amount in Rs.)

	AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
<b>CURRENT LIABILITIES</b>		
Sundry Creditors - others		
- Due to Micro, small and medium scale Enterprises	-	-
[Refer Note No. 11 of Schedule 14]		
- Others	4,734,484	29,582,216
Other Liabilities*	12,389,932	13,946,780
Customer Deposit	21,697,300	700,000
	<u>38,821,716</u>	<u>44,228,996</u>

\*It does not include any amount due to Investor Education & Protection Fund

**SCHEDULE - 9**

**PROVISIONS**

	AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
Leave Encashment	-	257,511
Gratuity	-	202,426
	<u>-</u>	<u>459,937</u>

## Lerros Fashions India Ltd.

	(Amount In Rs.)	
	CURRENT YEAR	PREVIOUS YEAR
<b>SCHEDULE-10</b>		
<b>OTHER INCOME</b>		
Interest on Fixed Deposit	47,866	139,618
Tds:Rs4790/- (Previous Year:Rs17,332/-)		
Miscellaneous Income	25,325	54,757
Royalty Income	5,400,000	-
Sundry balance Written Back	1,110,480	-
Income from Foreign Ex-fluctuation	-	2,216,988
Excess Provision Written Back	202,426	-
	<u>6,786,097</u>	<u>2,411,363</u>
<b>SCHEDULE-11</b>		
<b>COST OF GOODS TRADED</b>		
Opening Stock	24,745,992	19,351,011
Add :-Purchases	25,173,774	83,265,513
Less :- Closing Stock	10,850,700	24,745,992
	<u>39,069,066</u>	<u>77,870,532</u>
<b>SCHEDULE-12</b>		
<b>ADMINISTRATIVE, SELLING &amp; OTHER EXPENSES</b>		
Rent (Net of Rs.16,898,672 (Previous year Rs.3,500,000))	21,706,008	49,061,504
Filing Fee, Rates & Taxes	427,500	668,080
Salaries & Other benefits to staff	14,716,270	20,569,147
Staff Welfare Expenses	309,369	348,527
Repairs & Maintenance		
-Others	542,118	1,296,756
Insurance	24,632	77,211
Licence fees	533,046	478,547
Commission & Brokerage	615,102	922,481
Electricity & Water Expenses	281,496	277,622
Legal & Professional Expenses	1,939,867	2,518,486
Communication Expenses	291,577	733,826
Printing & Stationery	96,334	271,914
Auditor's Remuneration	110,300	60,665
Travelling & Conveyance	1,232,277	4,207,608
Security Expenses	520,873	570,778
Selling & marketing Expenses	28,321,880	74,100,184
Stores Maintenance	1,226,348	5,993,461
Foreign Exchange Fluctuation	294,609	-
Loss on Sale of Fixed Assets	996,160	299,219
Assets Written Off	819,009	-
Provision for Doubtful Advance	213,403	-
Miscellaneous Expenses	563,656	618,235
	<u>75,781,833</u>	<u>163,074,251</u>

**SCHEDULE - 13****SIGNIFICANT ACCOUNTING POLICIES****1. Accounting Convention**

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

**2. Use of Estimates**

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

**3. Inventories**

Inventories of traded goods are valued at lower of procurement cost calculated on FIFO basis or estimated net realizable value.

**4. Cash Flow Statement**

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

**5. Depreciation**

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

**6. Revenue Recognition**

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

**7. Fixed Assets**

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

**8. Foreign Currency Transactions**

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

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

**9. Employee's Benefit**

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

**(i) Post Employment Benefit Plans**

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

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

The retirement benefit obligation 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.

**10. Leases**

- Lease agreements executed after April 1, 2001 for taking assets on lease are classified as either finance lease or operating lease and are accounted for in accordance with the Accounting Standard 19.

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

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

**11. Taxes On Income**

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

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

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

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

Provisions involving substantial degree of estimation in measurement are recognized when

Lerros Fashions India Ltd.

there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the Notes to Account. Contingent assets are neither recognized nor disclosed in the financial statements.

**13. 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.

**SCHEDULE- 14**

**NOTES TO ACCOUNT**

**1. Contingent Liabilities**

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

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

(Amount in Rs.)

ADVANCES GIVEN	CURRENT YEAR	PREVIOUS YEAR
<b>Pearl Academy of Fashions</b>	-	-
Maximum balance outstanding during the year Rs. NIL (P.Y. 216,188/-)		
<b>Little People Education Society</b>	720,000	-
Maximum balance outstanding during the year Rs. 720,000/- (P.Y. 29,700/-)		

**3. Payment to Auditors**

(Amount in Rs.)

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Statutory Audit Fee	75,000	35,000
Tax Audit Fee	25,000	20,000
Other Matters	-	32,000
Service Tax	10,300	8,961
<b>Total</b>	<b>110,300</b>	<b>95,961</b>

**4. Employee Benefits**

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

**(i) Defined Contribution Plan**

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

The company recognized Rs 30,166/- (Previous Year 57,320/-) for provident fund contribution in the profit and loss account. The contributions payable to these plans by the company are at rates specified in the rules of the schemes.

**(ii) Defined Benefit Plan**

The present value of obligation is 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. The obligation for leave encashment is recognized in the same manner as gratuity.

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

Amount (Rs.)

	Gratuity (Unfunded)	Earned leave	Gratuity (Unfunded)	Earned leave (Unfunded)
	2010-11	(Unfunded)	2010-11	2009-10
Defined benefit obligations at beginning of the year	202,426	257,511	146,678	143,676
Interest Cost	-	-	11,734	11,494
Current Service Cost	-	-	132,440	165,209
Benefits paid	-	(781,725)	-	(602,713)
(Gain) / Loss	(202,426)	524,214	(88,426)	539,845
Defined benefit obligations at year end	-	-	<b>202,426</b>	<b>257,511</b>

Amount (Rs.)

	Gratuity (Unfunded)	Earned leave	Gratuity (Unfunded)	Earned leave (Unfunded)
	2010-11	(Unfunded)	2010-11	2009-10
<b>(b) Reconciliation of fair value of assets and obligations</b>				
Fair Value of plan assets at 31st March 2011	-	-	-	-
Present Value of Obligation as at 31st March 2011	-	-	202,426	257,511
Net assets/(liability) recognized in balance sheet	-	-	(202,426)	(257,511)
<b>(c) Expenses recognized during the year</b>				
Current Service Cost	-	-	132,440	165,209
Interest Cost	-	-	11,734	11,494
Actuarial (Gain)/Loss	-	-	(88,426)	539,845
Net Cost	-	-	55,748	716,548
<b>(d) Actuarial Assumptions</b>				
Discount Rate (per annum)	-	-	8%	8%
Future increase in compensation	-	-	5%	5%
Expected rate of return on plan assets	-	-	-	-
In Service Mortality	-	-	LIC (1994-96) duly modified	LIC (1994-96) duly modified
Retirement age	-	-	58 Years	58 Years
Withdrawal rates				
-Upto 30 Years	-	-	3%	3%
-Upto 44 Years	-	-	2%	2%
-Above 44 Years	-	-	1%	1%

**5. Related Party Disclosure**

**(i) Related party disclosure as required under Accounting Standard 18- Related Parties is given below:**

**a) Holding Company:**

**Domestic**  
House of Pearl Fashions Limited India

**b) Fellow Subsidiaries:**

**Domestic**  
Pearl Global Limited India

**Overseas**  
Multinational Textiles Group Limited. Mauritius  
Nor Pearl Knitwear Ltd.\* Bangladesh  
Norp Knit Industries Limited. Bangladesh  
Global Textiles Group Limited. Mauritius  
Poetiagem (Canada) Limited Canada  
P.T Norwest Industry Indonesia  
Poetiagem Limited. UK  
Pacific Logistics Limited. UK  
Norwest Industries Ltd Hongkong  
House of Pearl Fashion (US) Ltd USA  
Zamira Fashions Ltd Hongkong  
FX Import Co Ltd UK  
Pacific Supply Chain Limited UK  
Zamira Fashions Europe Limited UK  
Poetic Knitwear Limited UK  
PG Group Ltd. (Formerly known as Pearl GES Group Ltd.) Hongkong  
PG Home Group Ltd. (Formerly known as Pearl GES Home Group Ltd.) Hongkong  
Simple Approach Ltd. Hongkong  
Pearl GES Home Group SPA Chile  
Magic Global Fashions Ltd. UK

## Lerros Fashions India Ltd.

Pearl Global Fareast Ltd.	Hongkong
FX Import Hongkong Ltd	Hongkong
Nor Delhi Manufacturing Ltd. (Formerly known as Magic Global Fashions Ltd)	Hongkong
Nor Lanka Manufacturing Ltd. (Formerly known as Poetic Hong Kong Ltd.)	Hongkong
Razamtazz Ltd.	Mauritius
Depa International Inc.*	USA
Poetic Hong Kong Ltd.*	Hong Kong

c) **Associates:****Domestic**

Aries Travels Pvt Limited	India
Nim International Commerce Pvt Limited	India
Pearl Retail Solutions Pvt Limited	India
Vastras	India
Pearl Wear	India
Little People Education Society	India
Hopp Fashions	India
Deepak Seth & Sons	India
Vau Apparels Pvt. Ltd	India
Pearl Apparels Ltd.	India
Pearl Academy of Fashion India Limited*	India
Crown Computerized Embroideries *	India

**Overseas**

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

d) **Key Management Personnel:**

Mr. Pulkit Seth  
Mrs. Payal Seth

\* Does not exist on 31.03.2011

(II) **The following transactions were carried out with related parties in the ordinary course of business:**i) **Holding Company****(Amount in Rs.)**

PARTICULARS	Current Year	Previous Year
Share Application money received	25,200,000	96,500,000
Share Application money refunded	-	32,500,000
Transfer to Share Application money	-	345,540
Equity Share Capital allotted	32,589,330	113,345,540
Preference Share Capital redeemed	-	10,000,000
Services Provided	-	2,152,928
<b>Closing Balance as on 31st March 2011</b>		
Share Application Received	25,110,670	32,500,000
Other Liabilities	-	-

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

PARTICULARS	Current Year	Previous Year
Purchases of Goods	1,233,111	340,856
Expenses Reimbursed on behalf	67,468	208,812
Loan Received	7,500,000	-
Loan Repaid	7,000,000	-
Sale of Garments	-	13,255
<b>Closing Balance as on 31st March 2011</b>		
Other Liabilities	2,346,198	545,620

iii) **Associates****(Amount in Rs.)**

PARTICULARS	Current Year	Previous Year
Share Application money received	21,726,220	-
Equity Share Capital allotted	21,726,220	-
Purchase of Goods	574,496	5,219,717
Services Received	725,036	300,088
Expenses Reimbursed on behalf	102,485	-
Security Paid	720,000	-
<b>Closing Balance as on 31st March 2011</b>		
Creditors	483,879	2,457,404

iv) **Key Management Personnel****(Amount in Rs.)**

PARTICULARS	Current Year	Previous Year
Expenses Reimbursed on behalf	-	4,895

(III) **Disclosure of Related Parties having more than 10% interest in each transaction in the ordinary course of business**i) **Holding Company (House of Pearl Fashions Limited)****(Amount in Rs.)**

PARTICULARS	Current Year	Previous Year
Share Application money received	25,200,000	96,500,000
Share Application money refunded	-	32,500,000
Transfer to Share Application money	-	345,540
Equity Share Capital allotted	32,589,330	113,345,540
Preference Share Capital allotted	-	-
Preference Share Capital redeemed	-	10,000,000
Advances given	-	-
Expenses reimbursed on behalf	-	-
Services Provided	-	2,152,928

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

PARTICULARS	Current Year	Previous Year
Purchases of Goods -Pearl Global Limited	1,233,111	340,856
Expenses Reimbursed on behalf -Pearl Global Limited	67,468	208,812
Loan Received -Pearl Global Limited	7,500,000	-
Loan Repaid -Pearl Global Limited	7,000,000	-
Sale of Garments -Pearl Global Limited	-	13,255

iii) **Associates****(Amount in Rs.)**

PARTICULARS	Current Year	Previous Year
Purchase of Goods -Lerros Moden GmbH	574,496	5,219,717
Services Received -Pearl Academy of Fashions	50,000	270,088
Services Received -Little People Education Society	675,036	-
Expenses Reimbursed on behalf - Little People Education Society	102,485	-
Security Paid -Little People Education Society	720,000	-

6. **Leases**(a) **Assets taken on Lease**

The company has taken certain assets on non-cancelable operating lease and lease rent amounting to Rs. 38,604,680/- (Previous Year Rs.52,561,504/-) and has been debited to Profit & Loss account.



Lerros Fashions India Ltd.

The detail of future minimum lease payments is as under: (Amount in Rs.)

		Current Year	Previous Year
(i)	Not later than in 1 year	26,201,289	58,684,427
(ii)	Later than 1 year but not later than 5 years	51,291,748	226,320,734
(iii)	Later than 5 years	-	66,383,644
	Total	77,493,037	351,388,805

General Description of Lease Agreements

PARTICULARS	PURCHASE OPTION	ESCALATION CLAUSE	CONTINGENT RENT	SUB-LEASING
Ambience Mall	No	15% after every three years	20% of Net Sales Turnover	No
Noida Mall	No	15% after 29 months	No	No
Select City walk Mall	No	15% after every three years	15% of Net Sales Turnover	No
Gurgaon Building	No	NA	No	No

7. Earning per share

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

(Amount in Rs.)

	Current Year	Previous Year
Profit/(Loss) attributable to the equity shareholders	(70,897,017)	(71,376,557)
Basic/weighted average no. of equity shares outstanding during the period	24,923,368	8,117,826
Nominal value of Equity shares	10	10
Basic/Dilutive Earning per share (Rs.)	(2.84)	(8.79)

8. Additional Information pursuant to the provisions of Part-II of Schedule VI of the Companies Act, 1956

a) Breakup of Sales

Class Of Goods	Unit	Current Year		Previous Year	
		Qty.	Amount (Rs.)	Qty.	Amount (Rs.)
Readymade Garments -Traded	Pcs.	51,624	6,765,497	136,420	139,240,681
Readymade Accessories -Traded	Pcs.	1,247	158,010	1,960	878,087
Others -Traded	Pcs.	18,298	2,471,925	39,559	4,750,559
TOTAL		71,169*	9,395,432	177,939*	144,869,327

\* Includes shortage of NIL Pieces (Previous year 107 Pieces)

b) Details of Traded Goods

Class of Goods	Unit	Opening Stock		Purchases		Closing Stock	
		Qty	Amount (Rs.)	Qty	Amount (Rs.)	Qty	Amount (Rs.)
Readymade Garments	Pcs	41,300 (32,812)	22,317,590 (17,324,883)	46,493 (144,908)	23,053,974 (75,879,012)	36169 (41,300)	10,850,700 (22,317,590)
Readymade Accessories	Pcs	2,067 (382)	630,938 (125,509)	- (3,645)	- (1,256,621)	820 (2067)	NIL (630,938)
Others	Pcs	26,839 (23,264)	1,797,464 (1,900,619)	18,853 (43,134)	2,119,800 (6,129,880)	27,394 (26,839)	NIL (1,797,464)
TOTAL	Pcs	70,206 (56,458)	24,745,992 (19,351,011)	65,346 (191,687)	25,173,774 (83,265,513)	64,383 (70,206)	10,850,700 (24,745,992)

Amounts in bracket denotes previous year figures.

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

Particulars	Current Year	Previous Year
Readymade Garments & Others	17,027,209	40,408,970
Total	17,027,209	40,408,970

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

Particulars	Current Year	Previous Year
Foreign Travelling	107,176	214,052
Total	107,176	214,052

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

(Amount in Rs.)

Particulars	Balance as at 01.04.2010	Expenses/Savings during the year	Balance as at 31.03.2011
<b>Deferred Tax Asset</b>			
Unabsorbed Depreciation	2,941,638	650,216	3,591,854
Unabsorbed losses	44,342,097	29,664,223	74,006,320
Others	148,300	-79,269	69,031
<b>Total (A)</b>	<b>47,432,035</b>	<b>30,235,170</b>	<b>77,667,205</b>
<b>Deferred Tax Liabilities</b>			
Depreciation	456,185	-86,935	369,250
<b>Total (B)</b>	<b>456,185</b>	<b>-86,935</b>	<b>369,250</b>
<b>Net Deferred Tax Asset/(Liability) (A)-(B)</b>	<b>46,975,850</b>	<b>30,322,105</b>	<b>77,297,955</b>

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

10. In view of the management, the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the amount, at which they are stated in the Balance Sheet as at 31st March, 2011.
11. Pursuant to amendments to schedule VI to Companies Act, 1956 vide notification number GSR 719 (E) dated November 16, 2007, the company has not received information from vendors regarding the Micro, Small and Medium Enterprises and Development Act, 2006. Hence, disclosure related to unpaid and outstanding at the year end together with the interest paid/payable has not been given.
12. Terms of Redemption
- | Type                               | No. of Shares | Date of Issue | Terms of Redemption  |
|------------------------------------|---------------|---------------|--|
| 10.5% Redeemable Preference Shares | 490,000       | 09-05-08      | 6 months after the date of allotment but not later than 3 years. |
| 10.5% Redeemable Preference Shares | 3,500,000     | 03-09-08      | 6 months after the date of allotment but not later than 3 years. |
13. The company has entered into a Brand Licensing Agreement with Numero Uno Clothing Limited to grant an exclusive and non-transferable right and license to use the Lerros Marks and goodwill associated thereto solely for a period of 5 years for the purposes of manufacturing and procurement of Lerros Merchandise and to establish and operate Lerros Boutiques in India from 1st August 2010. Accordingly, the company has recognized the Royalty receivable, as per the terms of the agreement, on accrual basis.
14. There is no reportable segment of the Company in view of the Accounting Standard-17 “Segment Reporting” as issued by the Companies (Accounting Standard) Rules, 2006.
15. Previous year figures have been re-grouped/ re-casted wherever necessary.

Signature to schedule 1 to 14

On behalf of the Board

(PULKIT SETH) Director  
DIN 00003044

(PAYAL SETH) Director  
DIN 00003035

House of Pearl Fashions (US) Ltd.

**DIRECTORS' REPORT**

The directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 March 2011.

**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 (2010: 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: 16 May 2011

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying balance sheets of House of Pearl Fashions (US) Ltd. (the "Company") as of March 31, 2011 and 2010, and the related statements of comprehensive 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 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 House of Pearl Fashions (US) Ltd. as of March 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with International Financial Reporting Standards.

As discussed in Note 1 to the financial statements, effective April 1, 2010, Depa International, Inc., a subsidiary of Global Textile Group Ltd. who is an indirect subsidiary of House of Pearl Fashions Ltd., was merged into the Company. The 2010 financial statements have been restated to give effect the change in reporting entity.

Sd/-

Weiser Mazars LLP

New York, NY

May 16, 2011

**BALANCE SHEETS**

March 31, 2011 and 2010

	Note(s)	2011	In US Dollar 2010 (Restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment, net	5	\$ 44,620	\$ 85,801
Other non-current assets	6	87,497	106,681
Deferred income tax assets		-	617,000
Total non-current assets		<u>132,117</u>	<u>809,482</u>
<b>Current assets</b>			
Inventory	20	3,235,490	3,830,229
Trade and other receivables net	3,7,17,18,19	2,429,855	2,037,687
Other current assets	8	331,557	82,212
Cash	3,18,19	907,977	719,913
Total current assets		<u>6,904,879</u>	<u>6,670,041</u>
<b>Total assets</b>		<b>\$ 7,036,996</b>	<b>\$ 7,479,523</b>
<b>EQUITY</b>			
Share capital	9	\$ 1,060,000	\$ 1,060,000
Retained earnings		687,344	601,186
Total equity		<u>1,747,344</u>	<u>1,661,186</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans	3,10,17,18	1,150,000	1,150,000
Total non-current liabilities		<u>1,150,000</u>	<u>1,150,000</u>
<b>Current liabilities</b>			
Trade and other payables	3,11,17,18	4,130,526	4,668,337
Income tax liabilities	3,15,18	9,126	-
Total current liabilities		<u>4,139,652</u>	<u>4,668,337</u>
<b>Total liabilities</b>		<b>5,289,652</b>	<b>5,818,337</b>
Total equity and liabilities		<u>\$ 7,036,996</u>	<u>\$ 7,479,523</u>

The accompanying notes are an integral part of these financial statements.

**STATEMENTS OF COMPREHENSIVE INCOME**

Years ended March 31, 2011 and 2010

	Notes(s)	2011	2010 (Restated)
<b>Net sales</b>	19	\$ 23,927,447	\$ 26,921,441
<b>Cost of sales</b>	17,20	19,138,548	22,135,992
<b>Gross profit</b>		4,788,899	4,785,449
Distribution expenses	17,21	1,719,692	2,896,926
Administrative expenses	17,22	3,330,194	4,301,178
Other income	12,17	(707,448)	(651,807)
<b>Operating income (loss)</b>		446,461	(1,760,848)
Finance income	13	5,914	37,680
Finance expenses	10,14,17	(346,760)	(370,234)
<b>Income (loss) before income taxes</b>		105,615	(2,093,402)
Income tax expense (benefit)	15	19,457	(357,925)
<b>Net income (loss)</b>		<u>\$ 86,158</u>	<u>\$ (1,735,477)</u>

The accompanying notes are an integral part of these financial statements.

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

Years ended March 31, 2011 and 2010

	Note(s)	Share Capital	Accumulated Deficit	Total
Balance at April 1, 2009 (Restated)	9	\$ 1,060,000	\$ 2,336,663	\$ 3,396,663
Net loss		-	(1,735,477)	(1,735,477)
Balance at March 31, 2010 (Restated)	9	1,060,000	601,186	1,661,186
Net income	9	-	86,158	86,158
<b>Balance at March 31, 2011</b>		<u>\$ 1,060,000</u>	<u>\$ 687,344</u>	<u>\$ 1,747,344</u>

The accompanying notes are an integral part of these financial statements.

House of Pearl Fashions (US) Ltd.

**STATEMENTS OF CASH FLOWS**

Year ended March 30, 2011 and 2010

	Note(s)	2011	2010
			(Restated)
<b>Cash flows from operating activities</b>			
Income (loss) before income tax		\$ 105,615	\$ (2,093,402)
Adjustments for non-cash items:			
Depreciation and amortization	5	43,664	80,701
Loss on disposal of equipment	5	7,936	—
Add finance expenses	14, 17	346,760	370,234
Deduct finance income	13	(5,914)	(37,680)
Working capital adjustments			
Change in trade and other receivables	7, 17, 18, 19	(419,900)	4,877,542
Change in inventory		594,739	(2,555,842)
Change in other current assets	8	(249,345)	4,874
Change in other non-current assets	6	19,184	—
Change in trade and other payables	11, 18	(612,168)	(200,482)
<b>Cash (used in) provided by operations</b>		<b>(169,429)</b>	<b>445,945</b>
Finance expenses paid	14, 17	(346,760)	(370,234)
Finance income received	13	5,914	37,680
Income tax refund received		617,000	550,211
Income tax paid	15	(6,947)	(5,038)
<b>Net cash provided by operating activities</b>		<b>99,778</b>	<b>658,564</b>
<b>Cash flows from investing activities</b>			
Purchase of equipment	5	(10,419)	(4,275)
Due from affiliates	7, 17	27,732	377,883
<b>Net cash provided by investing activities</b>		<b>17,313</b>	<b>373,608</b>
<b>Cash flows from financing activities</b>			
Due to affiliates	11, 17	70,973	(902,073)
<b>Net cash provided by (used in) financing activities</b>		<b>70,973</b>	<b>(902,073)</b>
<b>Change in cash</b>		<b>188,064</b>	<b>130,099</b>
Cash at beginning of year		719,913	589,814
Cash at end of year		\$ 907,977	\$ 719,913

The accompanying notes are an integral part of these financial statements.

**NOTES TO FINANCIAL STATEMENTS**

Years ended March 31, 2011 and 2010

**1. General information**

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

Effective April, 2010, Depa International Inc., a subsidiary of Global Textile Group Ltd. who is an indirect subsidiary of House of Pearl Fashions Ltd., merged with the Company. The major reason for the merger was to generate greater operating efficiencies. The Company accounted for the transfer of assets and liabilities at their carrying amounts. The financial statements were retroactively adjusted as though the merger had occurred at the beginning of the earliest period presented. All intercompany accounts and transactions have been eliminated. As a result of the merger, the Company issued an additional 30 shares to Global Textile Group Ltd. in return for their \$250,000 of share capital in Depa International, Inc.

The Following amounts related to Depa International, Inc. were included in the Company's balance sheet and statement of comprehensive income, as of and for the year ended March 31, 2010

<b>Assets</b>	\$ 3,518,600*
<b>Liabilities</b>	\$ 1,774,400
<b>Total equity</b>	\$ 1,744,200
<b>Revenues</b>	\$ 7,438,672
<b>Total operating expenses</b>	\$ (9,206,673)
<b>Net Loss</b>	\$ (1,508,274)

\* Includes intercompany balance of \$1,207,686, which was eliminated on restatement.

These financial statements were authorized for issue by the board of directors on May 16, 2011.

**2. Summary of Significant Accounting Policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of Preparation**

The financial statements of the Company have been prepared on the historical cost basis and are presented in U.S. Dollars, which is the Company's functional and presentation currency.

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

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

**Estimates**

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

**Segment Reporting**

The Company's activities are organized primarily into one single business segment, being the distribution of mens and womens apparel to mass merchandisers and department stores located throughout the United States of America. Geographically, all significant assets, distribution, management and administration facilities are located in the United States of America.

**Classification of Financial Assets**

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

**Cash**

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

**Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Replacement and improvements are capitalized while general repairs and maintenance are expensed as incurred. Assets are depreciated over their expected useful lives using the straight-line method.

**Inventory**

Inventory, which consists of finished goods, is stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

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

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

**Trade Receivables**

Trade receivables are stated at their cost less any allowance for doubtful accounts and impairment losses. The allowance for doubtful accounts is based on management's assessment of the collectibility of specific customer accounts and the aging of the trade receivables.

**Other Receivables**

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as noncurrent assets.

**Impairment**

Management evaluates the carrying value of the Company's financial and non-financial assets for potential impairment at each balance sheet date or whenever events or changes in

## House of Pearl Fashions (US) Ltd.

circumstances indicate that the carrying amount of such assets may not be recoverable. If any indication of impairment exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the recoverable amount is less than the carrying amount of an asset. Impairment losses are recognized in the statement of comprehensive income.

**Loans**

Loans are stated at their repayment amounts. Loans are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**Trade and Other Payables**

Trade and other payables are stated at their repayment amounts. Payments with repayment dates exceeding one year are discounted to their net present values.

**Revenue Recognition**

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes or duty. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded.

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

**Leases**

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

**Income Taxes**

Income tax on income or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable with respect to previous years.

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**New Authoritative Accounting Pronouncements**

The Company does not anticipate the adoption of recently issued accounting pronouncements to have a significant impact on the Company's financial statements.

**3. Financial Risk Management**

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

- Credit risk
- Liquidity risk
- Market risk

**Credit and Liquidity Risk**

Financial instruments that potentially subject the Company to concentrations of credit and liquidity risk consist of cash and trade and other receivables. The Company's cash is denominated in U.S. Dollars. Cash is maintained with high-quality financial institutions. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

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

	March 31, 2011			Total
	On Demand	Less than 30 days	More than 30 days	
Trade and other payables	\$ 4,130,526			\$ 4,130,526
Income tax liabilities	-	9,126	-	9,126
Loans from shareholders	-	-	1,150,000	1,150,000
	<u>\$ 4,130,526</u>	<u>\$ 9,126</u>	<u>\$ 1,150,000</u>	<u>\$ 5,289,652</u>

	March 31, 2010			Total
	On Demand	Less than 30 days	More than 30 days	
Trade and other payables	\$ 4,668,337	-	-	\$ 4,668,337
Loans from shareholders	-	-	1,150,000	1,150,000
	<u>\$ 4,668,337</u>	<u>\$ -</u>	<u>\$ 1,150,000</u>	<u>\$ 5,818,337</u>

**Market Risk**

Market risk is the risk that market prices, such as interest rates, will affect the Company's income. The Company is exposed to this risk.

**Fair Values**

The carrying values of financial assets and liabilities such as cash, trade and other receivables and trade payables approximate their fair values due to the short-term maturities of these instruments.

**4. Capital Management**

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

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

**5. Property and Equipment**

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

	Furniture and Fixture	Equipment	Leasehold Improvements	Total
<b>Cost</b>				
April 1, 2010	\$ 131,230	\$ 192,407	\$ 485,414	\$ 809,051
Additions during the year	-	10,419	-	10,419
Disposals during the year	\$ (50,345)	-	\$ (429,236)	\$ (479,581)
March 31, 2011	<u>\$ 80,885</u>	<u>\$ 202,826</u>	<u>\$ 56,178</u>	<u>\$ 339,889</u>
<b>Accumulated Depreciation</b>				
April 1, 2010	\$ 119,158	\$ 176,941	\$ 427,151	\$ 723,250
Depreciation for the year	2,702	6,604	34,358	43,664
Depreciation on disposals	\$ (47,714)	\$ -	\$ (423,931)	\$ (471,645)
March 31, 2011	<u>\$ 74,146</u>	<u>\$ 183,545</u>	<u>\$ 37,578</u>	<u>\$ 295,269</u>
<b>Net Book Value</b>				
April 1, 2010	\$ 12,072	\$ 15,466	\$ 58,263	\$ 85,801
March 31, 2011	\$ 6,739	\$ 19,281	\$ 18,600	\$ 44,620

	Furniture and Fixture	Equipment	Leasehold Improvements	Total
<b>Cost</b>				
April 1, 2009	\$ 131,230	\$ 188,132	\$ 485,414	\$ 804,776
Additions during the year		4,275		4,275
March 31, 2010	<u>\$ 131,230</u>	<u>\$ 192,407</u>	<u>\$ 485,414</u>	<u>\$ 809,051</u>
<b>Accumulated Depreciation</b>				
April 1, 2009	\$ 110,316	\$ 170,031	\$ 362,202	\$ 642,549
Depreciation for the year	8,842	6,910	64,949	80,701
March 31, 2010	<u>\$ 119,158</u>	<u>\$ 176,941</u>	<u>\$ 427,151</u>	<u>\$ 723,250</u>

<b>Net Book Value</b>				
April 1, 2009	\$ 20,914	\$ 18,101	\$ 123,212	\$ 162,227
March 31, 2010	\$ 12,072	\$ 15,466	\$ 58,263	\$ 85,801



House of Pearl Fashions (US) Ltd.

**6. Other Non-Current Assets**

Other non-current assets consisted of the following:

	March 31,	
	2011	2010
Security deposits	\$ 87,497	\$ 106,681

**7. Trade and Other Receivables, Net**

Trade and other receivables, net consisted of the following:

	March 31,	
	2011	2010
Due from factor	\$ 1,221,147	\$ 1,631,870
Trade receivables	1,075,077	244,394
Due from affiliates	133,631	161,423
	<u>\$ 2,429,855</u>	<u>\$ 2,037,687</u>

The Company has a factoring agreement wherein the factor purchases substantially all of the trade accounts receivable and assumes substantially all credit risks with respect to such accounts. At March 31, 2011, the Company did not assume any substantial customer credit risk. To the extent the Company draws on funds prior to the average maturity date of accounts receivable sold to the factor, the Company pays interest on such funds at the prime lending rate per annum (prime lending rate was 3.25% at March 31, 2011). The Company is contingently liable to the factor for merchandise disputes, customer's claims, etc., on receivables sold to the factor. The factor has a security interest in all of the Company's accounts receivable and other property.

At March 31, 2011 and 2010, due from affiliates are due on a demand basis, bearing no interest.

**8. Other Current Assets**

Other current assets consisted of the following:

	March 31,	
	2011	2010
Prepaid expenses	\$ -	\$ 27,366
Advance payments to vendors	325,554	36,943
Other current assets	6,003	17,903
	<u>\$ 331,557</u>	<u>\$ 82,212</u>

**9. Share Capital**

Common stock consists of no par value shares of which 200 shares are authorized and 130 shares are issued and outstanding.

**10. Loans**

Loans consisted of the following:

	March 31,	
	2011	2010
Loans from shareholder	\$ 1,150,000	\$ 1,150,000

At March 31, 2011 and 2010, the Company has two loans from shareholders amounting to \$750,000 and \$400,000. These loans are due in more than one year and are subordinated to the factor. The \$400,000 loan bears interest at 6% per annum and the \$750,000 loan is non interest bearing. For the years ended March 31, 2011 and 2010, interest expense on these loans amounted to approximately \$24,000.

**11. Trade and Other Payables**

Trade and other payables consisted of the following:

	March 31,	
	2011	2010
Trade payables	\$ 1,708,407	\$ 2,387,063
Accrued expenses	458,575	388,703
Due to affiliates	1,963,544	1,892,571
	<u>\$ 4,130,526</u>	<u>\$ 4,668,337</u>

**12. Other Income**

Other income consisted of the following:

	March 31,	
	2011	2010
Commissions and other income	\$ 707,448	\$ 651,807

**13. Finance Income**

Finance income consisted of the following:

	March 31,	
	2011	2010
Interest income	\$ 5,914	\$ 37,680

**14. Finance Expenses**

Finance expenses consisted of the following:

	March 31,	
	2011	2010
Factor's interest, commissions and charges	\$ 322,760	\$ 324,604
Other interest expense	24,000	45,630
	<u>\$ 346,760</u>	<u>\$ 370,234</u>

**15. Income Taxes**

The major components of income tax expense are as follows:

	March 31,	
	2011	2010
Current income tax expense	\$ 19,457	\$ (19,925)
Deferred income tax	-	(338,000)
Income tax expense	<u>\$ 19,457</u>	<u>\$ (357,925)</u>

For the years ended March 31, 2011 and 2010, the significant components of the net deferred tax assets amounting to approximately \$685,000 and \$1,548,000 respectively, were inventory capitalization, the difference between the book and tax bases of property and equipment and net operating loss carryforward.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. At March 31, 2011 and 2010, a valuation allowance amounting to approximately \$685,000 and \$931,000, respectively, has been provided based on the likelihood of realization. The valuation allowance decreased by \$246,000 and \$678,000 during the years ended March 31, 2011 and 2010, respectively.

At March 31, 2011, the Company had approximately \$502,000 of net operating loss carryforwards for income tax purposes. These losses are available to offset future taxable income and expire at various dates through March 31, 2031.

**16. Commitments and Contingencies**

**License Agreement**

Effective February 1, 2009, the Company has entered into a license agreement with Geoffrey Beene, LLC to design, manufacture, and sell certain men's apparel. This agreement expires on December 31, 2011, with an option to renew for an additional term of three years. The agreement requires the Company to make royalty payments based on specified percentages of net sales, as defined. In addition, the Company is required to expend a specified percentage of net sales, as defined, for advertising. For the years ended March 31, 2011 and 2010, the license and advertising fees amounted to approximately \$761,000 and \$672,000, respectively.

At March 31, 2011, the future minimum payments required under this agreement were as follows:

No later than 1 year	\$ 562,500
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**Operating Lease Commitment**

The Company has entered into long-term operating lease agreements for the rental of showroom and warehouse premises which expire through September 30, 2015. For the years ended March 31, 2011 and 2010, rent expense amounted to approximately \$308,000 and \$803,000, respectively.

At March 31, 2011, the approximate future minimum rental payments were as follows:

No later than 1 year	\$ 246,000
Later than 1 year and no later than 5 years	907,000
	<u>1,153,000</u>

## House of Pearl Fashions (US) Ltd.

**17. Related Party Transactions and Balances**

The Company had the following related party transactions and balances:

	Year ended March 31,	
	2011	2010
Net purchases	\$ (8,837,453)	\$ (10,224,660)
Sampling	(111,758)	(86,523)
Salaries	-	(3,034)
Consulting fees	-	\$ 221,191
Reimbursement of expenses	203,111	553,246
Finance expense	(24,000)	(24,000)
Commission income	243,227	46,958
SAP facility charges	(14,625)	(12,450)
Pre-SAP facility charges	-	(1,950)

	March 31,	
	2011	2010
Due from affiliates	\$ 133,631	\$ 161,423
Loans from shareholder	1,150,000	1,150,000
Due to affiliates	1,963,544	1,892,571

**18. Financial Instruments**

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

	March 31, 2011		Breakdown by category	
	Carrying value	Fair value	Loans and receivables	Financial liabilities at amortized cost
<b>Assets</b>				
Cash	\$ 907,977	\$ 907,977	\$ 907,977	\$ -
Trade and other receivables, net	2,429,855	2,429,855	2,429,855	-
<b>Total</b>	<b>\$ 3,337,832</b>	<b>\$ 3,337,832</b>	<b>\$ 3,337,832</b>	<b>\$ -</b>
<b>Liabilities</b>				
Trade and other payables	\$ 130,526	\$ 4,130,526	\$ -	\$ 4,130,526
Income tax liabilities	9,126	9,126	-	9,126
Loans from shareholders	1,150,000	1,150,000	-	1,150,000
<b>Total</b>	<b>\$ 5,289,652</b>	<b>\$ 5,289,652</b>	<b>\$ -</b>	<b>\$ 5,289,652</b>

	March 31, 2010		Breakdown by category	
	Carrying value	Fair value	Loans and receivables	Financial liabilities at amortized cost
<b>Assets</b>				
Cash	\$ 719,913	\$ 719,913	\$ 719,913	\$ -
Trade and other receivables, net	2,037,687	2,037,687	2,037,687	-
<b>Total</b>	<b>\$ 2,757,600</b>	<b>\$ 2,757,600</b>	<b>\$ 2,757,600</b>	<b>\$ -</b>
<b>Liabilities</b>				
Trade and other payables	\$ 4,668,337	\$ 4,668,337	\$ -	\$ 4,668,337
Loans from shareholders	1,150,000	1,150,000	-	1,150,000
<b>Total</b>	<b>\$ 5,818,337</b>	<b>\$ 5,818,337</b>	<b>\$ -</b>	<b>\$ 5,818,337</b>

**19. Credit Risk Exposure and Concentration**

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

	March 31, 2011			
	Banks and financial institutions	Accredited customers	Related parties	Total
Cash	\$ 907,977	\$ -	\$ -	\$ 907,977
Due from factor	1,221,147	-	-	1,221,147
Trade and other receivables	-	1,075,077	-	1,075,077
Due from affiliates	-	-	133,631	133,631
	<u>\$ 2,129,124</u>	<u>\$ 1,075,077</u>	<u>\$ 133,631</u>	<u>\$ 3,337,832</u>
March 31, 2010				
	Banks and financial institutions	Accredited customers	Related parties	Total
Cash	\$ 719,913	\$ -	\$ -	\$ 719,913
Due from factor	1,631,870	-	-	1,631,870
Trade and other receivables	-	244,394	-	244,394
Due from affiliates	-	-	161,423	161,423
	<u>\$ 2,351,783</u>	<u>\$ 244,394</u>	<u>\$ 161,423</u>	<u>\$ 2,757,600</u>

Based on the above table, as of March 31, 2011, 64% and 36% of the Company's total financial assets are from banks and other financial institutions, and accredited customers and related parties, respectively, which management considers to have high quality credit ratings. As of March 31, 2010, 85% and 15% of the Company's total financial assets are from banks and other financial institutions, and accredited customers and related parties, respectively, which management considers to have high quality credit ratings.

For the year ended March 31, 2011, sales to three customers accounted for 51% of gross sales. For the year ended March 31, 2010, sales to two customers accounted for 35% of gross sales.

**20. Cost of Sales**

	March 31,	
	2011	2010
Beginning inventory	\$ 3,830,229	\$ 1,274,388
Purchases and other costs	18,543,809	24,691,833
Ending inventory	(3,235,490)	(3,830,229)
Cost of sales	<u>\$19,138,548</u>	<u>\$22,135,992</u>

**21. Distribution Expenses**

Distribution expenses predominantly consist of showroom and warehouse rent, samples, license fees, and consulting fees, amounting to approximately \$1,266,000 and \$1,907,000 for the years ended March 31, 2011 and 2010, respectively.

**22. Personnel Expenses and Numbers**

The average number of personnel employed by the Company during the years ended March 31, 2011 and 2010 was 30 and 36, respectively. The following table presents personnel expenses included in administrative expenses:

	March 31,	
	2011	2010
Salaries	\$ 2,263,799	\$ 3,357,986
Payroll taxes	30,485	24,811
Hospitalization and major medical insurance	139,921	279,210
	<u>\$ 2,434,205</u>	<u>\$ 3,662,007</u>

For the year ended March 31, 2010, The Company had established a defined contribution retirement plan, which provided for contributions to be made by the Company on behalf of each eligible employee. The Plan was terminated on December 31, 2010. For the year ended March 31, 2010, the Company's contributions to this plan amounted to \$8,529. There were no contributions to the plan for the year ending March 31, 2011.

**23. Subsequent Event**

The Company has evaluated subsequent events through May 16, 2011, the date the financial statements were available for issuance.

## Multinational Textile Group Limited

### DIRECTORS' REPORT

The directors are pleased to present their report together with the audited financial statements of the Company for the year ended 31 March 2011.

#### 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 (2010: NIL).

#### Statement of Directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial period giving a true and fair view of the state of affairs of the Company and of the profit or loss of the Company. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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: 27 May 2011

### STATEMENT FROM SECRETARY

For the year ended 31 March 2011

#### Statement from secretary under Section 166(d) of the Companies Act 2001

In accordance with section 166 (d) of the Companies Act 2001, we certify that to the best of our knowledge and belief, the Company has filed with the Registrar of Companies, all such 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: 27 May 2011

### AUDITORS' REPORT to the shareholders of Multinational Textile Group Limited

#### Report on the Financial Statements

We have audited the financial statements of Multinational Textile Group Limited, which comprise the statement of financial position at 31 March 2011, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

#### Other matter

This report, including the opinion, has been prepared for and only for the Company's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements on pages 6 to 27 give a true and fair view of the financial position of the Company at 31 March 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritius Companies Act 2001.

#### Report on Other Legal and Regulatory Requirements

##### Companies Act 2001

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

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

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

Sd/-

#### Lancasters,

Chartered Accountants

14, Lancaster Court

Lavoquer street

Port Louis

Mauritius

Date: 27 May 2011

Multinational Textile Group Limited

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2011**

	Note	2011 USD	2010 USD	Share capital USD	Share application monies USD	Revenue deficit USD	Total USD
Revenue	6	2,333,411	1,416,113				
Expenses		(2,197,333)	(2,488,418)				
<b>Profit/(loss) from operating activities</b>		<b>136,078</b>	<b>(1,072,305)</b>				
Finance income	7	158,308	179,336				
Finance costs	7	(212,400)	(143,389)				
Net finance (cost)/income	7	(54,092)	35,947				
<b>Profit/(loss) before taxation</b>		<b>81,986</b>	<b>(1,036,358)</b>				
Taxation	8	-	-				
Profit/(loss) for the year		81,986	(1,036,358)				
Other comprehensive income		-	-				
<b>Total comprehensive income/(loss) for the year</b>		<b>81,986</b>	<b>(1,036,358)</b>				
The notes on pages 10 to 27 form part of these financial statements							

**STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2011**

	Note	2011 USD	2010 USD
<b>Assets</b>			
Investments	9	17,005,407	16,980,091
Receivables	10	7,514,343	7,205,141
<b>Total non-current assets</b>		<b>24,519,750</b>	<b>24,185,232</b>
Other receivables	11	1,064,694	1,218,222
Cash and cash equivalents		268,085	113,285
<b>Total current assets</b>		<b>1,332,779</b>	<b>1,331,507</b>
<b>Total assets</b>		<b>25,852,529</b>	<b>25,516,739</b>
<b>Equity</b>			
Share capital	12	21,948,270	20,071,170
Share application monies		-	1,877,100
Revenue deficit		(1,104,479)	(1,186,465)
<b>Total equity</b>		<b>20,843,791</b>	<b>20,761,805</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loan from holding company	13	3,660,000	3,686,010
<b>Current liabilities</b>			
Other payables	14	1,348,738	1,068,924
<b>Total current liabilities</b>		<b>1,348,738</b>	<b>1,068,924</b>
<b>Total liabilities</b>		<b>5,008,738</b>	<b>4,754,934</b>
<b>Total equity and liabilities</b>		<b>25,852,529</b>	<b>25,516,739</b>

Approved by the Board on 27 May 2011

Sd/- Director

Sd/- Director

The notes on pages 10 to 27 form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2011**

	Share capital USD	Share application monies USD	Revenue deficit USD	Total USD
Balance at 01 April 2009	20,071,170	48,100	(150,107)	19,969,163
<b>Contributions by and distributions to owners of the company</b>				
Deposit on shares	-	1,829,000	-	1,829,000

	Share capital USD	Share application monies USD	Revenue deficit USD	Total USD
<b>Total comprehensive income for the year</b>				
Loss for the year	-	-	(1,036,358)	(1,036,358)
Balance at 31 March 2010	20,071,170	1,877,100	(1,186,465)	20,761,805
<b>Contributions by and distributions to owners of the company</b>				
Issue of ordinary shares	1,877,100	(1,877,100)	-	-
<b>Total comprehensive loss for the year</b>				
Profit for the year	-	-	81,986	81,986
<b>Balance at 31 March 2011</b>	<b>21,948,270</b>	<b>-</b>	<b>(1,104,479)</b>	<b>20,843,791</b>

The notes on pages 10 to 27 form part of these financial statements

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011**

	2011 USD	2010 USD
<b>Cash flows from operating activities</b>		
Profit/(loss) for the year	81,986	(1,036,358)
Adjustments for:		
Interest received	(158,025)	(175,055)
Interest on loan	212,400	143,389
	136,361	(1,068,024)
Change in receivables	(361,803)	(4,454,982)
Change in other receivables	153,528	(675,022)
Change in other payables	279,814	749,552
<b>Net cash from/ (used in) operating activities</b>	<b>207,900</b>	<b>(5,448,476)</b>
<b>Cash flows from investing activities</b>		
Interest received	158,025	175,055
Acquisition of investments	(25,316)	(26,010)
Deposit on shares	-	243,235
<b>Net cash from investing activities</b>	<b>132,709</b>	<b>392,280</b>
<b>Cash flows from financing activities</b>		
Repayment of loan by subsidiaries	160,000	-
Repayment of loan by related company	16,001	-
Loans advanced to related company	(120,000)	-
Loans advanced to subsidiaries	(3,400)	-
Repayment to Holding Company	(26,010)	-
Interest paid	(212,400)	(143,389)
Proceeds from share application monies	-	1,829,000
Proceeds of loan from Holding Company	-	2,386,010
<b>Net cash (used in)/ from financing activities</b>	<b>(185,809)</b>	<b>4,071,621</b>
Net movement in cash and cash equivalents	154,800	(984,575)
Cash and cash equivalents at 01 April	113,285	1,097,860
<b>Cash and cash equivalents at 31 March</b>	<b>268,085</b>	<b>113,285</b>

The notes on pages 10 to 27 form part of these financial statements

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011****1. General information**

The Company was incorporated as a private limited company on 28 March 2006 and was granted a Category 1 Global Business Licence on 29 March 2006. The principal activity of the Company is the holding of investments.



## Multinational Textile Group Limited

The Company, as a holder of a Category 1 Global Business Licence under the Companies Act 2001 and the Financial Services Act 2007 is required to carry on its business in a currency other than the Mauritian rupee. Since the Company operates in an international environment and conducts most of its transactions in foreign currencies the Company has chosen to retain the United States Dollar (USD) as its reporting currency.

### 2. Basis of preparation

#### (a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

#### (b) Basis of measurement

The financial statements have been prepared on a historical cost basis except that financial assets and financial liabilities are fair valued.

#### (c) Functional currency and presentation currency

The financial statements are presented in United States Dollar (USD) which is the Company's functional currency and presentation currency.

#### (d) Use of the estimates and judgement

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

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

There were no critical judgements made in applying accounting policies that may have significant effect on the amount recognised in the financial statements.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 6 - Utilisation of tax losses

### 3. Significant accounting policies

The accounting policies set out below have been applied consistently in the financial statements.

#### (a) Revenue recognition

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

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

#### (b) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in the statement of comprehensive income except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### (c) Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to United States Dollar (USD) at the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional at the exchange rate at the date the fair value was determined. 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 retranslation are recognised in the statement of comprehensive income.

#### (d) Impairment of assets

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

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

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

#### (e) Investments

Investments in subsidiaries are classified as such where the Company has an interest of more than one half of the voting rights or otherwise has power to exercise control over the entity. The investments are measured at fair value and changes therein, other than impairment and foreign exchange gains and losses are recognised directly in equity.

#### (f) Financial instruments

##### Non-derivative financial assets

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

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

The Company classifies non-derivative financial assets, where applicable, into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

##### 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 receivables

Other receivables are stated at cost less impairment.

##### Non-derivative financial liabilities

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

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

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

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

##### Loan from holding company

Loan from holding company is recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortised cost.

## Multinational Textile Group Limited

*Other payables*

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

(g) *Share capital**Ordinary shares*

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

(h) *Related parties*

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

(i) *Provisions*

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

(j) *New standards, interpretations not yet adopted*

At the date of authorisation of the financial statements of the Company for the year ended 31st March 2011, the following Standards and Interpretations were in issue but not yet effective:

Standard / Interpretation		Effective date
IAS 24 (revised)	Related Party Disclosures	Annual periods beginning on or after 1 January 2011 *
11 individual amendments to 6 standards	Improvements to International Financial Reporting Standards 2010	Amendments are effective for annual periods beginning on or after 1 July 2010 or for annual periods beginning on or after 1 January 2011
IFRS 1 amendment	First-time adoption of International Financial Reporting Standard	Annual periods beginning on or after 1 July 2010*
IFRS 7	Disclosures - Transfers of Financial Assets	Annual periods beginning on or after 1 July 2011 *
IFRS 9	Financial Instruments	Annual periods beginning on or after 1 January 2013 *
IFRS9	Additions to IFRS 9 Financial Instruments	Annual periods beginning on or after 1 January 2013*
IFRIC 14 amendment	Prepayments of a Minimum Funding Requirement	Annual periods beginning on or after 1 January 2011 *
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Annual periods beginning on or after 1 July 2010*

\* All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

IAS 32 Financial Instruments: Presentation: Classification of Rights Issues, Improvements to International Financial Reporting Standards 2010, IFRS 1 amendment, IFRIC 14 amendment, and IFRIC 19 are not applicable to the business of the entity and will therefore have no impact on future financial statements. The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

*IAS 24 (revised)*

IAS 24 (revised) will be adopted by the Company for the first time for its financial reporting period ending 31 March 2012. The standard will be applied retrospectively.

IAS 24 (revised) addresses the disclosure requirements in respect of related parties, with the main changes relating to the definition of a related party and disclosure requirements by government-related entities.

The change in the definition of a related party has resulted in a number of new related party relationships being identified.

*IFRS 7 amendment*

The amendments to IFRS 7 will be adopted by the Company for the first time for its financial reporting period ending 31 March 2013.

In terms of the amendments additional disclosure will be provided regarding transfers of financial assets that are:

- Not derecognised in their entirety and
- Derecognised in their entirety but for which the Company retains continuing involvement.

*IFRS 9*

IFRS 9 will be adopted by the Company for the first time for its financial reporting period ending 31 March 2014. The standard will be applied retrospectively, subject to transitional provisions.

IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host.

The impact on the financial statements for the Company has not yet been estimated.

*Additions to IFRS 9*

The additions to IFRS 9 will be adopted by the Company for the first time for its financial reporting period ending 31 March 2012. The standard will be applied retrospectively, subject to transitional provisions.

Under IFRS 9 (2010), the classification and measurement requirements of financial liabilities are the same as per IAS 39, barring the following two aspects:

Fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, attributable to the changes in the credit risk of the liability will be presented in other comprehensive income (OCI). The remaining change is recognised in profit or loss. However, if the requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.

Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

IFRS 9 (2010) incorporates, the guidance in IAS 39 dealing with fair value measurement, derivatives embedded in host contracts that are not financial assets, and the requirements of IFRIC 9 Reassessment of Embedded Derivatives.

The impact on the financial statements for the Company has not yet been estimated.

**4. Financial risk management***Introduction and preview*

Financial instruments carried on the statement of financial position include cash and cash equivalents, loan from holding company and other payables. The recognition method adopted is disclosed in the individual policy statement associated with each item. The most important types of risk are market risk, credit risk and liquidity risk.

The Company's activities expose them to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Company's aims are therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews their risk management policies and systems to reflect changes in markets and emerging best practice.

(a) *Market risk*

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates will affect the Company's income or the fair value of its holdings of financial instruments.

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(i.) *Interest rate risk*

The Company is not significantly exposed to interest rate risk. The income and operating cash flows are substantially independent of changes in market interest rates. The Company's only significant interest-bearing financial asset is cash and cash equivalents which are on a call account.

(ii.) *Currency risk*

All of the Company's financial liabilities are denominated in United States Dollar. Consequently, the Company is not exposed to the risk of foreign currency exchange rates.

(iii.) *Price risk*

The Company is not exposed to commodity price risk.

(b) *Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet contractual obligations, and arises from the Company's cash and cash equivalents.

The Company also limits its exposure to credit risk by dealing only with counterparties that has a good credit rating and management does not expect counter party to fail to meet its obligations.

(c) *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 managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they become due without incurring unacceptable losses or risking damage to the Company's reputation.

### 5. Capital management

The Company actively and regularly reviews and manages its capital position to maintain a balance between its liability and equity level. The Company is mainly financed by advances from its holding company.

The management of the Company's capital position is undertaken by the management team of the Company. The management team ensures that the Company is adequately capitalised to meet economic and regulatory requirements. Capital injections and repatriations are executed in a timely fashion, working closely with the business and infrastructure groups. The management team meets on a regular basis and manages capital by taking into account key considerations which may include business developments, regulatory requirements, profitability and market movements such as foreign exchange and interest rate.

### 6. Revenue

Revenue represents:

	2011 USD	2010 USD
Management fee income	1,647,465	756,700
Professional fees income	685,946	659,413
	<u>2,333,411</u>	<u>1,416,113</u>

### 7. Net Finance costs

	2011 USD	2010 USD
<i>Finance Income</i>		
Interest Income	158,025	175,055
Gain on Foreign exchange	283	4,281
	<u>158,308</u>	<u>179,336</u>

*Finance Costs*

Interest on Borrowings	(212,400)	(143,389)
Net finance (costs)/income	<u>(54,092)</u>	<u>35,947</u>

### 8. Taxation

The Company is subject to income tax in Mauritius at the rate of 15%. It is however, entitled to a tax credit equivalent to the higher of the foreign tax paid and 80% of the Mauritian tax on its foreign source income.

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

*Recognised in statement of comprehensive income*

	2011 USD	2010 USD
Current year income tax	-	-

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

### Reconciliation of effective taxation

	2011 USD	2010 USD
Profit/ (loss) before taxation	81,986	(1,036,358)
Income tax at 15%	12,298	(155,454)
Foreign tax credit	(9,838)	124,363
Deferred tax assets not recognised	(2,460)	31,091
	<u>-</u>	<u>-</u>

### 9. Investments

Investments consist of unquoted shares in subsidiaries and other investment.

#### Investment in subsidiaries

	2011 USD	2010 USD
<i>Cost</i>		
At 01 April	16,736,856	16,736,856
Additions during the year	26,601	-
Disposal during the year	(1,285)	-
At 31 March	<u>16,762,172</u>	<u>16,736,856</u>

#### Other investment

	2011 USD	2010 USD
<i>Cost</i>		
At 01 April	243,235	460,460
Additions during the year	-	26,010
Disposal during the year	-	(243,235)
At 31 March	<u>243,235</u>	<u>243,235</u>
<b>Total cost of investment</b>	<u>17,005,407</u>	<u>16,980,091</u>

<i>Name of company</i>	<i>Type of shares</i>	<i>Number of shares</i>	<i>2011 % held</i>	<i>2010 % held</i>	<i>Country of incorporation</i>
<b>Subsidiaries</b>					
Global Textiles Group Limited	Equity	5,771,556	100%	100%	Mauritius
SACB Holdings Limited	Equity	25,500	51%	-	Mauritius
Norwest Industries Limited	Equity	1,020,000	85%	85%	Hong Kong
Zamira Fashions Limited	Equity	167,500	67%	67%	Hong Kong
PG Group Limited	Equity	510,000	51%	51%	Hong Kong
Simple Approach Ltd	Equity	187,500	75%	75%	Hong Kong
Nor Delhi Manufacturing Limited	Equity	2,000,000	100%	100%	Hong Kong

#### Other investments

Premier Pearl Garment Joint Stock Co	Equity	28,728	19%	19%	VietNam
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At the reporting 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.

### 10. Receivables

	2011 USD	2010 USD
Loan to subsidiaries	5,607,754	5,260,806
Loan to related parties	1,906,589	1,944,335
	<u>7,514,343</u>	<u>7,205,141</u>

### 11. Other receivables

	2011 USD	2010 USD
Professional fees receivable	517,582	517,582
Interest receivable	301,070	197,686
Management fees receivable	230,308	492,000
Loan to subsidiary	8,180	8,042
Prepaid expenses	4,009	2,912
Loan to related parties	3,545	-
	<u>1,064,694</u>	<u>1,218,222</u>

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## 12. Share capital

	2011 USD	2010 USD
Stated capital		
20,071,170 ordinary shares of USD 1 each	20,071,170	20,071,170
Issue of 1,877,100 ordinary shares of USD 1 each during the year	1,877,100	-
	<u>21,948,270</u>	<u>20,071,170</u>

## 13. Loan from holding company

	2011 USD	2010 USD
Unsecured, interest free loan with no fixed repayment terms	3,660,000	3,686,010

## 14. Other payables

	2011 USD	2010 USD
Loan payable to related party	564,375	265,125
Management fees payable	382,033	576,042
Interest on loan	375,860	163,461
Non-trade payables and accrued expenses	26,470	64,296
	<u>1,348,738</u>	<u>1,068,924</u>

## 15. Related party transactions

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

<i>Name of related companies:</i>	<i>Nature</i>	2011 USD	2010 USD
Global Textiles Group Limited	Loan repaid/Loan granted	(4,900)	2,114,161
Superb Mind Holdings Ltd	Advances given	45,000	-
Nor India Manufacturing Limited	Amount given	1,772	-
Spring Near East Manufacturing Ltd	Amount given	1,772	-
Nor Lanka Manufacturing Limited	Advances given	75,000	-
Nor Lanka Manufacturing Limited	Advances repaid	(16,286)	-
Norwest Industries Limited	Amount given	1,285	-
Norwest Industries Limited	Amount repaid	(1,148)	-
Norwest Industries Limited	Loan repaid	(63,544)	(1,100,000)
PG Group Limited	Loan granted	-	2,000,000
SACB Holdings Limited	Loan transferred	414,754	-
JSM Trading Limited	Loan granted	-	1,300,000
JSM Trading Limited	Interest receivable	91,001	34,886
Frou Holdings Limited	Interest receivable	34,617	57,246
Global Textiles Group Limited	Interest receivable	32,409	29,204
Poeticgem Limited	Management fees accrued	398,710	-
Poeticgem Limited	Management fees settled	(76,678)	-
Simple Approach Limited	Management fees accrued	58,080	26,400
Simple Approach Limited	Management fees settled	(40,920)	-
Zamira Fashion Ltd	Management fees	37,400	22,200
Zamira Fashion Ltd	Management fees settled	(59,600)	-
PG Group limited	Management fees accrued	27,698	12,500
PG Group limited	Management fees settled	(39,850)	-
Norwest Industries Limited	Management fees accrued	1,370,650	66,000
Norwest Industries Limited	Management fees settled	(1,436,650)	-
Global Textiles Group Limited	Management fees accrued	29,150	364,900
Global Textiles Group Limited	Management fees settled	(252,650)	-
JSM Trading Limited	Management fees accrued	1,135,000	576,042
JSM Trading Limited	Management fees settled	(1,651,042)	-
House of Pearl Fashions Ltd	Interest payable	212,401	143,388
House of Pearl Fashions Ltd	Share application monies	-	1,829,000
House of Pearl Fashions Ltd	Transfer to share capital	(1,877,100)	-
Simple Approach Limited	Loan repaid	-	(6,829)
House of Pearl Fashions Ltd	Loan payable/repaid	(26,010)	2,386,010

<i>Name of related companies:</i>	<i>Nature</i>	2011 USD	2010 USD
<i>Balances outstanding at 31 March:</i>			
Global Textiles Group Limited	Loan receivable	2,487,351	2,492,251
Norwest Industries Limited	Loan receivable	305,147	368,554
Frou Holdings Ltd	Loan receivable	500,000	500,000
PG Group limited	Loan receivable	2,400,000	2,400,000
JSM Trading Limited	Loan receivable	1,300,000	1,300,000
Frou Holdings Ltd	Interest receivable	91,863	57,246
Global Textiles Group Limited	Interest receivable	61,613	29,204
JSM Trading limited	Interest receivable	147,595	56,594
Superb Mind Holdings Ltd	Amount receivable	45,000	-
Nor Delhi Manufacturing Ltd	Amount receivable	8,042	8,042
Nor India Manufacturing Limited	Amount receivable	1,772	-
Spring Near East Manufacturing Ltd	Amount receivable	1,772	-
SACB Holdings Limited	Amount receivable	415,394	640
Pallas Holdings Limited	Amount receivable	2,875	2,875
Nor Lanka Manufacturing Limited	Amount receivable	58,714	-
Simple Approach Limited	Management fees receivable	43,560	26,400
Zamira Fashion Ltd	Management fees receivable	-	22,200
PG Group limited	Management fees receivable	348	12,500
Norwest Industries Limited	Management fees receivable	-	66,000
Global Textiles Group Limited	Management fees receivable	141,400	364,900
Poeticgem Limited	Management fees payable	322,033	-
JSM Trading Limited	Management fees payable	60,000	576,042
Pallas Holdings Limited	Amount payable	7,325	7,325
Pallas Holdings Limited	Interest payable	20,072	20,072
Nor Delhi Manufacturing Ltd	Loan payable	257,800	257,800
Simple Approach Limited	Loan payable	-	-
House of Pearl Fashions Ltd	Loan payable	3,660,000	3,686,010
House of Pearl Fashions Ltd	Interest payable	355,789	143,388
House of Pearl Fashions Ltd	Share application monies	-	1,877,100

## 16. Financial Instruments

## Fair values versus carrying amounts

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

	Carrying amount 2011 USD	Fair value 2011 USD	Carrying amount 2010 USD	Fair value 2010 USD
<b>Financial Assets</b>				
Investments	243,235	243,235	243,235	243,235
Receivables	7,514,343	7,514,343	7,205,141	7,205,141
Other receivables	1,060,685	1,060,685	1,215,310	1,215,310
Cash and cash equivalents	268,085	268,085	113,285	113,285
<b>Total Financial Assets</b>	<u>9,086,348</u>	<u>9,086,348</u>	<u>8,776,971</u>	<u>8,776,971</u>
<b>Financial Liabilities</b>				
Loan from holding company	3,660,000	3,660,000	3,686,010	3,686,010
Other payables	1,348,738	1,348,738	1,068,924	1,068,924
<b>Total Financial Liabilities</b>	<u>5,008,738</u>	<u>5,008,738</u>	<u>4,754,934</u>	<u>4,754,934</u>

## Overview

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

- Credit risk
- Liquidity risk
- Market risk

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This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyses the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

### Credit risk

Credit risk represents the potential loss that the Company would incur if counter parties fail to perform pursuant to the terms of their obligations to the Company. The Company limits its credit risk by carrying out transactions through companies within the group. At the reporting date, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

#### Exposure to credit risk

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

	2011 USD	2010 USD
Investments	243,235	243,235
Receivables	7,514,343	7,205,141
Other receivables	1,060,685	1,215,310
Cash and cash equivalents	268,085	113,28
	<b>9,086,348</b>	<b>8,776,971</b>

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to manage liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Company's reputation.

	Within one year USD	One to five years USD
<b>31 March 2011</b>		
<b>Financial liabilities</b>		
Loan from holding company	-	3,660,000
Other payables	1,348,738	-
<b>Total Financial liabilities</b>	<b>1,348,738</b>	<b>3,660,000</b>

	USD	USD
<b>31 March 2010</b>		
<b>Financial liabilities</b>		
Loan from holding company	-	3,686,010
Other payables	1,068,924	-
<b>Total Financial liabilities</b>	<b>1,068,924</b>	<b>3,686,010</b>

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of the market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### Currency risk

The Company invests in stocks denominated in Great Britain Pound (GBP), Hong Kong Dollar (HKD) and Vietnamese Dong (VDN). Consequently, the Company is exposed to the risk that the exchange rate of the US Dollar relative to the Great Britain Pound, Hong Kong Dollar and Vietnamese Dong may change in a manner, which has a material effect on the reported values of the Company's assets and liabilities, which are denominated in GBP, HKD and VDN.

### Currency profile

	Financial assets 2011 USD	Financial liabilities 2011 USD	Financial assets 2010 USD	Financial liabilities 2010 USD
USD	5,959,008	4,428,905	5,500,557	4,471,124
GBP	27,793	579,833	22	-
HKD	2,811,313	-	2,892,337	257,800
VDN	-	-	384,055	26,010
	<b>8,798,114</b>	<b>5,008,738</b>	<b>8,776,971</b>	<b>4,754,934</b>

A 10 % strengthening of USD against the following currencies at 31st March 2011 would have increased net profit before tax by USD 225,927 (2010: USD 299,257). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis in 2010.

### Sensitivity Analysis:

	2011 USD	2010 USD
<b>Currency</b>		
HKD	281,131	263,453
GBP	(55,204)	-
VDN	-	35,804
<b>Total</b>	<b>225,927</b>	<b>299,257</b>

Similarly a 10 percent weakening of the USD against the above currencies at 31st March 2011 would have had the exact reverse effect.

## 17. 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.

## 18. Holding company

The Company is a wholly owned subsidiary of House of Pearl Fashions Ltd, a Company incorporated in India, with registered address A-3, Community Centre, Naraina Industrial Areas, Phase-II, New Delhi 110028.

	2011 USD	2010 USD
<b>Revenue</b>		
Management fee income	1,647,465	756,700
Professional fee income	685,946	659,413
	<b>2,333,411</b>	<b>1,416,113</b>
<b>Expenses</b>		
Management fee	1,083,710	762,300
Consultancy fees	1,025,487	1,528,914
Accounting fee	26,260	28,000
Professional fee	23,924	3,861
Audit fee	22,000	23,000
Bank charges	5,605	4,074
Sundry expenses	4,148	7,933
Telephone, fax and courier charges	2,450	1,725
Administration fee	1,999	2,250
License fees	1,750	1,875
Joining bonus	-	102,414
Debtor written off	-	22,072
	<b>2,197,333</b>	<b>2,488,418</b>
<b>Profit/ (loss) after operating activities</b>	<b>136,078</b>	<b>(1,072,305)</b>
Net finance (costs)/income	(54,092)	35,947
<b>Profit/ (loss) before taxation</b>	<b>81,986</b>	<b>(1,036,358)</b>

## Norwest Industries Limited

**REPORT OF THE DIRECTORS**

The directors present their report and the audited financial statements for the year ended 31 March 2011.

**Principal activities**

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

**Results and dividends**

The Group's profit for the year ended 31 March 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 5 to 62.

The directors do not recommend the payment of any dividend in respect of the year.

**Property, plant and equipment and investment properties**

Details of movements in the property, plant and equipment, and investment properties of the Company and the Group during the year are set out in notes 10 and 11 to the financial statements, respectively.

**Reserves**

Details of movements in the reserves of the Company and the Group during the year are set out in note 21(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

**Directors**

The directors of the Company during the year were:

Pallak Seth

Sandeep Malhotra

Faiza Habeeb Seth (appointed on 17 March 2011)

Shelly Cherian (resigned on 1 April 2010)

In accordance with the Company's articles of association, all remaining directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

**Directors' interests**

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

**Directors' interests in contracts**

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party during the year.

**Auditors**

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

**ON BEHALF OF THE BOARD**

Sd/-  
Chairman  
Hong Kong  
12 May 2011

**INDEPENDENT AUDITORS' REPORT****To the shareholders of Norwest Industries Limited**

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Norwest Industries Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 5 to 62, which comprise the consolidated and company statements of financial position as at 31 March 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Directors' responsibility for the consolidated financial statements**

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011, and of the Group's 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  
12 May 2011



Norwest Industries Limited

**CONSOLIDATED INCOME STATEMENT**

Year ended 31 March 2011

	Notes	2011 HK\$	2010 HK\$
<b>REVENUE</b>	4	<b>1,654,558,243</b>	1,058,634,830
Cost of sales		<b>(1,356,258,714)</b>	(841,073,108)
Gross profit		<b>298,299,529</b>	217,561,722
Other income and gains	4	<b>63,525,815</b>	67,740,085
Selling and distribution costs		<b>(142,697,393)</b>	(111,267,700)
Administrative expenses		<b>(151,223,531)</b>	(100,582,591)
Other operating expenses		<b>(7,701,993)</b>	(6,411,309)
Finance costs	6	<b>(15,045,655)</b>	(9,322,692)
<b>PROFIT BEFORE TAX</b>	5	<b>45,156,772</b>	57,717,515
Income tax expense	8	<b>(1,439,935)</b>	(3,334,354)
<b>PROFIT FOR THE YEAR</b>		<b>43,716,837</b>	54,383,161

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Year ended 31 March, 2011

	2011 HK\$	2010 HK\$
<b>PROFIT FOR THE YEAR</b>	<b>43,716,837</b>	54,383,161
<b>OTHER COMPREHENSIVE LOSS</b>		
Cash flow hedges	<b>(18,035,627)</b>	(5,633,023)
Available-for-sale investments:		
Changes in fair value	<b>39,882</b>	750,839
Reclassification adjustments for loss included in the consolidated income statement	–	1,282,854
Exchange differences on translation of foreign operations	<b>(210)</b>	(36,585)
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>	<b>(17,995,955)</b>	3,635,915
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>25,720,882</b>	50,747,246

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

31 March 2011

	Notes	31 March 2011 HK\$	31 March 2010 HK\$	1 April 2009 HK\$
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	10	<b>11,719,611</b>	8,160,126	5,125,909
Investment properties	11	<b>33,697,660</b>	34,431,131	35,164,602
Available-for-sale investments	13	<b>2,643,052</b>	2,603,170	2,418,956
Deposits and other receivables		<b>2,478,497</b>	2,781,353	2,139,500
Deferred tax assets	19	<b>553,311</b>	–	–
Total non-current assets		<b>51,092,131</b>	47,975,780	44,848,967

Notes	31 March 2011 HK\$	31 March 2010 HK\$	1 April 2009 HK\$
		(Restated)	(Restated)
<b>CURRENT ASSETS</b>			
Inventories	14	<b>51,979,998</b>	–
Trade and bills receivables	15	<b>300,373,093</b>	233,060,235
Prepayments, deposits and other receivables		<b>33,753,267</b>	17,485,813
Due from the ultimate holding company	25(c)	–	–
Due from fellow subsidiaries	25(c)	<b>78,425,083</b>	51,698,950
Derivative financial instruments	18	<b>1,271,454</b>	16,121,063
Pledged time deposits	16	<b>74,381,185</b>	39,709,809
Cash and cash equivalents	16	<b>14,957,334</b>	11,481,029
Total current assets		<b>555,141,414</b>	369,556,899
<b>CURRENT LIABILITIES</b>			
Trade and bills payables		<b>125,358,062</b>	108,711,307
Other payables and accruals		<b>12,320,678</b>	7,471,646
Interest-bearing bank borrowings	17	<b>201,261,812</b>	65,467,058
Due to the ultimate holding company	25(c)	<b>416,213</b>	204,565
Due to the immediate holding company	25(c)	<b>807,971</b>	513,480
Due to fellow subsidiaries	25(c)	<b>5,054,064</b>	2,633,510
Derivative financial instruments	18	<b>6,749,944</b>	–
Tax payable		<b>5,034,985</b>	5,798,797
Total current liabilities		<b>357,003,729</b>	190,800,363
<b>NET CURRENT ASSETS</b>		<b>198,137,685</b>	178,756,536
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>249,229,816</b>	226,732,316
<b>NON-CURRENT LIABILITIES</b>			
Due to the immediate holding company	25(c)	<b>2,372,968</b>	2,867,348
Deferred tax liabilities	19	–	2,729,002
Total non-current liabilities		<b>2,372,968</b>	5,596,350
Net assets		<b>246,856,848</b>	221,135,966
<b>EQUITY</b>			
Issued capital	20	<b>9,336,000</b>	9,336,000
Reserves		<b>237,520,848</b>	211,799,966
Total equity		<b>246,856,848</b>	221,135,966
Sd/- <b>Director</b>			Sd/- <b>Director</b>

## Norwest Industries Limited

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2011

	Issued capital	Available-for-sale investment revaluation reserve	Hedging reserve	Retained profits	Exchange reserve	Total equity
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 April 2009	9,336,000	(2,249,044)	19,094,112	144,207,652	–	170,388,720
Profit for the year	–	–	–	54,383,161	–	54,383,161
Other comprehensive loss for the year:						
Change in fair value of available-for-sale investment, net of tax	–	750,839	–	–	–	750,839
Reclassification adjustments for loss included in consolidated income statement	–	1,282,854	–	–	–	1,282,854
Cash flow hedges, net of tax	–	–	(5,633,023)	–	–	(5,633,023)
Exchange differences on translation of foreign operations	–	–	–	–	(36,585)	(36,585)
Total comprehensive income for the year	–	2,033,693	(5,633,023)	54,383,161	(36,585)	50,747,246
At 31 March 2010	9,336,000	(215,351)	13,461,089	198,590,813	(36,585)	221,135,966
At 1 April 2010	9,336,000	(215,351)	13,461,089	198,590,813	(36,585)	221,135,966
Profit for the year	–	–	–	43,716,837	–	43,716,837
Other comprehensive loss for the year:						
Change in fair value of available-for-sale investment, net of tax	–	39,882	–	–	–	39,882
Cash flow hedges, net of tax	–	–	(18,035,627)	–	–	(18,035,627)
Exchange differences on translation of foreign operations	–	–	–	–	(210)	(210)
Total comprehensive income for the year	–	39,882	(18,035,627)	43,716,837	(210)	25,720,882
At 31 March 2011	9,336,000	(175,469)*	(4,574,538)*	242,307,650*	(36,795)*	246,856,848

\* These reserve accounts comprise the reserves of HK\$237,520,848 (2010: HK\$211,799,966) in the consolidated statement of financial position.

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2011

	Notes	2011 HK\$	2010 HK\$	Notes	2011 HK\$	2010 HK\$
				Interest paid	(15,045,655)	(9,322,692)
				Net cash flows from/(used in) operating activities	(89,583,658)	23,160,174
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Profit before tax		45,156,772	57,717,515	Purchases of items of property, plant and equipment	(8,552,600)	(6,724,499)
Adjustments for:				Purchases of available-for-sale investments	–	(2,031,185)
Interest income	4	(984,717)	(1,022,701)	Proceeds from disposal of available-for-sale investments	–	2,597,810
Dividend income from available-for-sale investments	4	–	(8,385)	Acquisition of a subsidiary	22	(2,220)
Finance costs	6	15,045,655	9,322,692	Dividends received from available-for-sale investments	–	8,385
Depreciation for property, plant and equipment	5	4,993,115	3,690,282	Interest received	984,717	795,682
Depreciation for investment properties	5	733,471	733,471	Net cash flows used in investing activities	(7,570,103)	(5,353,807)
Loss on disposal of available-for-sale investments	5	–	1,282,854	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
		64,944,296	71,715,728	New bank loans	147,631,808	32,470,345
Increase in inventories		(51,979,998)	–	Repayment of bank loans	(11,467,878)	(20,217,195)
Increase in trade and bills receivables		(67,312,858)	(86,731,936)	Decrease in an amount due to the immediate holding company	(494,380)	(8,558,000)
Decrease/(increase) in prepayments, deposits and other receivables		(15,964,870)	3,840,283	Net cash flows from financing activities	135,669,550	3,695,150
Decrease in an amount due from the ultimate holding company		–	7,122	<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	38,515,789	21,501,517
Decrease/(increase) in amounts due from fellow subsidiaries		(26,726,133)	15,692,282	Cash and cash equivalents at beginning of year	50,641,884	29,176,952
Increase in trade and bills payables		16,646,783	34,270,650	Effect of foreign exchange rate changes, net	1,068	(36,585)
Increase in other payables and accruals		4,850,218	307,623	<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	89,158,741	50,641,884
Increase in an amount due to the ultimate holding company		211,648	204,565	<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Increase in an amount due to the immediate holding company		294,491	513,480	Cash and bank balances	16	14,957,334
Increase/(decrease) in amounts due to fellow subsidiaries		2,420,554	(7,873,179)	Time deposits with original maturity of less than three months when acquired, pledged as security for bank loans and bank overdraft facilities	16	74,381,185
Cash generated from/(used in) operations		(72,615,869)	31,946,618	Bank overdrafts	17	(179,778)
Hong Kong profits tax refunded/(paid)		(1,887,627)	557,998			50,641,884
Overseas tax paid		(34,507)	(21,750)			



## STATEMENT OF FINANCIAL POSITION

31 March 2011

	Notes	31 March 2011 HK\$	31 March 2010 HK\$ (Restated)	1 April 2009 HK\$ (Restated)
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	10	8,726,416	8,160,126	5,125,909
Investment properties	11	33,697,660	34,431,131	35,164,602
Investments in subsidiaries	12	1,332,600	1,167,000	–
Available-for-sale investments	13	2,643,052	2,603,170	2,418,956
Deposits and other receivables		2,478,497	2,781,353	2,139,500
Deferred tax assets	19	784,864	–	–
Total non-current assets		49,663,089	49,142,780	44,848,967
<b>CURRENT ASSETS</b>				
Trade and bills receivables	15	252,557,131	233,060,235	146,328,299
Prepayments, deposits and other receivables		27,782,625	17,477,209	21,967,949
Due from the ultimate holding company	25(c)	–	–	7,122
Due from fellow subsidiaries	25(c)	78,425,083	51,698,950	67,164,213
Due from subsidiaries	12	64,840,031	1,258,452	–
Derivative financial instruments	18	1,271,454	16,121,063	22,867,198
Pledged time deposits	16	74,381,185	39,709,809	15,479,738
Cash and cash equivalents	16	10,509,443	10,767,219	14,541,437
Total current assets		509,766,952	370,092,937	288,355,956
<b>CURRENT LIABILITIES</b>				
Trade and bills payables		116,306,276	108,674,964	74,440,657
Other payables and accruals		11,370,742	7,520,688	7,164,023
Interest-bearing bank borrowings	17	168,323,556	65,467,058	53,509,177
Due to the ultimate holding company	25(c)	416,213	204,565	–
Due to the immediate holding company	25(c)	1,070	513,480	–
Due to fellow subsidiaries	25(c)	2,520,322	2,633,510	10,506,689
Derivative financial instruments	18	6,349,453	–	–
Tax payable		4,571,731	5,798,797	1,949,819
Total current liabilities		309,859,363	190,813,062	147,570,365
<b>NET CURRENT ASSETS</b>		<b>199,907,589</b>	<b>179,279,875</b>	<b>140,785,591</b>
<b>TOTAL ASSETS</b>				
<b>LESS CURRENT LIABILITIES</b>		<b>249,570,678</b>	<b>228,422,655</b>	<b>185,634,558</b>
<b>NON-CURRENT LIABILITIES</b>				
Due to the immediate holding company	25(c)	2,372,968	2,867,348	11,425,348
Deferred tax liabilities	19	–	2,729,002	3,820,490
Total non-current liabilities		2,372,968	5,596,350	15,245,838
Net assets		247,197,710	222,826,305	170,388,720
<b>EQUITY</b>				
Issued capital	20	9,336,000	9,336,000	9,336,000
Reserves	21(b)	237,861,710	213,490,305	161,052,720
Total equity		247,197,710	222,826,305	170,388,720
Sd/- Director				Sd/- Director

## NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2011

### 1. CORPORATE INFORMATION

Norwest Industries Limited is a limited company incorporated in Hong Kong. The registered office of the Company is located at 7/F., Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, HongKong.

During the year, the Group was principally involved in the trading of garments.

The Company is a wholly-owned subsidiary of Multinational Textile Group Limited, a company incorporated in Mauritius. In the opinion of the directors, the Company's ultimate holding company is House of Pearl Fashions Limited, a company incorporated in India whose shares are listed on The National Stock Exchange of India Limited.

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$"), which is also the Company's functional and presentation currency.

#### Basis of consolidation

#### Basis of consolidation from 1 April 2010

The consolidated financial statements include the financial statements of the Company and its subsidiary (collectively referred to as the "Group") for the year ended 31 March 2011. The financial statements of its subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of its subsidiaries are consolidated from the date of incorporation/acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

For the year ended 31 March 2011, the Group adopted, for the first time, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* ("HK Int 5") which became effective and is applicable to its operations.

HK Int 5 clarifies that terms loans that include a clause that gives the lender the unconditional right to call the loans at any time (repayment on demand clause) should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. HK Int 5 required retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of terms loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a consequence, bank loans that contain a repayment on demand clause with aggregate carrying amounts of HK\$13,191,900 and HK\$15,416,940 as at 31 March 2010 and 1 April 2009, respectively, have been reclassified from non-current liabilities to current liabilities. As at 31 March 2011, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with an aggregate carrying amount of HK\$13,372,860 have been classified as current liabilities. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years.

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied any new and revised HKFRSs, that have been issued but are not yet effective for the year ended 31 March 2011, in these financial statements. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or

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over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

#### Business combinations and goodwill

##### Business combinations from 1 April 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement* ("HKAS 39") either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

##### Business combinations prior to 1 April 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 April 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

#### 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 investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

#### Related parties

A party is considered to be related to the Group if:

- the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- the party is an associate;
- the party is a jointly-controlled entity;
- the party is a member of the key management personnel of the Group or its parent;
- the party is a close member of the family of any individual referred to in (a) or (d);
- the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

#### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 33V,%
Furniture and fixtures	25%
Motor vehicles	33 <sup>1/3</sup> %
Office equipment	33 <sup>1/3</sup> %

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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### Investment properties

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

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

Any gain or loss on disposal recognised in the income statement in the year the investment property is derecognised is the difference between the net sales proceeds and the carrying amount of the property.

### Investments and other financial assets

#### *Initial recognition and measurement*

Financial assets of the Group within the scope of HKAS 39 are classified as loans and receivables, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, pledged time deposits, amounts due from fellow subsidiaries, investments in quoted unit trusts, trade and bills receivables, deposits and other receivables, and derivative financial instruments.

#### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the income statement. The loss arising from impairment is recognised in the income statement in other operating expenses.

#### *Available-for-sale financial investments*

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement in other operating expenses and removed from the available-for-sale investment valuation reserves. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

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

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables, and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the

asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

#### *Available-for-sale financial investments*

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

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In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities*Initial recognition and measurement*

Financial liabilities of the Group within the scope of HKAS 39 are classified as loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, amounts due to the ultimate holding company, the immediate holding company and fellow subsidiaries, financial guarantee contracts, derivative financial instruments, and interest-bearing loans and borrowings.

*Subsequent measurement*

The measurement of financial liabilities depends on their classification as follows:

*Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

*Financial guarantee contracts*

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

*Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotation (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions and reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models or other valuation models.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship with which the Group wishes apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value 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.

The effective portion of the gain or loss on the hedging instrument for cash flow hedges is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the income statement in other expenses.

Amounts recognised in other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income 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 cumulative gain or loss previously recognised in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

*Current versus non-current classification*

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current or non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

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Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) handling fee income, when 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; and
- (e) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

*Retirement benefit costs*

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

The employees of the Group's subsidiaries which are based in Mainland China and Sri Lanka are required to participate in central pension schemes operated by the local municipal governments. These subsidiaries are required to contribute certain percentages of its payroll costs to the central pension schemes. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension schemes.

Foreign currencies

These financial statements are presented in HK\$, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of an overseas subsidiary is a currency other than HK\$. As at the end of the reporting period, the assets and liabilities of the subsidiary are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and its income statement is translated into HK\$ at the weighted average exchange rates for the period. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of an overseas subsidiary are translated into HK\$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiary which arise throughout the period are translated into HK\$ at the weighted average exchange rates for the period.

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are summarised as follows:

- (a) Impairment of trade and bills receivables

The Group maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade and bills receivables balance, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

- (b) Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are summarised as follows: (continued)

- (c) Classification of financial instruments

Management has made judgements on the classification of financial assets and financial liabilities in the process of applying the Group's accounting policies, which have significant effect on the amounts recognised in the financial statements. The Group determines the classification of certain assets and liabilities as financial assets and financial liabilities by judging whether they meet the definition of financial assets and financial liabilities set out in HKAS 39.

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HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 require that the Group carries certain of its financial assets at fair value, which require extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilises different valuation methodologies. Any such changes in the fair values of these financial assets would affect directly the Group's financial position and equity.

## (d) Impairment of inventories

Management reviews the ageing analysis of inventories of the Company at the end of each reporting period, and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The assessment of the provision amount required involves management judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying value of the inventories and provision charge/write-back in the period in which estimate has been changed.

## 4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold.

An analysis of the Group's other income and gains is as follows:

	2011	2010
	HK\$	HK\$
Interest income	984,717	1,022,701
Dividend income from available-for-sale investments	–	8,385
Handling fee income	12,027,983	14,150,374
Rental income	2,182,692	2,165,553
Foreign exchange differences, net	8,035,757	15,661,418
Fair value gains of cash flow hedges (transfer from equity), net	20,750,293	18,398,802
Others	19,544,373	16,332,852
	<u>63,525,815</u>	<u>67,740,085</u>

## 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2011	2010
	HK\$	HK\$
Auditors' remuneration	410,000	340,000
Depreciation for property, plant and equipment	4,993,115	3,690,282
Depreciation for investment properties	733,471	733,471
Staff costs (excluding directors' remuneration (note 7)):		
Salaries and allowances	64,158,926	48,547,566
Pension scheme contributions (defined contribution scheme)	2,363,247	1,377,466
	<u>66,522,173</u>	<u>49,925,032</u>

	2011	2010
	HK\$	HK\$
Minimum lease payments under operating leases of land and buildings	5,122,195	2,945,688
Loss on disposal of available-for-sale investments	–	1,282,854

## 6. FINANCE COSTS

	Group	
	2011	2010
	HK\$	HK\$
Interest on bank loans, overdrafts and other loans	15,045,655	9,322,692

## 7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2011	2010
	HK\$	HK\$
Fees	–	1,711,600
Other emoluments	–	–
	<u>–</u>	<u>1,711,600</u>

## 8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) 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 jurisdictions in which the Group operates.

	2011	2010
	HK\$	HK\$
Group		
Current - Hong Kong		
Charge for the year	1,850,867	3,651,326
Overprovision in prior years	(1,783,614)	(811,533)
Current - Elsewhere	1,091,069	472,937
Deferred (note 19)	281,613	21,624
Total tax charge for the year	<u>1,439,935</u>	<u>3,334,354</u>

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Group is domiciled to the tax charge/(credit) at the Group's effective tax rate, and a reconciliation of the applicable rate to the effective rate, are as follows:

## Group - 2011

	Hong Kong		Mainland China		Total	
	HK\$	%	HK\$	%	HK\$	%
Profit/(loss) before tax	45,543,239		(386,467)		45,156,772	
Tax at the applicable tax rate	7,514,634	16.5	(96,617)	(25.0)	7,418,017	16.4
Adjustments in respect of current tax of previous periods	(1,783,614)	(3.9)	–	–	(1,783,614)	(3.9)
Income not subject to tax	(6,752,278)	(14.8)	–	–	(6,752,278)	(14.9)
Expenses not deductible for tax	1,265,541	2.8	–	–	1,265,541	2.8
Tax on deemed profit arising from operations outside Hong Kong	1,091,069	2.4	–	–	1,091,069	2.4
Tax losses not recognised	–	–	96,617	25.0	96,617	0.2
Others	104,583	0.2	–	–	104,583	0.2
Tax at the effective rate	<u>1,439,935</u>	<u>3.2</u>	<u>–</u>	<u>–</u>	<u>1,439,935</u>	<u>3.2</u>

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Group - 2010

	Hong Kong		Mainland China		Total	
	HK\$	%	HK\$	%	HK\$	%
Profit/(loss) before tax	59,371,269		(1,653,754)		57,717,515	
Tax at the applicable tax rate	9,796,259	16.5	(413,439)	(25.0)	9,382,820	16.3
Adjustments in respect of current tax of previous periods	(811,533)	(1.3)	–	–	(811,533)	(1.4)
Income not subject to tax	(6,934,823)	(11.7)	–	–	(6,934,823)	(12.0)
Expenses not deductible for tax	798,687	1.3	–	–	798,687	1.4
Tax on deemed profit arising from operations outside Hong Kong	472,937	0.8	–	–	472,937	0.8
Temporary differences	1,208	–	–	–	1,208	–
Tax losses not recognised	–	–	413,439	25.0	413,439	0.7
Others	11,619	–	–	–	11,619	–
Tax at the effective rate	3,334,354	5.6	–	–	3,334,354	5.8

9. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 March 2011 includes a profit of HK\$42,032,740 (2010: HK\$56,036,915) which has been dealt with in the financial statements of the Company (note 21(b)).

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Motor vehicles	Office equipment	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
<b>31 March 2011</b>					
Group					
At 31 March 2010 and at 1 April 2010:					
Cost	3,337,346	3,650,651	2,407,514	7,061,103	16,456,614
Accumulated depreciation	(1,585,915)	(1,839,365)	(1,213,063)	(3,658,145)	(8,296,488)
Net carrying amount	1,751,431	1,811,286	1,194,451	3,402,958	8,160,126
At 1 April 2010, net of accumulated depreciation	1,751,431	1,811,286	1,194,451	3,402,958	8,160,126
Additions	130,039	2,330,605	677,083	5,414,873	8,552,600
Depreciation provided during the year	(780,499)	(962,203)	(634,470)	(2,615,943)	(4,993,115)
At 31 March 2011, net of accumulated depreciation	1,100,971	3,179,688	1,237,064	6,201,888	11,719,611
At 31 March 2011:					
Cost	3,467,385	5,981,256	3,084,597	12,475,976	25,009,214
Accumulated depreciation	(2,366,414)	(2,801,568)	(1,847,533)	(6,274,088)	(13,289,603)
Net carrying amount	1,100,971	3,179,688	1,237,064	6,201,888	11,719,611
<b>31 March 2010</b>					
Group					
At 1 April 2009:					
Cost	1,810,345	2,693,682	1,227,552	4,000,536	9,732,115
Accumulated depreciation	(764,107)	(1,034,566)	(775,225)	(2,032,308)	(4,606,206)
Net carrying amount	1,046,238	1,659,116	452,327	1,968,228	5,125,909
At 1 April 2009, net of accumulated depreciation	1,046,238	1,659,116	452,327	1,968,228	5,125,909
Additions	1,527,001	956,969	1,179,962	3,060,567	6,724,499
Depreciation provided during the year	(821,808)	(804,799)	(437,838)	(1,625,837)	(3,690,282)
At 31 March 2010, net of accumulated depreciation	1,751,431	1,811,286	1,194,451	3,402,958	8,160,126
At 31 March 2010:					
Cost	3,337,346	3,650,651	2,407,514	7,061,103	16,456,614
Accumulated depreciation	(1,585,915)	(1,839,365)	(1,213,063)	(3,658,145)	(8,296,488)
Net carrying amount	1,751,431	1,811,286	1,194,451	3,402,958	8,160,126

## Norwest Industries Limited

	Leasehold improvements	Furniture and fixtures	Motor vehicles	Office equipment	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
<b>31 March 2011</b>					
Company					
At 31 March 2010 and at 1 April 2010:					
Cost	3,337,346	3,650,651	2,407,514	7,061,103	16,456,614
Accumulated depreciation	(1,585,915)	(1,839,365)	(1,213,063)	(3,658,145)	(8,296,488)
Net carrying amount	<u>1,751,431</u>	<u>1,811,286</u>	<u>1,194,451</u>	<u>3,402,958</u>	<u>8,160,126</u>
At 1 April 2010, net of accumulated depreciation	1,751,431	1,811,286	1,194,451	3,402,958	8,160,126
Additions	42,950	1,214,430	677,083	3,287,113	5,221,576
Depreciation provided during the year	(758,727)	(890,907)	(634,470)	(2,371,182)	(4,655,286)
At 31 March 2011, net of accumulated depreciation	<u>1,035,654</u>	<u>2,134,809</u>	<u>1,237,064</u>	<u>4,318,889</u>	<u>8,726,416</u>
At 31 March 2011:					
Cost	3,380,296	4,865,081	3,084,597	10,348,216	21,678,190
Accumulated depreciation	(2,344,642)	(2,730,272)	(1,847,533)	(6,029,327)	(12,951,774)
Net carrying amount	<u>1,035,654</u>	<u>2,134,809</u>	<u>1,237,064</u>	<u>4,318,889</u>	<u>8,726,416</u>
<b>31 March 2010</b>					
Company					
At 1 April 2009:					
Cost	1,810,345	2,693,682	1,227,552	4,000,536	9,732,115
Accumulated depreciation	(764,107)	(1,034,566)	(775,225)	(2,032,308)	(4,606,206)
Net carrying amount	<u>1,046,238</u>	<u>1,659,116</u>	<u>452,327</u>	<u>1,968,228</u>	<u>5,125,909</u>
At 1 April 2009, net of accumulated depreciation	1,046,238	1,659,116	452,327	1,968,228	5,125,909
Additions	1,527,001	956,969	1,179,962	3,060,567	6,724,499
Depreciation provided during the year	(821,808)	(804,799)	(437,838)	(1,625,837)	(3,690,282)
At 31 March 2010, net of accumulated depreciation	<u>1,751,431</u>	<u>1,811,286</u>	<u>1,194,451</u>	<u>3,402,958</u>	<u>8,160,126</u>
At 31 March 2010:					
Cost	3,337,346	3,650,651	2,407,514	7,061,103	16,456,614
Accumulated depreciation	(1,585,915)	(1,839,365)	(1,213,063)	(3,658,145)	(8,296,488)
Net carrying amount	<u>1,751,431</u>	<u>1,811,286</u>	<u>1,194,451</u>	<u>3,402,958</u>	<u>8,160,126</u>

## 11. INVESTMENT PROPERTIES

Group and Company

	2011	2010
	HK\$	HK\$
At 1 April:		
Cost	36,673,551	36,673,551
Accumulated depreciation	(2,242,420)	(1,508,949)
Net carrying amount	<u>34,431,131</u>	<u>35,164,602</u>
At 1 April, net of accumulated depreciation	34,431,131	35,164,602
Depreciation provided during the year	(733,471)	(733,471)
At 31 March, net of accumulated depreciation	<u>33,697,660</u>	<u>34,431,131</u>
At 31 March:		
Cost	36,673,551	36,673,551
Accumulated depreciation	(2,975,891)	(2,242,420)
Net carrying amount	<u>33,697,660</u>	<u>34,431,131</u>

The Group's investment properties are situated in Hong Kong and are held under medium term leases.

As at the end of the reporting period, the aggregate fair value of the Group's investment properties as estimated by the directors based on market information amounted to HK\$50,200,000 (2010: HK\$45,600,000). An investment property of the Group has been leased to a third party under an operating lease, further summary details of which are included in note 24(a) to the financial statements.

At 31 March 2011, all of the Group's investment properties were pledged to secure the general banking facilities granted to the Group (note 17).

## 12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011	2010
	HK\$	HK\$
Unlisted shares, at cost	<u>1,332,600</u>	<u>1,167,000</u>

The amounts due from subsidiaries included in the Company's current assets are unsecured, interest-free, and have no fixed terms of repayment.

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity directly attributable to the Company	Principal activities
Grand Pearl Trading Company Limited*#	People's Republic of China ("PRC")	US\$150,000	100%	Trading of garment products
Nor India Manufacturing Company Limited*	Hong Kong	US\$10,000	100%	Dormant



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Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity directly attributable to the Company	Principal activities
Nor Lanka Manufacturing Limited (formerly Poetic Hongkong Limited)	Hong Kong	HK\$10,000	100%	Trading of garment products
Spring Near East Manufacturing Company Limited*	Hong Kong	US\$10,000	100%	Dormant

\* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

# The subsidiary is registered as a wholly-foreign-owned enterprise under PRC Law.

During the year, the Group acquired Nor Lanka Manufacturing Limited from the Company's immediate holding company. Further details of this acquisition are included in notes 22 and 25(b) to the financial statements.

13. AVAILABLE-FOR-SALE INVESTMENTS

Group and Company	
2011	2010
HK\$	HK\$
Unit trusts, at fair value	
<b>2,643,052</b>	2,603,170

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK\$39,882 (2010: HK\$750,839).

The above investments consist of investments in unit trusts which have been designated as available for-sale investments and have no fixed maturity date or coupon rate.

The fair values of the unit trusts are based on quoted market prices.

14. INVENTORIES

The Group's inventories represented fabrics sourced for supplies to manufacturers for their production of garments for the Group.

15. TRADE AND BILLS RECEIVABLES

The Group's and the Company's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Trade and bills receivables are non-interest-bearing and are on terms of up to 120 days. The Group and the Company seek to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. There is no significant concentration of credit risk.

The aged analysis of trade receivables as at the end of the reporting period, based on payment due date, that are neither individually nor collectively considered to be impaired, is as follows:

17. INTEREST-BEARING BANK BORROWINGS

Group	2011			2010		
	Contractual interest rate (%)	Maturity	HK\$	Contractual interest rate (%)	Maturity	HK\$ (Restated)
Mortgage loan (note (b))*	2.25% over 1 month HIBOR	2016/ on demand	5,876,900	2.25% over 1 month HIBOR	2016/ on demand	6,961,940
Mortgage loan (note (c))*	2% below BLR	2017/ on demand	7,315,000	2% below BLR	2017/ on demand	8,455,000
Term loan (note (d))*	1% over 1 month HIBOR	2017/ on demand	2,838,000	-	-	-
Bank overdrafts**	Higher of prime rate +1.5% or cost of funding+2%	On demand	179,778	Higher of prime +1% or cost of funding+ 1.5%	On demand	548,954
Collateralised bank advances***	Either on HIBOR+2.25%, LIBOR+2.5% or standard finance rates+1.5%	2011	56,030,023	Either on HIBOR+2.25%, LIBOR+2% or standard finance rates+2.25%	2010	31,555,478

	Group		Company	
	2011	2010	2011	2010
	HK\$	HK\$	HK\$	HK\$
Neither past due nor impaired	255,604,867	173,532,330	222,342,393	173,532,330
Past due but not impaired:				
Less than one month	43,200,567	43,339,597	28,647,079	43,339,597
One to three months	1,474,399	15,265,576	1,474,399	15,265,576
Over three months	93,260	922,732	93,260	922,732
	<b>300,373,093</b>	<b>233,060,235</b>	<b>252,557,131</b>	<b>233,060,235</b>

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group and the Company. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group and the Company do not hold any collateral or other credit enhancements over these balances.

16. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
	2011	2010	2011	2010
	HK\$	HK\$	HK\$	HK\$
Cash and bank balances	14,957,334	11,481,029	10,509,443	10,767,219
Time deposits	74,381,185	39,709,809	74,381,185	39,709,809
	<b>89,338,519</b>	<b>51,190,838</b>	<b>84,890,628</b>	<b>50,477,028</b>

Less: Pledged time deposits:

Pledged for bank loans and bank overdraft facilities (note 17)	(74,381,185)	(39,709,809)	(74,381,185)	(39,709,809)
Cash and cash equivalents	<b>14,957,334</b>	<b>11,481,029</b>	<b>10,509,443</b>	<b>10,767,219</b>

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$162,762 (2010: HK\$263,194). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks 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 Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

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	Either on cost of funding+2%, cost of funding+2.25%, LIBOR +2.5%, HIBOR+2.25%, standard finance rates+ 1.5%, prime rate, highest of USD prime rate+2%, cost of funding+2% or USD LIBOR+3.5%, or higher of LIBOR+3% or branch cost of funding+2%	2011	129,022,111	Either on HIBOR+2.25% or cost of funding +2.25%	2010	17,945,686
Trust receipt loans****			<u>201,261,812</u>			<u>65,467,058</u>
Mortgage loan (note (b))*	2.25% over 1 month HIBOR	2016/ on demand	5,876,900	2.25% over 1 month HIBOR	2016/ on demand	6,961,940
Mortgage loan (note (c))*	2% below BLR	2017/ on demand	7,315,000	2% below BLR	2017/ on demand	8,455,000
Term loan (note (d))*	1% over 1 month HIBOR	2017/ on demand	2,838,000	-	-	-
Bank overdrafts**	Higher of prime rate +1.5% or cost of funding+2%	On demand	179,778	Higher of prime +1% or cost of funding+ 1.5%	On demand	548,954
Collateralised bank advances***	Either on HIBOR+2.25%, LIBOR+2.5% or standard finance rates+ 1.5%	2011	38,209,337	Either on HIBOR+2.25%, LIBOR+2% or standard finance rates+2.25%	2010	31,555,478
Trust receipt loans****	Either on cost of funding+2%, cost of funding+2.25%, LIBOR +2.5%, HIBOR+2.25%, standard finance rates+ 1.5%, prime rate, highest of USD prime rate+2%, cost of funding+2% or USD LIBOR+3.5%, or higher of LIBOR+3% or branch cost of funding+2%	2011	113,904,541	Either on HIBOR+2.25% or cost of funding +2.25%	2010	17,945,686
			<u>168,323,556</u>			<u>65,467,058</u>

\* Denominated in HK\$

\*\* Denominated in HK\$, United States dollar and Indian Rupee

\*\*\* Denominated in Pound Sterling and United States dollar

\*\*\*\* Denominated in Euro, Pound Sterling and United States dollar

	Group		Company	
	2011	2010	2011	2010
	HK\$	HK\$	HK\$	HK\$
Analysed into:				
Bank loans and overdrafts repayable within one year	187,888,952	52,275,158	154,950,696	52,275,158
Bank loans and overdrafts that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause	13,372,860	13,191,900	13,372,860	13,191,900
Amounts shown under current liabilities	<u>201,261,812</u>	<u>65,467,058</u>	<u>168,323,556</u>	<u>65,467,058</u>

Notes:

- (a) The Group's banking facilities are secured by way of:
- the pledged of certain of the Group's time deposits and marketable securities;
  - bank guarantees of aggregate US\$1,800,000;
  - guarantees from the ultimate holding company, fellow subsidiaries, directors of the Company and a related party; and
  - certain of the Group's and the Company's insurance deposits.

(b) The bank loan is secured by the Group's investment properties (note 11 to the financial statements), interest-bearing at 2.25% over one month HIBOR per annum and repayable by 119 equal monthly installments which commenced on 10 September 2006.

(c) The bank loan is secured by the Group's investment property (note 11 to the financial statements), interest-bearing at 2% below the corresponding banks' best lending rate per annum and repayable by 120 equal monthly installments which commenced on 30 September 2007.

(d) The term loan is secured by the pledge of certain insurance policies, interest-bearing at 1% over one month HIBOR per annum and repayable by 83 equal monthly installments which commenced on 8 October 2010.

## 18. DERIVATIVE FINANCIAL INSTRUMENTS

Assets

	Group and Company	
	2011	2010
	HK\$	HK\$
Foreign currency contracts	<u>1,271,454</u>	<u>16,121,063</u>

Liabilities

	Group		Company	
	2011	2010	2011	2010
	HK\$	HK\$	HK\$	HK\$
Foreign currency contracts	<u>6,749,944</u>	-	<u>6,349,453</u>	-

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*Cash flow hedges*

At 31 March 2011, the Group and the Company held 119 and 109 forward currency contracts (2010: 87), designated as hedges in respect of expected future sales to customers in the United Kingdom for which the Group and the Company have firm commitments.

The terms of the forward currency contracts have been negotiated to match the terms of the commitments. The cash flow hedges relating to expected future sales between April 2011 and December 2011 were assessed to be highly effective and a net loss of HK\$18,035,627 (2010: HK\$5,633,023) was included in the hedging reserve for the year.

**19. DEFERRED TAX LIABILITIES/(ASSETS)**

The movements in deferred tax liabilities and assets during the year are as follows:

**Group**

	Depreciation allowance in excess of related depreciation	Cash flow hedges	Total
	HK\$	HK\$	HK\$
At 1 April 2009	47,403	3,773,087	3,820,490
Deferred tax charged to the income statement during the year (note 8)	21,624	–	21,624
Deferred tax credited to other comprehensive loss during the year	–	(1,113,112)	(1,113,112)
At 31 March 2010 and 1 April 2010	69,027	2,659,975	2,729,002
Deferred tax charged to the income statement during the year (note 8)	281,613	–	281,613
Deferred tax credited to other comprehensive income during the year	–	(3,563,926)	(3,563,926)
At 31 March 2011	<u>350,640</u>	<u>(903,951)</u>	<u>(553,311)</u>

**Company**

	Depreciation allowance in excess of related depreciation	Cash flow hedges	Total
	HK\$	HK\$	HK\$
At 1 April 2009	47,403	3,773,087	3,820,490
Deferred tax charged to the income statement during the year	21,624	–	21,624
Deferred tax credited to other comprehensive loss during the year	–	(1,113,112)	(1,113,112)
At 31 March 2010 and 1 April 2010	69,027	2,659,975	2,729,002
Deferred tax credited to the income statement during the year	(16,021)	–	(16,021)
Deferred tax credited to other comprehensive income during the year	–	(3,497,845)	(3,497,845)
At 31 March 2011	<u>53,006</u>	<u>(837,870)</u>	<u>(784,864)</u>

**20. SHARE CAPITAL**

	2011	2010
	HK\$	HK\$
Authorised, issued and fully paid:		
1,200,000 ordinary shares of US\$1 each - US\$ 1,200,000	<u>9,336,000</u>	<u>9,336,000</u>

**21. RESERVES**

(a) Group

The amounts of the Group's reserves and the movements therein for the current year and the prior year are presented in the consolidated statement of changes in equity on pages 9 and 10 of the financial statements.

(b) Company

	Issued capital	Available-for-sale investment revaluation reserve	Hedging reserve	Retained profits	Total equity
	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 April 2009	9,336,000	(2,249,044)	19,094,112	144,207,652	170,388,720
Total comprehensive income for the year	–	2,033,693	(5,633,023)	56,036,915	52,437,585
At 31 March 2010 and at 1 April 2010	9,336,000	(215,351)	13,461,089	200,244,567	222,826,305
Total comprehensive income for the year	–	39,882	(17,701,217)	42,032,740	24,371,405
At 31 March 2011	<u>9,336,000</u>	<u>(175,469)*</u>	<u>(4,240,128)*</u>	<u>242,277,307</u>	<u>247,197,710</u>

\* These reserve accounts comprise the reserves of HK\$237,861,710 (2010: HK\$213,490,305) in the Company's statement of financial position

**22. BUSINESS COMBINATION**

On 19 November 2010, the Group acquired a 100% interest in Nor Lanka Manufacturing Limited ("Nor Lanka") from Multinational Textile Group Limited, the immediate holding company of the Company. Nor Lanka is engaged in the trading of garments. Further details of the transaction are included in note 25(b) to the financial statements. The purchase consideration for the acquisition was HK\$ 10,000 and paid at the acquisition date.

The fair values of the identifiable assets of Nor Lanka as at the date of acquisition were as follows:

	Fair value recognised on acquisition
	HK\$
Cash and bank balances	7,780
Due from a group company	2,220
Total identifiable net assets at fair value and satisfied by cash	<u>10,000</u>

An analysis of the cash flows in respect of the acquisition of Nor Lanka is as follows:

	HK\$
Cash consideration	(10,000)
Cash and bank balances acquired	7,780
Outflow of cash and cash equivalents included in cash flows from investing activities	<u>(2,220)</u>

Since its acquisition, Nor Lanka contributed HK\$93,522,614 to the Group's turnover and HK\$2,076,461 to the consolidated profit for the year ended 31 March 2011.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been HK\$1,654,558,243 and HK\$43,716,837, respectively.

**23. CONTINGENT LIABILITIES**

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2011	2010	2011	2010
	HK\$	HK\$	HK\$	HK\$
Guarantees given to banks in connection with facilities granted to:				
A subsidiary and fellow subsidiaries	–	–	67,419,007	86,684,850
Fellow subsidiaries	100,357,263	86,684,850	–	–
	<u>100,357,263</u>	<u>86,684,850</u>	<u>67,419,007</u>	<u>86,684,850</u>

At 31 March 2011, the banking facilities granted to a subsidiary and fellow subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately HK\$121,252,993 (2010: HK\$21,987,150), and the banking facilities guaranteed by the Group to fellow subsidiaries were utilised to the extent of approximately HK\$88,314,737 (2010: HK\$21,987,150).

## Norwest Industries Limited

**24. OPERATING LEASE ARRANGEMENTS**

## (a) As lessor

The Group and the Company lease its investment property (note II to the financial statements) under an operating lease arrangement with lease negotiated for a term of four years.

At 31 March 2011, the Group and the Company had total future minimum lease receivables under the non-cancellable operating lease with their tenant falling due as follows:

	Group and Company	
	2011	2010
	HK\$	HK\$
Within one year	<b>120,132</b>	120,132
In the second to fifth years, inclusive	<b>142,824</b>	262,956
	<b>262,956</b>	383,088

## (b) As lessee

The Group leases certain of its staff quarters and office properties under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to four years.

At 31 March 2011, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2011	2010	2011	2010
	HK\$	HK\$	HK\$	HK\$
Within one year	<b>3,839,861</b>	2,829,075	<b>3,214,523</b>	2,829,075
In the second to fifth years, inclusive	<b>2,054,068</b>	485,395	<b>1,605,910</b>	485,395
	<b>5,893,929</b>	3,314,470	<b>4,820,433</b>	3,314,470

**25. RELATED PARTY TRANSACTIONS**

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2011	2010
		HK\$	HK\$
Fellow subsidiaries:			
Sales of goods	(i)	<b>64,939,406</b>	9,702,886
Purchases of goods	(ii)	<b>507,530</b>	911,201
Handling fees received	(iii)	<b>7,769,113</b>	14,092,307
Marketing fees paid	(iv)	<b>128,996,361</b>	100,872,870
Rentals received	(v)	<b>1,922,520</b>	1,937,950
Interest received	(vi)	<b>708,639</b>	946,729
Service fees received	(vii)	<b>249,965</b>	586,782
Other administrative and general expenses paid	(viii)	<b>347,183</b>	4,476,394
Sampling fees received	(ix)	<b>13,773,184</b>	11,659,310
Immediate holding company:			
Management fees paid	(x)	<b>11,441,564</b>	2,053,920
Ultimate holding company:			
Other administrative and general expenses paid	(viii)	<b>4,285,890</b>	1,000,897

## Notes:

- (i) The sales were made according to the prices and conditions similar to those offered to the major customers of the Group.
- (ii) The purchases were made according to the prices and conditions offered by the fellow subsidiaries to their respective major customers.
- (iii) The handling fees received were charged at rates ranging from 2% to 5.25% based on the sales transaction value.
- (iv) The marketing fees paid were related to the provision of marketing services provided by fellow subsidiaries and were based on terms mutually agreed between the Group and the respective fellow subsidiaries.

- (v) The rentals received were based on the area of the office space occupied and at terms mutually agreed between the Group and the respective fellow subsidiaries.
- (vi) The interest was charged at 7.5% per annum in respect of an amount due from a fellow subsidiary.
- (vii) The service fees received were charged based on a certain percentage of general expenses incurred by the Group and which were directly attributable to services rendered to the respective fellow subsidiaries.
- (viii) The other administrative and general expenses charged by the respective fellow subsidiaries and the ultimate holding company were based on actual costs incurred.
- (ix) The sampling fees received were charged at terms mutually agreed between the Group and the respective fellow subsidiaries.
- (x) The management fees paid were charged at terms mutually agreed between the Group and the immediate holding company.

## (b) Other transactions with related parties:

During the year, the Group acquired a subsidiary, Nor Lanka, from the immediate holding company of the Company at a consideration of HK\$10,000. Further details of the transaction are included in note 22 to the financial statements.

## (c) Outstanding balances with related parties:

- (i) Except for an unsecured amount due from a fellow subsidiary of HK\$6,979,297 (2010: HK\$8,870,527) as at 31 March 2011 which is interest-bearing at 7.5% per annum and has no fixed terms of repayment, all balances with fellow subsidiaries are unsecured, interest-free, and have no fixed terms of repayment.
- (ii) The amount due to the immediate holding company, included in the non-current liabilities, is unsecured, interest-free and not repayable within one year from the end of the reporting period.
- (iii) The balances with the immediate holding company and the ultimate holding company, included in current assets or current liabilities, are unsecured, interest-free, and have no fixed terms of repayment.

**26. FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

**2011****Financial assets - Group**

	Financial asset at fair value through profit or loss held for trading		Available-for-sale financial assets Total		Total
	HK\$	Loans and receivables HK\$	HK\$	HK\$	
Available-for-sale investments	-	-	<b>2,643,052</b>	<b>2,643,052</b>	
Trade and bills receivables	-	<b>300,373,093</b>	-	<b>300,373,093</b>	
Financial assets included in prepayments, deposits and other receivables	-	<b>17,298,124</b>	-	<b>17,298,124</b>	
Due from fellow subsidiaries	-	<b>78,425,083</b>	-	<b>78,425,083</b>	
Derivative financial instruments	<b>1,271,454</b>	-	-	<b>1,271,454</b>	
Pledged time deposits	-	<b>74,381,185</b>	-	<b>74,381,185</b>	
Cash and bank balances	-	<b>14,957,334</b>	-	<b>14,957,334</b>	
	<b>1,271,454</b>	<b>485,434,819</b>	<b>2,643,052</b>	<b>489,349,325</b>	

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Financial liabilities - Group

	Financial liabilities at fair value through profit or loss - held for trading	Financial liabilities at amortised cost	Total
	HK\$	HK\$	HK\$
Trade and bills payables	-	125,358,062	125,358,062
Financial liabilities included in other payables and accruals	-	12,061,970	12,061,970
Interest-bearing bank borrowings	-	201,261,812	201,261,812
Due to the ultimate holding company	-	416,213	416,213
Due to the immediate holding company	-	3,180,939	3,180,939
Due to fellow subsidiaries	-	5,054,064	5,054,064
Derivative financial instruments	6,749,944	-	6,749,944
	<u>6,749,944</u>	<u>347,333,060</u>	<u>354,083,004</u>

Financial assets - Company

	Financial asset at fair value through profit or loss held for trading	Loans and receivables	Available-for-sale financial assets Total	Total
	HK\$	HK\$	HK\$	HK\$
Available-for-sale investments	-	-	2,643,052	2,643,052
Trade and bills receivables	-	252,557,131	-	252,557,131
Financial assets included in prepayments, deposits and other receivables	-	15,676,249	-	15,676,249
Due from fellow subsidiaries	-	78,425,083	-	78,425,083
Due from subsidiaries	-	64,840,031	-	64,840,031
Derivative financial instruments	1,271,454	-	-	1,271,454
Pledged time deposits	-	74,381,185	-	74,381,185
Cash and bank balances	-	10,509,443	-	10,509,443
	<u>1,271,454</u>	<u>496,389,122</u>	<u>2,643,052</u>	<u>500,303,628</u>

Financial liabilities - Company

	Financial liabilities at fair value through profit or loss - held for trading	Financial liabilities at amortised cost	Total
	HK\$	HK\$	HK\$
Trade and bills payables	-	116,306,276	116,306,276
Financial liabilities included in other payables and accruals	-	11,112,034	11,112,034
Interest-bearing bank borrowings	-	168,323,556	168,323,556
Due to the ultimate holding company	-	416,213	416,213
Due to the immediate holding company	-	2,374,038	2,374,038
Due to fellow subsidiaries	-	2,520,322	2,520,322
Derivative financial instruments	6,349,453	-	6,349,453
	<u>6,349,453</u>	<u>301,052,439</u>	<u>307,401,892</u>

2010

Financial assets - Group

	Financial asset at fair value through profit or loss held for trading	Loans and receivables	Available-for-sale financial assets Total	Total
	HK\$	HK\$	HK\$	HK\$
Available-for-sale investments	-	-	2,603,170	2,603,170
Trade and bills receivables	-	233,060,235	-	233,060,235
Financial assets included in prepayments, deposits and other receivables	-	16,694,515	-	16,694,515
Due from fellow subsidiaries	-	51,698,950	-	51,698,950
Derivative financial instruments	16,121,063	-	-	16,121,063
Pledged time deposits	-	39,709,809	-	39,709,809
Cash and bank balances	-	11,481,029	-	11,481,029
	<u>16,121,063</u>	<u>352,644,538</u>	<u>2,603,170</u>	<u>371,368,771</u>

Financial liabilities - Group

	Financial liabilities at amortised cost
	HK\$
Trade and bills payables	108,711,307
Other payables and accruals	7,471,646
Interest-bearing bank borrowings	65,467,058
Due to the ultimate holding company	204,565
Due to the immediate holding company	3,380,828
Due to fellow subsidiaries	2,633,510
	<u>187,868,914</u>

Financial assets - Company

	Financial asset at fair value through profit or loss held for trading	Loans and receivables	Available-for-sale financial assets Total	Total
	HK\$	HK\$	HK\$	HK\$
Available-for-sale investments	-	-	2,603,170	2,603,170
Trade and bills receivables	-	233,060,235	-	233,060,235
Financial assets included in prepayments, deposits and other receivables	-	16,685,911	-	16,685,911
Due from fellow subsidiaries	-	51,698,950	-	51,698,950
Due from a subsidiary	-	1,258,452	-	1,258,452
Derivative financial instruments	16,121,063	-	-	16,121,063
Pledged time deposits	-	39,709,809	-	39,709,809
Cash and bank balances	-	10,767,219	-	10,767,219
	<u>16,121,063</u>	<u>353,180,576</u>	<u>2,603,170</u>	<u>371,904,809</u>

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## Financial liabilities - Company

	Financial liabilities at amortised cost
	HK\$
Trade and bills payables	108,674,964
Other payables and accruals	7,471,646
Interest-bearing bank borrowings	65,467,058
Due to the ultimate holding company	204,565
Due to the immediate holding company	3,380,828
Due to fellow subsidiaries	2,633,510
	<u>187,832,571</u>

As at the end of the reporting period, the carrying amounts of the Group's and Company's financial assets and financial liabilities approximate to their fair values.

## 27. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 March 2011, the Group's and the Company's available-for-sale investments and derivative financial instruments were measured at Level 2 fair value.

During the years ended 31 March 2011 and 31 March 2010, there were no transfers of fair value measurements between Level 1 and Level 2, and no transfer into or out of Level 3.

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's exposure to interest rate risk, foreign currency risk, credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Group's financial management policies and practices described below:

*Interest rate risk*

The Group's interest rate risk arises from bank borrowings which bears interest at variable rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
		HK\$	HK\$
<b>2011</b>			
Hong Kong dollar	50	(1,006,309)	(1,006,309)
Hong Kong dollar	(50)	1,006,309	1,006,309
<b>2010</b>			
Hong Kong dollar	50	(261,376)	(261,376)
Hong Kong dollar	(50)	261,376	261,376

*Foreign currency risk*

The Group has transactional currency exposures. Such exposures arise from sales or purchases in currencies other than the Group's functional currency. Approximately 42% (2010: 40%) of the Group's sales are denominated in currencies other than the functional currency of the Group, whilst 13% (2010: 2%) of the Group's costs are denominated in the Group's functional currency. The Group uses forward currency contracts to eliminate the foreign currency exposures on its sales transactions, for which the corresponding settlements are anticipated to take place more than one month after the Group has entered into firm commitments for the sales. The forward

currency contracts must be in the same currency as the hedged items. The Group negotiates the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. It is the Group's policy that a forward contract is not entered into until a firm commitment is in place.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Pound Sterling ("GBP") exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in GBP exchange rate	Increase/ (decrease) in profit before tax
	%	HK\$
<b>31 March 2011</b>		
If Hong Kong dollar weakens against GBP	10.0	10,351,942
If Hong Kong dollar strengthens against GBP	(10.0)	(10,351,942)
<b>31 March 2010</b>		
If Hong Kong dollar weakens against GBP	10.0	9,214,701
If Hong Kong dollar strengthens against GBP	(10.0)	(9,214,701)

*Credit risk*

The Group trades on credit terms only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise deposits and other receivables, amounts due from group companies, bank balances and pledged time deposits, arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. As the Group's trade receivables relate to diversified debtors, there is no significant concentration of credit risk within the Group.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 15 to the financial statements.

*Liquidity risk*

In the management of liquidity risk, the Group monitors and maintains a level of working capital deemed adequate, and maintains a balance between continuity and flexibility of funding through the use of bank overdrafts, bank loans and other interest-bearing loans.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Group		
	Within one year or on demand	More than one year but less than two years	Total
	HK\$	HK\$	HK\$
Trade and bills payables	125,358,062	-	125,358,062
Other payables and accruals	12,061,970	-	12,061,970
Interest-bearing bank borrowings	202,673,103	-	202,673,103
Due to the ultimate holding company	416,213	-	416,213
Due to the immediate holding company	807,971	2,372,968	3,180,939
Due to fellow subsidiaries	5,054,064	-	5,054,064
Derivative financial instruments	6,749,944	-	6,749,944
Guarantees given to banks in connection with facilities granted to fellow subsidiaries (note 23)	88,314,737	-	88,314,737
	<u>441,436,064</u>	<u>2,372,968</u>	<u>443,809,032</u>

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	Company		
	Within one year or on demand	More than one year but less than two years	Total
	HK\$	HK\$	HK\$
Trade and bills payables	116,306,276	–	116,306,276
Other payables and accruals	11,112,034	–	11,112,034
Interest-bearing bank borrowings	169,507,194	–	169,507,194
Due to the ultimate holding company	416,213	–	416,213
Due to the immediate holding company	1,070	2,372,968	2,374,038
Due to fellow subsidiaries	2,520,322	–	2,520,322
Derivative financial instruments	6,349,453	–	6,349,453
Guarantees given to banks in connection with facilities granted to a subsidiary and fellow subsidiaries (note 23)	121,252,993	–	121,252,993
	<u>427,465,555</u>	<u>2,372,968</u>	<u>429,838,523</u>

	Group		
	Within one year or on demand	More than one year but less than two years	Total
	HK\$	HK\$	HK\$
Trade and bills payables	108,711,307	–	108,711,307
Other payables and accruals	7,471,646	–	7,471,646
Interest-bearing bank borrowings	65,775,169	–	65,775,169
Due to the ultimate holding company	204,565	–	204,565
Due to the immediate holding company	513,480	2,867,348	3,380,828
Due to fellow subsidiaries	2,633,510	–	2,633,510
Guarantees given to banks in connection with facilities granted to fellow subsidiaries (note 23)	21,987,150	–	21,987,150
	<u>207,296,827</u>	<u>2,867,348</u>	<u>210,164,175</u>

	Company		
	Within one year or on demand	More than one year but less than two years	Total
	HK\$	HK\$	HK\$
Trade and bills payables	108,674,964	–	108,674,964
Other payables and accruals	7,520,688	–	7,520,688
Interest-bearing bank borrowings	65,775,169	–	65,775,169
Due to the ultimate holding company	204,565	–	204,565
Due to the immediate holding company	513,480	2,867,348	3,380,828
Due to fellow subsidiaries	2,633,510	–	2,633,510
Guarantees given to banks in connection with facilities granted to a subsidiary and fellow subsidiaries (note 23)	21,987,150	–	21,987,150
	<u>207,309,526</u>	<u>2,867,348</u>	<u>210,176,874</u>

*Capital management*

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2011 and 31 March 2010.

**29. COMPARATIVE AMOUNTS**

As further explained in note 2.2 to the financial statements, due to the adoption of HK Int 5 during the year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified or restated to conform with the current year's accounting treatment and presentation, and a third statement of financial position as at 1 April 2009 has been presented.

**30. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 12 May 2011.

## Zamira Fashion Limited

**REPORT OF THE DIRECTORS**

The directors present their report and the audited financial statements for the year ended March 31, 2011, which were approved by them at the board meeting held on the date of this report.

**Principal Activity**

The principal activity of the Company is trading of garment. The principal activity of subsidiary is set out in Note (14) to the financial statements.

**Financial Results**

The results of the Group for the year ended March 31, 2011 and the state of affairs of the Group and the Company at that date are set out in the annexed financial statements.

**Dividend**

The directors do not recommend any payments of dividend for the year.

**Plant and Equipment**

Movements in plant and equipment are set out in Note (12) to the financial statements.

**Directors**

The directors of the Company who held office during the year and up to date of this report were:

Deepak Kumar Seth

Thomas Mueller

Pallak Seth

In accordance with Article 7 of the Company's Article of Association, all the directors retire and, being eligible, offer themselves for re-election.

**Director's Interest**

Except for the related party transactions as disclosed in Note (24) to the financial statements, no contracts of significance to which the Company, any of its holding companies, its subsidiary and its fellow subsidiaries were a party and in which the director had a material interest subsisted at the end of the year or at any time during the year. At no time during the year was the Company, any of its holding companies, its subsidiary and its fellow subsidiaries a party to any arrangements to enable the director of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or other body corporate.

**Auditors**

The Company's auditors, Messrs. Louis Lai & Luk, retire and, being eligible, offer themselves for re-appointment.

By order of the Board

Sd/-  
Chairman  
Hong Kong, May 13, 2011.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ZAMIRA FASHION LIMITED**

(incorporated in Hong Kong with limited liability)

We have audited the accompanying consolidated financial statements of Zamira Fashion Limited (the "Company") and its subsidiary (collectively the "Group") set out on pages 5 to 34, which comprise the consolidated statement of financial position as at March 31, 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Directors' responsibility for the consolidated financial statements**

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Fundamental uncertainty relating to the going concern basis**

In forming our opinion, we have considered the adequacy of the disclosure made in Note (2d) to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon continuous financial support from the shareholders of the Group to support working capital of the Group. The consolidated financial statements do not include any adjustments that may be necessary, should the implementation of such measures become unsuccessful.

We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at March 31, 2011 and of the Group's loss and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Sd/-

Louis Lai & Luk  
Certified Public Accountants  
Hong Kong, May 13, 2011

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED MARCH 31, 2011**

	NOTES	2011 HK\$	2010 HK\$
Turnover	(6)	137,859,564	85,905,721
Purchases and related costs		(113,546,035)	(68,107,280)
Gross profit		24,313,529	17,798,441
Other revenue	(6)	1,006,596	2,979,626
Staff costs		(8,358,322)	(8,040,982)
Amortization and depreciation		(1,484,491)	(1,484,692)
Other operating expenses		(16,218,102)	(12,664,211)
Loss from operation		(740,790)	(1,411,818)
Finance costs	(7)	(1,004,600)	(933,063)
Loss before taxation	(8)	(1,745,390)	(2,344,881)
Taxation	(10)	(281,531)	287,884
Loss for the year		(2,026,921)	(2,056,997)
Other Comprehensive Income			
Exchange differences on translation of financial statements of overseas subsidiary		40,516	23,324
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(1,986,405)</b>	<b>(2,033,673)</b>

The notes on pages 11 to 34 form an integral part of these consolidated financial statements.





Zamira Fashion Limited

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2011**

	NOTES	2011 HK\$	2010 HK\$
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Plant and equipment	(12)	426,350	1,701,284
Intangible assets	(13)	–	641,525
Deferred tax assets	(10b)	–	271,520
		<u>426,350</u>	<u>2,614,329</u>
<b>Current Assets</b>			
Deposits and prepayment		115,164	70,720
Trade receivables	(15)	8,741,629	17,283,992
Bills receivable		732,993	–
Other receivables		868,456	6,245
Bank and cash balances		821,152	215,645
		<u>11,279,394</u>	<u>17,576,602</u>
<b>Current Liabilities</b>			
Amount due to immediate holding company	(16)	–	172,716
Amounts due to fellow subsidiaries	(16)	9,252,731	10,206,000
Amount due to a director	(17)	–	45,000
Trade and other payables	(18)	6,610,727	8,783,321
Secured bank borrowings	(19)	9,742,636	12,785,079
Obligation under finance lease	(20)	125,568	112,760
		<u>25,731,662</u>	<u>32,104,876</u>
Net Current Liabilities		<u>(14,452,268)</u>	<u>(14,528,274)</u>
Total Assets less Current Liabilities		<u>(14,025,918)</u>	<u>(11,913,945)</u>
<b>Non-Current Liabilities</b>			
Obligation under finance lease	(20)	199,810	325,378
<b>NET LIABILITIES</b>		<u>(14,225,728)</u>	<u>(12,239,323)</u>
Represented by:			
<b>CAPITAL AND RESERVES</b>			
Share capital	(21)	1,945,000	1,945,000
Accumulated losses		(16,234,568)	(14,207,647)
Translation reserve		63,840	23,324
<b>SHAREHOLDERS' DEFICIT</b>		<u>(14,225,728)</u>	<u>(12,239,323)</u>
APPROVED BY THE BOARD OF DIRECTORS ON AND SIGNED ON BEHALF OF THE BOARD BY:			
Sd/–			Sd/–
Director			Director

**STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2011**

	NOTES	2011 HK\$	2010 HK\$
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Plant and equipment	(12)	426,350	1,074,564
Interests in a subsidiary	(14)	1,243,447	1,243,447
		<u>1,669,797</u>	<u>2,318,011</u>
<b>Current Assets</b>			
Deposits and prepayment		115,164	70,720
Trade receivables	(15)	8,741,629	17,283,992
Bills receivable		732,993	–
Other receivables		868,128	–
Bank and cash balances		795,616	209,626

	NOTES	2011 HK\$	2010 HK\$
<b>Current Liabilities</b>			
Amount due to immediate holding company	(16)	–	172,716
Amounts due to fellow subsidiaries	(16)	8,511,364	9,078,665
Amount due to a director	(17)	–	45,000
Trade and other payables	(18)	6,604,892	8,736,641
Secured bank borrowings	(19)	9,742,636	12,785,079
Obligation under finance lease	(20)	125,568	112,760
		<u>24,984,460</u>	<u>30,930,861</u>
Net Current Liabilities		<u>(13,730,930)</u>	<u>(13,366,523)</u>
Total Assets less Current Liabilities		<u>(12,061,133)</u>	<u>(11,048,512)</u>
<b>Non-Current Liabilities</b>			
Obligation under finance lease	(20)	199,810	325,378
<b>NET LIABILITIES</b>		<u>(12,260,943)</u>	<u>(11,373,890)</u>
Represented by:			
<b>CAPITAL AND RESERVES</b>			
Share capital	(21)	1,945,000	1,945,000
Accumulated losses	(22)	(14,205,943)	(13,318,890)
<b>SHAREHOLDERS' DEFICIT</b>		<u>(12,260,943)</u>	<u>(11,373,890)</u>
APPROVED BY THE BOARD OF DIRECTORS ON AND SIGNED ON BEHALF OF THE BOARD BY:			
Sd/–			Sd/–
Director			Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2011**

	Share Capital HK\$	Translation Reserve HK\$	Accumulated Losses HK\$	Total HK\$
At April 1, 2009	1,945,000	–	(12,150,650)	(10,205,650)
Total comprehensive loss for the year	–	23,324	(2,056,997)	(2,033,673)
At March 31, 2010 and April 1, 2010	1,945,000	23,324	(14,207,647)	(12,239,323)
Total comprehensive loss for the year	–	40,516	(2,026,921)	(1,986,405)
At March 31, 2011	<u>1,945,000</u>	<u>63,840</u>	<u>(16,234,568)</u>	<u>(14,225,728)</u>

**CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2011**

	2011 HK\$	2010 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(1,745,390)	(2,344,881)
Adjustments for:		
Interest income	(471)	(728)
Interest expenses	1,004,600	933,063
Depreciation	819,330	1,144,599
Impairment loss	665,161	340,093
Gain on disposal of plant and equipment	–	(215,779)
<b>OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES</b>	<b>743,230</b>	<b>(143,633)</b>
Increase in deposits and prepayment	(44,444)	(61,570)
Decrease/(Increase) in trade receivables	8,542,363	(14,909,534)
Increase in bills receivable	(732,993)	–
(Increase)/Decrease in other receivables	(862,211)	152,809

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	2011 HK\$	2010 HK\$
(Decrease)/Increase in amount due to immediate holding company	(172,716)	172,716
Decrease in amounts due to fellow subsidiaries	( 953,269)	(1,815,394)
(Decrease)/Increase in amount due to a director	( 45,000)	45,000
(Decrease)/Increase in trade and other payables	(2,172,594)	6,741,160
<b>NET CASH GENERATED FROM/(USED IN) OPERATIONS</b>	<b>4,302,366</b>	<b>(9,818,446)</b>
Interest received	471	728
Interest paid	(1,004,600)	(933,063)
Net cash generated from/(used in) operating activities	<b>3,298,237</b>	<b>(10,750,781)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of plant and equipment	(16,421)	(1,728,561)
Receipt from disposal of plant and equipment	495,117	498,000
Payments to acquire intangible assets	-	(962,287)
Net cash generated from/(used in) investing activities	<b>478,696</b>	<b>(2,192,848)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net (payments to)/receipts of discounted bills loan	(4,099,159)	4,732,171
Net receipts of trust receipt loan	3,048,233	1,175,365
Net (payments to)/receipts of factoring loan	(721,570)	716,544
Proceeds from term loan	-	6,000,000
Repayment of term loan	(1,232,000)	-
Repayment of obligations under finance lease	(112,760)	(396,147)
Inception of obligation under finance lease	-	498,000
Net cash (used in)/generated from financing activities	<b>(3,117,256)</b>	<b>12,725,933</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>659,677</b>	<b>(217,696)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>177,698</b>	<b>387,025</b>
<b>EFFECT OF FOREIGN EXCHANGE RATES CHANGES</b>	<b>(16,223)</b>	<b>8,369</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>821,152</b>	<b>177,698</b>
<b>ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS</b>		
Bank and cash balances	821,152	215,645
Bank overdrafts	-	(37,947)
	<b>821,152</b>	<b>177,698</b>

The notes on pages 11 to 34 forms an integral part of these consolidated financial statements.

## 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 House of Pearl Fashions Limited, a company incorporated in India. The shares of the ultimate holding company is listed on the Bombay Stock Exchange and National Exchange in India.

### 2. PRINCIPAL ACCOUNTING POLICIES

#### a. Basis of Preparation

The consolidated 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 disclosure requirements of the Hong Kong Companies Ordinances.

The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note (5) to the financial statements.

In 2011, the Group adopted the new and revised HKFRSs below, which are relevant to its operations.

• HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2009
• HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
• HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
• HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
• HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
• HKFRS 3 (Revised)	Business Combinations
• HKFRS 5 (Amendments)	Non-current Assets Held for Sale and Discontinued Operations
• HKAS 27 (Revised)	Consolidated and Separate Financial Statements
• HKAS 28 (Revised)	Investments in Associates
• HKAS 32 (Amendment)	Classification of Rights Issues
• HKAS 39 (Amendment)	Eligible Hedged Items
• HK (IFRIC) – Int. 17	Distributions of Non – cash Assets to Owners
• HK-Int 4 (Revised)	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
• HK-Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of the above HKFRSs has had no material impact on the principal accounting policies of the Group and the methods of computation in the Group's financial statements. As such, no 2010 comparatives have been amended as a result from adopting the captioned HKFRSs.

#### b. Impact of issued but not yet effective HKFRSs

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

• HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKFRS 7, HKAS 1 and HKAS 28 <sup>(1)</sup>
• HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>(2)</sup>
• HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters <sup>(4)</sup>
• HKFRS 7 (Amendments)	Disclosure – Transfers of Financial Assets <sup>(4)</sup>
• HKFRS 9	Financial Instruments <sup>(6)</sup>
• HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets <sup>(6)</sup>
• HKAS 24 (Revised)	Related Party Disclosures <sup>(3)</sup>
• HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement <sup>(3)</sup>
• HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>(2)</sup>

#### Notes:

<sup>(1)</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

<sup>(2)</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>(3)</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>(4)</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>(5)</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>(6)</sup> Effective for annual periods beginning on or after 1 January 2013

The directors anticipate that all of the above new and revised standards, amendments or interpretations will be adopted in the Group's financial statements for the period commencing April 1, 2011 and that the adoption of those new and revised standards, amendments or interpretations will have no material impact on the financial statements of the Group.

#### c. Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Internal transactions are eliminated on consolidation and all figures in the consolidated financial statements relate to external transactions only.

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Interests in subsidiaries in the Company's Statement of Financial Position are stated at cost, being the fair value of consideration given plus related acquisition costs, less any aggregate identified impairment loss.

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The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective dates of acquisition or up to the effective date of disposal according to proportional consolidation method.

### d. Going Concern

The shareholder has confirmed its willingness to provide such financial assistance as is necessary to maintain the Group as a going concern. On the strength of this assurance, the financial statements have been prepared on a going concern basis.

### e. Intangible Assets

Intangible assets are stated in the statement of financial position at cost less accumulated amortisation and impairment losses.

Amortisation of intangible assets is charged to Consolidated Statement of Comprehensive Income on a straight-line basis over the assets' estimated useful lives unless such lives are indefinite. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Trademark and customer list	3 years
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Both the period and method of amortisation are reviewed annually.

### f. Plant and Equipment

Plant and equipment are stated at cost less aggregate depreciation and aggregate identified impairment loss, if any.

Depreciation is provided to write off the cost less residual value of plant and equipment over its expected useful lives.

Leasehold improvement	3 years
Furniture and fixtures	3 years
Office equipment	3 years
Motor vehicle	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss on disposal of plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the Consolidated Statement of Comprehensive Income.

When assets are sold or otherwise disposed of, their carrying amounts are written off from the financial statements and any resulting gain or loss is included in the Consolidated Statement of Comprehensive Income.

### g. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

### h. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised on the Group's and the Company's Statement of Financial Position when the Group and the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

### i. Financial Assets

The Group's financial assets are only classified under loans and receivables category.

### j. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortized cost using effective interest method, less any identified impairment losses. An impairment loss is recognised in the Consolidated Statement of Comprehensive Income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the assets recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### k. Financial Liabilities

The Group's financial liabilities include account and other payables which are subsequently measured at amortized cost, using the effective interest method.

### l. Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's equity instrument represents its issued share capital and is recorded at the share subscription received/receivable at the date of issuance of shares.

### m. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months.

### n. Translation of Foreign Currency

#### (i) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which those entities operate ("the functional currency"). The financial statements are presented in Hong Kong Dollars ("HK\$"), which are the Group's functional and presentation currency.

#### (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 recognised in the Consolidated Statement of Comprehensive Income.

### o. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated Statement of Comprehensive Income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised 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 recognised 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 Consolidated Statement of Comprehensive Income.

### p. Turnover

Turnover represents invoiced amount of sales less discounts and returns.

### q. Recognition of Revenue

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the bases as follows:

- Revenue from sales of goods is recognised when the goods are delivered to buyer.
- Interest income from bank deposit is accrued on a time proportion basis on the principal outstanding and at the rate applicable.
- Other income is recognised on a receipt basis.

### r. Borrowing Costs

Interest and other borrowing costs incurred in connection with the borrowing of funds are recognised as expenses in the period in which they are incurred.

### s. Bank Borrowings

Interest bearing bank loans and overdrafts are initially measured as fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs, if any) and the settlement or redemption of borrowings is recognised over the terms of borrowings in accordance with the Group's policy for borrowing cost as stated in the preceding note.

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**t. Operating Leases**

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the term of the relevant lease.

**u. Employee Benefits**

Employee benefits are all forms of considerations, including wages, salaries, allowances and contribution to retirement benefit scheme payable by the Group in exchange for services rendered by its employees and directors. The employee benefits are classified as staff costs and charged to the Consolidated Statement of Comprehensive Income.

No provision on employee entitlements to annual leave is provided in the financial statements as the directors consider that no material liability would arise as a result of such entitlement in the near future. Sick leave and maternity leave are not recognised until the time of leave.

**v. Retirement Benefit Scheme**

The Group participates in Mandatory Provident Fund Scheme ("MPF Scheme") for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Pursuant to the rules of the MPF Scheme, each of the employer and employees are required to make contributions to the scheme at rates specified in the rules.

The MPF Scheme is a defined contribution plan and the Group is only obliged to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit cost arising from the MPF Scheme charged to the Consolidated Statement of Comprehensive Income represent contribution payable to the funds by the Group in accordance with the rules of the MPF Scheme.

**w. Finance Leases/Hire Purchase Contracts**

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset to the Group are accounted for as finance leases.

Assets held under finance leases or hire purchase contracts are recognised as assets of the Group at the lowest of their fair value or present value of the minimum lease payments at the date of acquisition. The depreciation policy for such assets is consistent with that for equivalent depreciable assets which are owned by the Group, unless there is no reasonable certainty that the Group will obtain the ownership of such assets by the end of the lease terms, in which case the assets will be fully depreciated over the shorter of the lease terms or their estimated useful life.

The corresponding liability to the lessor or hire purchase creditor is included in the Consolidated Statement of Financial Position as an obligation under finance lease or hire purchase contract. The finance costs, which represent the difference between the total leasing commitments and the outstanding principal amount at the date of inception of the finance lease or hire purchase contract, are charged to the Consolidated Statement of Comprehensive Income at a constant periodic rate on the remaining balance of the obligations under finance leases or hire purchase contracts for each accounting period.

**x. Contingent Liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent liability is not recognised but is disclosed in the notes to the financial statements.

**y. Related Parties**

A party is considered to be related to the Group if:

- the party, directly, or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- the party is an associate;
- the party is a joint venture in which the Group is a venturer;
- the party is a member of the key management personnel of the Group or its parent;
- the party is a close member of the family of any individual referred to in (a) or (d);
- the party is a company that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such company resides with, directly or indirectly, any individual referred to in (d) or (e); or
- the party is a post-employment benefit plan for the benefit of employees of the Group, or of any company that is a related party of the Group.

**z. Financial Risks**

The financial risks in connection with the Group's financial instruments include risks as follows.

- Market risk includes three types of risk as below:
  - Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.
  - Fair value interest rate risk: the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.
  - Price risk: the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Market risk embodies not only the potential for loss but also the potential for gain.
- Credit risk: the risk that the corresponding party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss.
- Liquidity risk (also referred to as funding risk): the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.
- Cash flow interest rate risk: the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

**3. CAPITAL MANAGEMENT**

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth; and
- To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

**4. FINANCIAL RISK MANAGEMENT**

The Group's financial risks are limited by the financial management policies and practices described below.

**(a) Market risk – Foreign exchange risk**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions, the Group uses forward contracts, transacted with one of fellow subsidiary and charge back to the Group for the gain/loss on foreign exchange contract. The Group is responsible for managing the net position in each foreign currency by using external forward currency contracts.

**(b) Credit risk**

The Group has no significant concentrations of credit risk because the creditworthiness of each of the Group's customers has been assessed before any goods are supplied to them on credit. The directors are not aware of any factor indicating that any debtors would not be capable of repaying their outstanding amounts. Accordingly, the directors are of the opinion that the Group is adequately protected from the credit risk.

**(c) Liquidity risk**

As the holding company and fellow subsidiaries have confirmed its willingness to provide continuous financial support to the Group, the management is of the opinion that the Group is adequately protected from the liquidity risk.

**(d) Cash flow and fair value interest rate risk**

The Group's fair value interest rate risk relates primarily to fixed-rate borrowings from a financial institution as disclosed in Note (19).

As the holding company and fellow subsidiaries have confirmed the willingness to provide continuous financial support, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

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**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**

	Group	
	2011 HK\$	2010 HK\$
Revenue recognized during the year including revenue arising from:		
Turnover:		
Sales of goods	137,859,564	85,905,721
Other revenue:		
Bank interest income	471	728
Commission income	599,421	841,259
Gain on disposal of plant and equipment	-	215,779
Management income	-	246,000
Sundry income	406,704	1,675,860
	<u>1,006,596</u>	<u>2,979,626</u>
Total revenue recognized	<u>138,866,160</u>	<u>88,885,347</u>

**7. FINANCE COSTS**

Bank overdraft interest	139,588	38,887
Finance lease interest	37,888	40,002
Other interest	708,640	781,871
Bank loan interest	118,484	50,985
Trust receipt loan interest	-	21,318
	<u>1,004,600</u>	<u>933,063</u>

**8. LOSS BEFORE TAXATION**

Loss before taxation is stated after charging and (crediting):

Auditors' remuneration	115,300	133,334
Depreciation – owned assets	653,346	953,042
– assets held under finance lease	165,984	191,557
Exchange difference	1,276,878	463,242
Gain on disposal of plant and equipment	-	(215,779)
Impairment loss of intangible assets	665,161	340,093
Rental payments under operating leases	743,412	766,653
Staff costs (including director's remuneration)		
– Salaries and allowance	8,043,136	7,787,137
– MPF contribution	242,478	231,374
– Welfare expenses	72,708	22,471

**9. DIRECTOR'S REMUNERATION**

	Group	
	2011 HK\$	2010 HK\$
Fees	-	-
Other emoluments	1,200,000	1,200,000
	<u>1,200,000</u>	<u>1,200,000</u>

**10. TAXATION**

a. No provision for Hong Kong profits tax has been made in these financial statements as the Group made no estimated assessable profits for the year.

	GROUP		COMPANY	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$

The Company and its subsidiary:

Deferred taxation - current year	(281,531)	287,884	-	-
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a. The tax charge for the year can be reconciled to the loss per Consolidated Statement of Comprehensive Income as follows:

	GROUP		COMPANY	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
Loss before taxation	(1,745,390)	(2,344,881)	(887,053)	(1,168,240)
Tax loss at the domestic income tax rate	(386,705)	(479,806)	(146,363)	(192,760)
Tax effect of expenses that are not deductible in determining taxable profit	-	19,946	-	-
Tax effect of income that are not taxable in determining taxable profit	(78)	(120)	(78)	(120)
Net tax allowance claimed	288,453	138,008	70,907	121,094
Tax loss not yet recognised	98,330	321,972	75,534	71,786
Current year deferred tax	(281,531)	287,884	-	-
Taxation (income)/expense for the year	<u>(281,531)</u>	<u>287,884</u>	<u>-</u>	<u>-</u>

b. The following is the analysis of deferred tax balance presented on the consolidated statement of financial position.

	GROUP		COMPANY	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$

Subsidiary:

Deferred tax assets	-	271,520	-	-
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At the end of reporting period, the Company has unused tax losses of HK\$13,050,910 (2010: HK\$12,593,125) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

**11. LOSS ATTRIBUTABLE TO SHAREHOLDERS**

Included in the loss of HK\$ 2,026,920 (2010: HK\$ 2,056,997) attributable to shareholders of the Group is a loss of HK\$ 887,053 (2010: HK\$ 1,168,240) which is dealt with in the Company's own accounts.

**12. PLANT AND EQUIPMENT**

Group	Leasehold Improve- ment	Furniture and Fixtures	Office Equipment	Motor Vehicle	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Cost					
At 1/4/2009	1,170,000	289,485	426,282	726,197	2,611,964
Additions	848,893	162,321	219,346	498,000	1,728,560
Disposal	-	-	-	(726,197)	(726,197)
At 31/3/2010 and 1/4/2010	2,018,893	451,806	645,628	498,000	3,614,327
Additions	-	4,833	11,588	-	16,421
Disposal	(488,041)	(168,299)	(199,733)	-	(856,073)
Exchange Realignment	17,348	5,978	7,096	-	30,422
At 31/3/2011	<u>1,548,200</u>	<u>294,318</u>	<u>464,579</u>	<u>498,000</u>	<u>2,805,097</u>

## Zamira Fashion Limited

Group	Leasehold Improvement	Furniture and Fixtures	Office Equipment	Motor Vehicle	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Aggregate Depreciation</b>					
At 1/4/2009	584,961	116,996	159,378	363,074	1,224,409
Charge for the year	595,332	139,512	218,198	191,557	1,144,599
Written Back	-	-	-	(443,976)	(443,976)
Exchange Realignment	(5,673)	(2,446)	(3,870)	-	(11,989)
At 31/3/2010 and 1/4/2010	1,174,620	254,062	373,706	110,655	1,913,043
Charge for the year	394,338	95,730	163,278	165,984	819,330
Written back	(170,814)	(73,631)	(116,512)	-	(360,957)
Exchange Realignment	3,469	1,495	2,367	-	7,331
AT 31/3/2011	1,401,613	277,656	422,839	276,639	2,378,747
<b>Net Book Value</b>					
At 31/3/2011	146,587	16,662	41,740	221,361	426,350
At 31/3/2010	844,273	197,744	271,922	387,345	1,701,284

The net book value of plant and equipment of HK\$ 426,350 (2010: HK\$ 1,701,284) includes an amount of HK\$ 2,213,611 (2010: HK\$ 387,345) in respect of assets held under hire purchase contracts.

Company	Leasehold Improvement	Furniture and Fixtures	Office Equipment	Motor Vehicle	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Cost</b>					
At 1/4/2009	1,170,000	289,485	426,282	726,197	2,611,964
Additions	378,200	-	26,709	498,000	902,909
Disposal	-	-	-	(726,197)	(726,197)
At 31/3/2010 and 1/4/2010	1,548,200	289,485	452,991	498,000	2,788,676
Additions	-	4,833	11,588	-	16,421
At 31/3/2011	1,548,200	294,318	464,579	498,000	2,805,097
<b>Aggregate Depreciation</b>					
At 1/4/2009	584,961	116,996	159,378	363,074	1,224,409
Charge for the year	495,520	96,486	150,116	191,557	933,679
Written Back	-	-	-	(443,976)	(443,976)
At 31/3/2010 and 1/4/2010	1,080,481	213,482	309,494	110,655	1,714,112
Charge for the year	321,132	64,174	113,345	165,984	664,635
At 31/3/2011	1,401,613	277,656	422,839	276,639	2,378,747
<b>Net Book Value</b>					
At 31/3/2011	146,587	16,662	41,740	221,361	426,350
At 31/3/2010	467,719	76,003	143,497	387,345	1,074,564

The net book value of plant and equipment of HK\$ 426,350 (2010: HK\$ 1,074,564) includes an amount of HK\$ 221,361 (2010: HK\$ 387,345) in respect of assets held under hire purchase contracts.

## 13. INTANGIBLE ASSETS

	Trade Mark and customer list	
	GROUP HK\$	COMPANY HK\$
<b>Cost</b>		
At 1/4/2009, 31/3/2010, 1/4/2010 and 31/3/2011	962,287	-
<b>Impairment Loss</b>		
Charge for the year	340,093	-
Exchange realignment	(19,331)	-
At 31/3/2010 and 1/4/2010	320,762	-
Charge for the year	665,161	-

	Trade Mark and customer list	
	GROUP HK\$	COMPANY HK\$
Exchange realignment	(23,636)	-
At 31/3/2011	962,287	-
<b>Net Book Value</b>		
At 31/3/2011	-	-
At 31/3/2010	641,525	-

## 14. INTERESTS IN A SUBSIDIARIES

	COMPANY	
	2011 HK\$	2010 HK\$
Unlisted shares, at cost	1,128	1,128
Add: Amount due from a subsidiary	1,242,319	1,242,319
	1,243,447	1,243,447

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

Details of the subsidiary are as follows:

Name of subsidiary	Place of incorporation	Percentage of Equity attributable to the Group	Principal activity
* Zamira Fashions (Europe) Limited	England and Wales	100%	Import and distribution of ladies clothing

\* Not audited by Louis Lai & Luk

## 15. TRADE RECEIVABLES

	GROUP AND COMPANY	
	2011 HK\$	2010 HK\$
Trade receivable (Note (i))	8,741,629	17,283,992
(i) Aging analysis of trade receivables is as follows:		
Neither par due nor impaired	8,741,629	15,727,097
Past due but not impaired	-	1,556,895
	8,741,629	17,283,992

Trade receivables are due within 90 days from date of billing.

## 16. AMOUNTS DUE TO IMMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES

Apart from a balance with a fellow subsidiary amounting HK\$ 6,979,297 (2010: HK\$ 8,870,527) which is interest-bearing at a rate of 7.5% per annum, the remaining amounts are interest-free. The amounts due are unsecured and have no fixed terms of repayment. The immediate holding company and fellow subsidiaries had agreed not to demand repayment until the Group is financially capable of repayment. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

## 17. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and repayable on demand. The amount was for the purpose of operational financing, the director had agreed not to demand repayment of the amount due until the Group is financially capable of repayment. The nature of consideration to be provided for settlement is expected to be cash and cash equivalents.

## 18. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
Trade payable (Note (i))	5,849,189	7,212,847	5,849,189	7,212,847
Accruals	761,538	1,570,474	755,703	1,523,794
	6,610,727	8,783,321	6,604,892	8,736,641
(i) Maturity of the trade payables is as follows:				
Due for payment:				
Not later than one year	5,849,189	7,212,847	5,849,189	7,212,847

Zamira Fashion Limited

19. SECURED BANK BORROWINGS

The carrying amount of the secured bank borrowings at the end of reporting period is analyzed as follows:

	GROUP AND COMPANY	
	2011 HK\$	2010 HK\$
Amount repayable within one year:		
Discounted bills loan	751,038	4,850,197
Trust receipt loan	4,223,598	1,175,365
Factoring loan	-	721,570
Term loan	1,344,000	1,232,000
Bank overdraft	-	37,947
	<b>6,318,636</b>	<b>8,017,079</b>
Amount not repayable within one year but contain a repayment on demand clause:		
Term loan	3,424,000	4,768,000
	<b>9,742,636</b>	<b>12,785,079</b>

20. OBLIGATIONS UNDER FINANCE LEASE

	GROUP AND COMPANY			
	Minimum lease payments		Present value of minimum lease payments	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
Amount payable under financial lease:				
Within one year	150,648	150,648	125,568	112,760
Second to fifth years inclusive	213,418	364,066	199,810	325,378
	<b>364,066</b>	<b>514,714</b>	<b>325,378</b>	<b>438,138</b>
Future finance charges	38,688	76,576		
	<b>325,378</b>	<b>438,138</b>		
Less: Portion classified as current liabilities			125,568	112,760
Amounts due after one year included in non-current liabilities			<b>199,810</b>	<b>325,378</b>

The lease term is four years and the lease is repayable in fixed monthly installments.

No arrangement has been entered into for contingent rental payments.

21. SHARE CAPITAL

	COMPANY	
	2011 HK\$	2010 HK\$
Authorised, issued and fully paid-up: 250,000 shares of US\$ 1 each	<b>1,945,000</b>	<b>1,945,000</b>

22. RESERVES

COMPANY	Accumulated Losses	Total
	HK\$	HK\$
Balance at April 1, 2009	(12,150,650)	(12,150,650)
Total comprehensive loss for the year	(1,168,240)	(1,168,240)
Balance at March 31, 2010 and April 1, 2010	(13,318,890)	(13,318,890)
Total comprehensive loss for the year	(887,053)	(887,053)
Balance at March 31, 2011	<b>(14,205,943)</b>	<b>(14,205,943)</b>

23. OPERATING LEASE COMMITMENTS

At the end of reporting period, the Group had the outstanding commitments under its non-cancellable operating leases, which fall due as follows:

	2011 HK\$	2010 HK\$
Within one year	83,899	-
In the second to fifth years inclusive	-	-
	<b>83,899</b>	<b>-</b>

Operating lease payments represent rental payments payable by the Group for its leased premises. Leases are negotiated for an averaged term two years.

24. RELATED PARTY TRANSACTIONS

During normal course of business, the Group had the following transactions with the related parties below.

Name of Company	Relationship with the Company	Nature of transactions	2011 HK\$	2010 HK\$
Norwest Industries Ltd., Hong Kong	Fellow subsidiary	- Sample expenses - Management fee and service fee - Rental paid - Interest paid - Commission paid - Commission received - Amount due to	120,240 89,470 700,800 708,640 - (524,033) (6,979,297)	56,918 180,000 700,800 781,871 226,275 (684,266) (8,225,154)
Pearl GES Group Ltd., Hong Kong	Fellow subsidiary	- Management and service fee	326,527	131,482
Poeticgem Ltd., UK	Fellow subsidiary	- Commission received - Commission paid - Amount due to	(27,588) 323,457 (1,532,067)	(63,166) 186,456 (1,962,236)
Simple Approach Ltd., Hong Kong	Fellow subsidiary	- Management and service fee - Management fee income - Overseas travelling - Amount due to - Commission received - Commission paid	139,000 - - - (47,800) 480,182	84,667 (246,000) 2,428 (18,610) - -
SSY Asia Limited	Related company *	- Consultancy fee	421,060	600,000
House of Pearl Fashions, India	Ultimate holding	- Repair and company maintenance - Prepaid expenses	80,912 -	177,578 27,814
Multinational Textile Group Ltd., Mauritius	Immediate holding company	- Management fee and service fee - Amount due to	290,972 -	389,000 (172,716)

\* Connected with Thomas Mueller who is a controlling director and shareholder of both companies.

25. CONTINGENT LIABILITIES

(a) The Group had the following contingent liabilities not provided for in the financial statements at the end of reporting period:

	2011 HK\$	2010 HK\$
Irrevocable letters of credit	<b>11,225,242</b>	<b>9,940,998</b>

(b) At the end of reporting period, there were mutual guarantees between the Company and its fellow subsidiary.

26. CURRENCY RISK

(i) Exposure to currency risk

The following table details the Group's exposure at the end of reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

## Zamira Fashion Limited

	2011					
	USD	CHF	EUR	GBP	RMB	BDT
Trade receivables	336,969	38,602	527,068	1,164	-	-
Bills receivable	94,215	-	-	-	-	-
Bank and cash balances	61,849	1,539	902	1,325	-	1,572,817
Trade and other payables	(622,152)	-	(93,928)	(1,433)	-	-
Secured bank borrowings	(565,880)	-	(51,784)	-	-	-
Net exposure arising from recognised assets and liabilities	<u>(694,999)</u>	<u>40,141</u>	<u>382,258</u>	<u>1,056</u>	<u>-</u>	<u>- 1,572,817</u>
	2010					
	USD	CHF	EUR	GBP	RMB	BDT
Trade receivables	554,999	236	1,087,730	82,446	-	-
Bank and cash balances	8,225	386	3,962	8,511	-	-
Trade and other payables	(967,598)	-	(20,778)	-	11,165	-
Secured bank borrowings	(243,822)	-	(461,791)	-	-	-
Net exposure arising from recognised assets and liabilities	<u>(648,196)</u>	<u>622</u>	<u>609,123</u>	<u>90,957</u>	<u>11,165</u>	<u>-</u>

## (ii) Sensitivity analysis

The following table indicates the approximate change in the Group's loss before tax in response to reasonably possible changes (e.g.  $\pm 10\%$ ) in the foreign exchange rates to which the Group has significant exposure at the end of reporting period.

	2011		2010	
	Increase HK\$	Decrease HK\$	Increase HK\$	Decrease HK\$
Swiss Franc (CHF)	29,343	(29,343)	354	(354)
Euro (EUR)	422,395	(422,395)	694,553	(694,553)
British Pound (GBP)	1,314	(1,314)	85,678	(85,678)
Renminbi (RMB)	-	-	1,082	(1,082)
Bangladeshi Taka (EDT)	17,741	(17,741)	-	-
	<u>470,793</u>	<u>(470,793)</u>	<u>781,667</u>	<u>(781,667)</u>

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period and had been applied to the Group's exposure to currency risk for the variables.

The stated changes represent Management's assessment of reasonably possible change in foreign exchange rates over the period until the next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any change in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on Group's profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2010.

## 27. INTEREST RATE RISK

	2011 HK\$	2010 HK\$
Financial liabilities bearing variable interests:		
Discounted bills loan	751,038	4,850,197
Trust receipts loan	4,223,598	1,175,365
Term loan	4,768,000	6,000,000
Factoring loan	-	721,570
	<u>9,742,636</u>	<u>12,747,132</u>

Should market interest rate on March 31 increase by 10%, the profit or loss for the year would be reduced by a net amount of HK\$100,460 (2010: HK\$93,306). The carrying amounts of financial assets and financial liabilities measured at amortised cost and the carrying amount of financial liabilities bearing variable interest measure at fair value would not be affected by the assumed 10% increase in interest rates.

## 28. BANKING FACILITIES

General banking facilities granted by a bank were secured by fellow subsidiaries' corporate guarantee, ultimate holding and intermediate holding companies' corporate guarantee, directors' personal guarantee, bank guarantee and fellow subsidiary's properties.

## 29. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

## 30. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Company's Board of Directors on May 13, 2011.



Zamira Fashions (Europe) Limited

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2011**

The directors present their annual report and the audited financial statements for the year ended 31 March 2011.

**Principal activities and review of the business**

The principal activity of the company continued to be that of import and distribution of ladies clothing. The company has not traded during the year.

**Results and dividends**

The results for the year are set out on page 6.

**Directors**

The following directors have held office since 1 April 2010:

Mr. Pallak Seth

Mr. Deepak Seth (Appointed 1 February 2011)

**Directors' interests**

The directors' interest in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	31 March 2011	1 April 2010
Mr. Pallak Seth	-	-
Mr. Deepak Seth	-	-

**Auditors**

Montpelier Audit Limited was appointed auditor to the company and in accordance with Section 485 of the Companies Act 2006, a resolution proposing that it be re-appointed as auditor will be put at a General Meeting.

**Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the financial information included on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

**Disclosure of information to auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant information of which the company's auditor is unaware; and
- the director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

**Responsibility statement**

Each of the persons who is a director at the date of approval of this report confirms that to the best of his or her knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give

a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and

- the directors' report includes a fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Sd/-

Mr. Omprakash Makam

Secretary

6 May 2011

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ZAMIRA FASHIONS (EUROPE) LIMITED FOR THE YEAR ENDED 31 MARCH 2011**

We have audited the financial statements of Zamira Fashions (Europe) Limited for the year ended 31 March 2011 set out on pages 6 to 18 which comprise the income statement, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

**Respective responsibilities of the directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report or for the opinions we have formed.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements:**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Separate opinion in relation to IFRSs as issued by the IASB**

As explained in the accounting policies, the company has prepared financial statements that comply with IFRSs as adopted by the EU, and with IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Sd/-

Howard Reuben FCA (Senior Statutory Auditor)

For and on behalf of Montpelier Audit Limited

Statutory Auditor

Chartered Accountants

6 May 2011

58-60 Berners Street

London

WIT 3JS

## Zamira Fashions (Europe) Limited

## INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

		Year ended 31 March 2011	Period ended 31 March 2010
	NOTE	£	£
<b>Continuing operations</b>			
Revenue	4	-	176,420
Cost of revenue		-	(95,829)
<b>Gross profit</b>		-	80,591
Other operating income		-	4,000
Distribution costs		-	(109,109)
Administrative expenses		(70,938)	(72,402)
<b>Losses for the year/period before taxation</b>	5	(70,938)	(96,920)
Taxation	7	(23,267)	23,267
<b>Loss for the financial year/period</b>	14	(94,205)	(73,653)

None of the company's activities were discontinued in the year.

There are no other comprehensive income and expenses other than those passing through the income statement.

## STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2011

	Notes	2011 £	2010 £
<b>Non-Current Assets</b>			
Property, plant and equipment	8	-	53,704
Intangible assets	9	-	54,972
Deferred tax assets	12	-	24,159
			132,835
<b>Current assets</b>			
Trade and other receivables	10	28	55,837
Cash and cash equivalents		2,188	516
		2,216	56,353
<b>Total assets</b>		2,216	189,188
<b>Current Liabilities</b>			
Trade and other payables	11	(169,974)	(261,849)
		(169,974)	(261,849)
<b>Net-Current Liabilities</b>		(167,758)	(205,496)
<b>Non-Current Liabilities</b>			
Deferred tax liabilities	12	-	(892)
<b>Total liabilities</b>		(169,974)	(262,741)
<b>Net Liabilities</b>		(167,758)	(73,553)
<b>Shareholders' equity</b>			
Share capital	13	100	100
Retained earnings	14	(167,858)	(73,653)
<b>Total equity</b>		(167,758)	(73,553)

The financial statements were approved by the board of directors and authorised for issue on 6 May 2011 and were signed on its behalf by:

Sd/-  
Mr. Pallak Seth  
Director  
Company registration no. 06858839

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2011

	Share Capital £	Retained earnings £	Total £
<b>Balance at 25 March 2009</b>	100	-	100
<b>Comprehensive income</b>			
Loss for the period	-	(73,653)	(73,653)
Balance at 1 April 2010	100	(73,653)	(73,553)
<b>Comprehensive income</b>			
Loss for the year	-	(94,205)	(94,205)
<b>Balance at 31 March 2011</b>	100	(167,858)	(167,758)

## STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2011

	Year ended 31 March 2011 £	Period ended 31 March 2010 £
<b>Cash flows from operating activities</b>		
Loss for the year/period	(70,938)	(96,920)
Adjustments for:		
Depreciation of property, plant and equipment	12,785	17,046
Impairment of intangible assets	54,972	27,486
<b>Operating cash flows before movements in working capital</b>	(3,181)	(52,388)
Decrease/(increase) in receivables	55,809	(55,837)
(Decrease)/increase in payables	(50,956)	261,849
<b>Net cash generated by operating activities</b>	1,672	153,624
<b>Cash flows from investing activities</b>		
Payments to acquire property, plant and equipment	-	(82,458)
Payments to acquire intangible assets	-	(70,750)
<b>Net cash used in investing activities</b>	-	(1,53,208)
<b>Cash flows from financing activities</b>		
Proceeds from issue of ordinary shares	-	100
<b>Net cash generated by financing activities</b>	-	100
<b>Net increase in cash and cash equivalents</b>	1,672	516
Cash and cash equivalents at the start of the year/period	516	-
<b>Cash and cash equivalents at the end of the year/period</b>	2,188	516
<b>Cash and cash equivalents comprise:</b>		
Cash at bank and in hand	2,188	516

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

## 1. General information

Zamira Fashions (Europe) Limited is a company incorporated in England and Wales. The address of the registered office and principal activity of the company is given on pages 1 and 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

## 2. Summary of significant accounting policies:

The principal accounting policies applied in the preparation of the financial statements are set out below.

## Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (EU) (together IFRSs), and the Companies Act 2006 applicable to companies reporting under IFRSs.

## Impact of standards and interpretations effective for the first time

## Revisions to adopted IFRS:

The company has adopted new, revised and amended standards and interpretations which are relevant to the company during the year ended 31 March 2011, but which have no material impact on these financial statements:

IAS 36 (amendment), 'Impairment of assets', (effective from 1 January 2010). The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of IFRS 8, 'Operating Segments'

## Revisions to IFRS in issue not yet effective:

At the date of approval of these financial statements the following new, revised and amended standards and interpretations, which are relevant to the company have not been applied and when adopted will have no material impact on the company:

IAS 24 (revised), 'Related Party Disclosures' (effective from January 2011)

The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities.

Zamira Fashions (Europe) Limited

**2.1 Going concern**

The financial statements have been prepared on a going concern basis even though at the Balance Sheet date the company's current liabilities exceeded its current assets by £ 167,758 and it made a loss for the year of £94,205.

The directors consider the going concern basis to be appropriate because, in their opinion, the company will continue to obtain sufficient funding from its fellow group companies to enable it to pay its debts as they fall due, and the directors believe that the company will be able to maintain positive cash flows for the foreseeable future once it starts trading. If the company were unable to obtain this funding, it would be unable to continue trading, and adjustments would have to be made to reduce the value of assets to their realisable amount and to provide for any further liabilities which might arise.

**2.2 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the distribution of ladies clothing net of discounts and value added tax is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Revenue is classified as sales of goods (wholesale) and commission receivable based on the type of transaction and the specifics of each arrangement.

**2.3 Property, plant and equipment**

Property, plant and equipment are stated at cost net of accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings leasehold	- over lease term for short lease
Computer equipment	- 33.33% reducing balance
Fixtures, fittings and equipment	- 25% reducing balance

All tangible fixed assets are reviewed for impairment in accordance with IAS 36 'Impairment of Assets' when there are indications that the carrying value may not be recoverable.

**2.4 Goodwill**

Goodwill arising on acquisition represents the excess of the cost of the acquisition over the company's interest in the fair value of the identifiable assets and liabilities acquired as at the date of the exchange transaction. Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment at least annually by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. The recoverable amount is the higher of fair value less costs to sell and value in use. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Any impairment is recognised immediately in the company's income statement and is not subsequently reversed.

**2.5 Taxation**

Income tax expense represents the current tax payable and deferred tax provisions.

**Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profits as reported in the same income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

**Deferred tax**

The company accounts for deferred tax using the liability method and as such recognises all timing differences between the company's profits chargeable to tax and its results as shown in the financial statements. These timing differences arise from the inclusion of gains and losses for tax purposes in different periods from those in which they are recognised in the financial statements. Deferred tax assets are only recognised to the extent it is probable that the future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured on a non discounted basis at rates of tax expected to apply in the periods in which the timing differences are expected to reverse.

**2.6 Foreign currencies**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date monetary assets and liabilities that are denominated in foreign currencies are retranslated

at the rates prevailing on the balance sheet date. Foreign exchange differences arising on translation are included in the income statement in the period in which they arise.

**2.7 Related parties**

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

**2.8 Financial instruments**

he company does not use or trade derivative financial instruments. Financial instruments that the company uses are non-derivative and are recognised initially at fair value. Subject to initial recognition non-derivative financial instruments are measured as described as follows :

**Trade and other receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

**Trade and other payables**

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade and other payables are stated at their nominal value.

**Cash and cash equivalents**

Cash for the purposes of the statement of cash flows, comprises cash at bank and in hand. Cash equivalents are short term liquid investments convertible into cash and are subject to insignificant risk of changes in value. Bank overdrafts which form part of cash and cash equivalents for the purpose of the statement of cash flows are shown under current liabilities.

**3. Significant judgements and estimates**

The preparation of the company's financial statements in conforming to IFRSs require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances. Information about such judgements and estimates is contained in either the accounting policies or in the notes to the financial statements. There are no significant estimates in the current year

**4. Revenue**

**a. Company activities**

The company's activity IS In a single business segment, being the supply of ladies' garments.

**b. Revenues by geographical market and customer location**

The company's operations are located primarily in the UK and the business activity is reportable as follows:

	<b>Year ended 31 March 2011</b>	Period ended 31 March 2010
	£	£
Analysis of revenue by category:		
Sale of garments	-	121,118
Commission receivable	-	55,302
Analysis of revenues by geographical market and customer location are as follows:	-	176,420
Europe	-	121,118
Rest of the World	-	55,302
	<u>-</u>	<u>176,420</u>

**5. Operating loss**

	<b>Year ended 31 March 2011</b>	Period ended 31 March 2010
	£	£
Operating loss is stated after charging (crediting):		
Impairment of intangible assets	<b>54,972</b>	27,486
Depreciation of property, plant and equipment	<b>12,785</b>	17,046
Profit on foreign currency	-	(10,399)
	<u>-</u>	<u>(10,399)</u>

## Zamira Fashions (Europe) Limited

**Auditors remuneration**

During the year the company obtained the following services from the company's auditor and its associates:

	Year ended 31 March 2011	Period ended 31 March 2010
	£	£
Fees payable to the company's auditor:		
Audit of annual financial statements	3,000	4,000
Fees payable to the company's auditor and its associates for other services:		
Review of the interim financial statements	-	3,850
Tax and other services	180	382
	<u>3,180</u>	<u>8,232</u>

**6. Employees**

There were no employees during the year apart from the directors.

**7. Taxation for the year**

	Year ended 31 March 2011	Period ended 31 March 2010
	£	£
<b>Income tax expense</b>		
Operating loss is stated after charging/(crediting):		
<b>Current tax expense:</b>		
UK corporation tax	-	-
<b>Total current tax</b>	-	-
<b>Deferred tax:</b>		
Reversal and origination of temporary differences	23,267	(23,267)
<b>Total deferred tax (note 12)</b>	23,267	(23,267)
<b>Income tax expense</b>	<u>23,267</u>	<u>(23,267)</u>
<b>Reconciliation of current tax expense to accounting loss:</b>		
Loss before taxation	(70,938)	(96,920)
National taxation charge at the UK corporation tax rate of 28% (2010: 28%)	( 19,863)	(27,138)
Tax effects of:		
Expenses not deductible for tax purposes	-	1,612
Excess of depreciation over capital allowances	17,979	1,367
Losses available to be carried forward	-	24,159
Unutilised tax losses not recognised as a deferred tax asset	1,884	-
<b>Total current tax charge for the year/period</b>	<u>-</u>	<u>-</u>

The company has unused tax losses of £93,012 (2010: £86,283) available for carry forward against future trading profits. On the basis of these financial statements no provision has been made for corporation tax.

No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely.

**8. Property, plant and equipment**

	Land and buildings freehold	Fixtures, fittings and equipment	Computer equipment	Total
	£	£	£	£
<b>Cost</b>				
At 1 April 2010	40,334	13,909	16,507	70,750
Disposals	(40,334)	(13,909)	(16,507)	(70,750)
At 31 March 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Accumulated depreciation</b>				
At 1 April 2010	8,067	3,477	5,502	17,046
Charge for the year	6,050	2,608	4,127	12,785
On disposals	(14,117)	(6,085)	(9,629)	(29,831)
At 31 March 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net book value</b>				
At 31 March 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2010	<u>32,267</u>	<u>10,432</u>	<u>11,005</u>	<u>53,704</u>

**9. Intangible assets**

	Year ended 31 March 2011	Period ended 31 March 2010
	£	£
<b>Goodwill</b>		
Cost		
At the start of the year	82,458	-
Additions	-	82,458
At 31 March 2011	<u>82,458</u>	<u>82,458</u>
<b>Accumulated impairment losses</b>		
At the start of the year	27,486	-
Impairment losses recognised in the year/period	54,972	27,486
At 31 March 2011	<u>82,458</u>	<u>27,486</u>
<b>Net book value</b>		
At the end of the year/period	<u>-</u>	<u>54,972</u>

At the end of the reporting year, the company assessed the recoverable amount of goodwill, and determined that the goodwill was impaired by £54,972, which is two thirds of its original costs.

The main factor contributing to the impairment of the cash-generating unit is that the company has not generated any trade during the year and that the directors do not anticipate investing further funds for wider developments and therefore wishes to take a prudent view on limited development with customers which may not see further growth beyond that year.

The impairment loss has been included in "administrative expenses" in the income statement.

**10. Trade and other receivables**

	Year ended 31 March 2011	Period ended 31 March 2010
	£	£
Other receivables	28	535
Receivables from fellow group company (note 15)	-	55,302
	<u>28</u>	<u>55,837</u>

All amounts are due to be recovered within 12 months of the balance sheet date. The fair value of other receivables is the same as the carrying value shown above.

**11. Trade and other payables**

	Year ended 31 March 2011	Period ended 31 March 2010
	£	£
Payables to fellow group company (note 15)	63,528	151,903
Payables to parent company (note 15)	105,946	105,946
Accrued expenses	500	4,000
	<u>169,974</u>	<u>261,849</u>

Other payables and accrued expenses comprise of amounts owed for trading purchases and associated costs.

Other payables are due to be paid within 12 months of the balance sheet date. The fair value of other payables is the same as the carrying value shown above.

**12. Deferred tax**

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Year ended 31 March 2011	Period ended 31 March 2010
	£	£
Deferred tax assets	-	24,159
Deferred tax liabilities	-	(892)
Deferred tax assets (net)	<u>-</u>	<u>23,267</u>
This gross movement on the deferred tax account is as follows:		
At the start of the year	23,267	-
Tax (charge)/credit to income statement (note 7)	23,267	-
during the year/period	<u>(23,267)</u>	<u>23,267</u>

Zamira Fashions (Europe) Limited

At the end of the year (23,267) 23,267

The movement in deferred income tax assets and liabilities during the year is as follows:

	Decelerated/ (accelerated) tax depreciation	Tax losses	Total
	£	£	£
<b>At 25 March 2009</b>	-	-	-
Tax (charge)/credit to income statement	(892)	24,159	23,267
<b>At 31 March 2010</b>	(892)	24,159	23,267
Tax credit/(charge) to income statement	892	(24,159)	(23,267)
<b>At 31 March 2011</b>	-	-	-

	Year ended 31 March 2011	Period ended 31 March 2010
	£	£
<b>Issued and fully paid</b>		
100 Ordinary shares of £ 1 each	<u>100</u>	<u>100</u>

	Year ended 31 March 2011	Period ended 31 March 2010
	£	£
Balance at the start of the year/period	(73,653)	-
Net loss for the year/period	(94,205)	(73,653)
Balance at the end of the year/period	<u>(167,858)</u>	<u>(73,653)</u>

15. Related party transactions

	Sales/ FOB transfers/ rent / commission received		Commission paid/ purchases/ expenses		Amounts owed to/(by) related party	
	2011	2010	2011	2010	2011	2010
	£	£	£	£	£	£
Poeticgem Limited. UK	-	-	-	-	63,528	151,903
Norwest Industries Limited, Hong Kong	-	55,302	-	-	-	(55,302)
Zamira Fashion Limited. Hong Kong	-	-	-	31,636	105,946	105,946

The above companies are related as follows:

Poeticgem Limited is a wholly owned subsidiary of Global Textile Group Limited.

Zamira Fashion Limited, Hong Kong owns 100% of Zamira Fashions (Europe) Limited.

Norwest Industries Limited, Hong Kong and Zamira Fashion Limited, Hong Kong and Global Textile Group Limited are fellow subsidiaries of Multinational Textile Group Limited, a company registered in Mauritius.

The above balances are interest free and repayable on demand.

16. Control

The immediate parent company is Zamira Fashion Limited, Hong Kong a company registered in Hong Kong.

The ultimate parent company of Zamira Fashion Limited, Hong Kong 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.

## Poeticgem (Canada) Limited

**AUDITOR'S REPORT**To the Shareholder of **POETICGEM (CANADA) LTD.**

I have audited the statement of financial position of Poeticgem (Canada) Ltd., as at March 31, 2011 and the statements of comprehensive income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosure in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2011 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Oakville, Ontario

April 15, 2011

Sd/  
**RAMAN AYYAR**  
Chartered Accountant  
Licensed Public Accountant

**BALANCE SHEET AS AT MARCH 31, 2011**

	2011	2010
	\$	\$
<b>ASSETS</b>		
<b>NON CURRENT:</b>		
Equipment	9,304	11,366
Advances receivable - Notes 3	20,344	130,895
	<u>29,648</u>	<u>142,261</u>
<b>CURRENT</b>		
Cash	203,813	63,309
Inventory - Notes 1(a) and (c)	527,843	-
Accounts receivable - Note 1(a)	376,220	-
Prepaid	3,376	8,840
Income taxes recoverable	-	74,634
	<u>1,111,252</u>	<u>146,783</u>
	<u>1,140,900</u>	<u>289,044</u>
<b>EQUITY</b>		
<b>Net Equity / ( Equity) - page 4</b>	<b>(5,135)</b>	<b>(90,932)</b>
<b>LIABILITIES</b>		
<b>NON CURRENT:</b>		
Advances payable - Note 3	983,021	367,484
<b>CURRENT:</b>		
Accounts payable and accrued liabilities	153,164	12,492
Income taxes payable	9,850	-
	<u>163,014</u>	<u>12,492</u>
	<u>1,140,900</u>	<u>289,044</u>

**APPROVED ON BEHALF OF THE BOARD**

Sd/  
Director

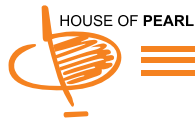
To be read in conjunction with the attached Notes and Auditor's Report dated April 15, 2011.

**STATEMENT OF COMPREHENSIVE (LOSS)**

For the Year Ended March 31, 2011

	2011	2010
	\$	\$
SALES - Note 1(a)	1,419,476	-
<b>COST OF SALES - Note 1(a)</b>		
Purchases - Note 3	1,688,929	-
Freight and delivery	78,328	-
Product design and development - Note 3	73,720	-
Distribution Charges	49,165	-
Warehousing	28,808	-
Testing charges	23,511	-
Less: Closing inventory	(527,843)	-
	<u>1,414,618</u>	<u>-</u>
<b>GROSS PROFIT FROM SALES</b>	<b>4,858</b>	<b>-</b>
<b>COMMISSION/OTHER INCOME - Note 3</b>	<b>642,239</b>	<b>268,488</b>
<b>GROSS PROFIT</b>	<b>647,097</b>	<b>268,488</b>
<b>SELLING AND ADMINISTRATIVE EXPENSES:</b>		
Wages and benefits	243,455	243,042
Design and samples	68,612	24,175
Head Office expenses - Note 3	49,473	31,141
Travel and entertainment	45,379	48,320
Rent	40,503	40,092
Freight non recoverable	32,233	68,370
Courier	16,894	10,375
Insurance	12,285	4,016
General and office	12,094	7,729
Inspection	10,041	4,227
	2011	2010
	\$	\$
Professional fees	9,500	9,600
Telephone	8,515	8,633
Supplies	8,026	-
Advertising and promotion	7,682	12,044
Marketing commission	7,490	-
Subscriptions	4,984	-
Charge backs and discounts	620	17,543
Market development	500	35,096
Bank charges	396	34
Amortization	2,805	3,612
	<u>581,487</u>	<u>568,049</u>
<b>INCOME/(LOSS), from operations for the period</b>	<b>65,610</b>	<b>(299,561)</b>
Add: Unrealized exchange gain	31,292	15,895
<b>INCOME/(LOSS), before income taxes for the period</b>	<b>96,902</b>	<b>(283,666)</b>
Less: Income tax (Expense)/recovery	(11,105)	74,295
<b>COMPREHENSIVE INCOME /(LOSS), for the period</b>	<b>85,797</b>	<b>(209,371)</b>

To be read in conjunction with the attached Notes and Auditor's Report dated April 15, 2011 .



Poeticgem (Canada) Limited

**STATEMENT OF CHANGES IN EQUITY**

For the Year Ended March 31, 2011

	Issued and paid-up shares (100 common) (Authorized - Unlimited)	Retained Earnings	Total
	\$	\$	\$
<b>BALANCE, AT APRIL 1, 2009</b>	100	118,339	118,439
<b>TOTAL COMPREHENSIVE (LOSS), for the period April 1, 2009 to June 30, 2009</b>	-	(31,302)	(31,302)
<b>BALANCE, AT JUNE 30, 2009</b>	100	87,037	87,137
<b>TOTAL COMPREHENSIVE (LOSS), for the period - July 1, 2009 to Sept. 30, 2009</b>	-	(44,179)	(44,179)
<b>BALANCE, AS AT SEPTEMBER 30, 2009</b>	100	42,858	42,958
<b>TOTAL COMPREHENSIVE (LOSS), for the period -Oct.1, 2009 to Dec. 31, 2009</b>	-	(94,645)	(94,645)
<b>BALANCE, AS AT DECEMBER 31, 2009</b>	100	(51,787)	(51,687)
<b>TOTAL COMPREHENSIVE (LOSS), for the period -Jan. 1, 2010 to March 31, 2010</b>	-	(39,245)	(39,245)
<b>BALANCE, AS AT MARCH 31, 2010</b>	100	(91,032)	(90,932)
<b>TOTAL COMPREHENSIVE (LOSS), for the period - April 1, 2010 to June 30, 2010</b>	-	(74,935)	(74,935)
<b>BALANCE, AS AT JUNE 30, 2010 - Page 2</b>	100	(165,967)	(165,867)
<b>TOTAL COMPREHENSIVE INCOME, for the period - July 1, 2010 to Sep. 30, 2010</b>	-	74,666	74,666
<b>BALANCE, AS AT SEPTEMBER 30, 2010</b>	100	(91,301)	(91,201)
<b>TOTAL COMPREHENSIVE INCOME, for the period -Oct. 01, 2010 to Dec. 31, 2010</b>	-	67,723	67,723
<b>BALANCE, AS AT DECEMBER 31, 2010</b>	100	(23,578)	(23,478)
<b>TOTAL COMPREHENSIVE INCOME, for the period -Jan.01, 2011 to March 31, 2011</b>	-	18,343	18,343
<b>BALANCE, AS AT MARCH 31, 2011</b>	100	(5,235)	(5,135)

To be read in conjunction with the attached Notes and Auditor's Report dated April 15, 2011.

**STATEMENT OF CASH FLOWS**

For the Year Ended March 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:	2011	2010
	\$	\$
Comprehensive income/ (loss) - page 3	85,797	(209,371)
Cash flows provided by or used in:		
- Amortization	2,805	3,612
- Income tax expense	11,105	(74,295)
	99,707	(280,054)
Change in:		
- accounts receivable	(376,220)	-
- prepaid and employee advance	5,464	10,298
- inventory	(527,843)	-
- trade payables	140,672	2,679
	(658,220)	(267,077)
Income tax refunded (paid)	73,379	(18,661)
Net Cash (used in ) Operating Activities	(584,841)	(285,738)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of equipment	(742)	(1,730)

CASH FLOWS FROM OPERATING ACTIVITIES:	2011	2010
	\$	\$
Net Cash (used in) Investing Activities	(742)	(1,730)
<b>CASH FLOWS FROM FINANCING ACTIVATES</b>		
Advances receivable	110,551	109,195
Advances payable	615,536	169,623
Net Cash from Financing Activities	726,087	278,818
<b>CHANGE IN CASH AND EQUIVALENTS, during the period</b>	140,504	(8,650)
<b>CASH AND EQUIVALENTS, beginning of period</b>	63,309	71,959
<b>CASH AND EQUIVALENTS, end of period</b>	203,813	63,309

To be read in conjunction with the attached Notes and Auditor's Report dated April 15, 2011

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended March 31, 2011

**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. During the year the company started buying and selling goods on its own account.
- (b) Income recognition:
 

Revenue on commissions is recognized at the time the foreign affiliate invoices the customers

Revenue on sale of goods is recognized upon delivery of goods and when recovery is reasonably certain.
- (c) Inventory:
 

Inventory includes goods in transit and is valued at lower of cost or net realizable value.
- (d) Equipment and amortization
 

Capital assets are carried at cost less accumulated amortization. Amortization is provided on the diminishing balance basis using the following annual rates:

Furniture and fixtures	-20%
Computers	-30%
- (e) Foreign Currency Translation:
 

Monetary assets in foreign currencies have been translated at exchange rates in effect at the fiscal year end. Items of revenue and expense are translated at the exchange rates on the dates the transactions took place. Exchange gains or losses from such translation practices are reflected in the income statement.
- (f) Accounting Estimates:
 

The preparation of financial statements in conformity with International Financial Reporting Standards require 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.
- (g) Financial Instruments
 

The following items of financial instruments are shown in the financial statements at their carrying amounts.

Cash and cash equivalents  
Accounts receivable  
Prepaid expenses  
Accounts payable

The carrying amounts of these financial assets and financial liabilities approximate their fair values due to the relatively short periods to maturity of these instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.
- (h) Key Risks and Uncertainties:
  - (i) Currency Risk:
 

The commission income of the company is earned in US Dollars and the company owes its affiliated company for all its purchases of goods in US Dollars. The company is owed by the parent company in British Pounds and the company owes its affiliates in US Dollars . As a result the company's receivable / payable from/to the related companies are subject to risk of foreign currency movements. Since the receivable/ payable are to related parties the exchange risk is managed at the related company level.

## Poeticgem (Canada) Limited

- (ii) Liquidity Risk:  
The company's receivables and payables are from/to parent company / related company and as such all of the operations are funded by related companies. As a result the company is not subject to any liquidity risk.
- (iii) Market risk:  
The company's commission and sales income is dependant on sales to one customer and there is constant pressure on margins to be competitive. The company is constantly trying to mitigate the risk by increasing the customer base.
- (iv) Interest rate risk:  
All of the company's fund requirements are met by the affiliated companies and as such this risk is managed at the affiliated companies' level.
- (v) Equity risk:  
The company has no exposure to this risk since it does not have any such assets.
- (i) Currency:  
All amounts stated in these financial statements are in Canadian dollars.

**2. EQUIPMENT:**

	Furniture Equipment	Computers	Total
	\$	\$	\$
<b>Cost:</b>			
At April 1, 2010	13,117	20,435	33,552
Additions	-	743	743
At March 31, 2011	13,117	21,178	34,295
<b>Accumulated Amortization:</b>			
At April 1, 2010	8,141	14,045	22,186
Additions	777	2,028	2,805
At March 31, 2011	8,918	16,073	24,991
<b>Carrying Amount</b>			
At March 31, 2011	4,199	5,105	9,304
At March 31, 2010	4,976	6,390	11,366
<b>Cost:</b>			
At April 1, 2009	13,117	18,705	31,822
Additions	-	1,730	1,730
At March 31, 2010	13,117	20,435	33,552
<b>Accumulated Amortization:</b>			
At April 1, 2009	6,897	11,677	18,574
Additions	1,244	2,368	3,612
At March 31, 2010	8,141	14,045	22,186
<b>Carrying Amount</b>			
At March 31, 2010	4,976	6,390	11,366
At April, 2009	6,220	7,028	13,248

**3. Related Party Transactions:**

During the period the related party transactions were as follows:

	Commission earned	Purchase/ Expenses paid	Amounts owed by related parties	Amount owed to related parties
	\$	\$	\$	\$
Norwest Industries Limited, HK				
March 31, 2011	636,760	-	-	72,592
March 31, 2010	268,488	-	-	367,484
Poeticgem Limited, UK				
March 31, 2011	-	49,473	20,344	-
March 31, 2010	-	31,141	130,895	-
Simple Approach Ltd., HK				
March 31, 2011	-	1,728,570	-	910,429
March 31, 2010	-	-	-	-

The above corporations are related as follows:

Poeticgem Limited is the immediate parent company of this company, Poeticgem Limited, Norwest Industries Limited and Simple Approach Ltd., are all subsidiaries of Global Textile Limited, a foreign corporation, The advances are unsecured, non-interest bearing, with no fixed terms of repayment.

**4. Contingent Liabilities:**

The company is lessee of its premises under a contract expiring December 2011, The minimum aggregate rent payable during the remainder of the contract is \$34,313.

**5. Economic Dependence:**

All of the income is earned by procuring orders / selling goods to one customer.

**6. Income taxes:**

	2011 \$		2010 \$
Net income / (loss) for the year	85,797		(209,371)
Income tax (expense) / recovery	(11,105)		74,295
Income / (loss) before taxes	96,902		(283,666)
Income tax using domestic tax rate	(30.14)%	(29,206)	35.17% 99,765
Non deductible meals and adjustments	(1.20)%	(1,158)	(0.75)% (2,118)
Difference between tax and book amortization	0.11%	102	0.24% 672
Adjustments to tax provision	(1.48)%	(1,435)	-
Losses carry forward	21.25%	20,592	(8.47)% (24,024)
Total effective (tax)   recovery	(11.46)%	(11,105)	26.19% 74,295



## Simple Approach Limited

**REPORT OF THE DIRECTORS**

The directors present their report and the audited financial statements for the year ended March 31, 2011, which were approved by them at the board meeting held on the date of this report.

**PRINCIPAL ACTIVITY**

The principal activity of the Company is garment trading.

**FINANCIAL RESULTS**

The results of the Company for the year ended March 31, 2011 and the state of affairs of the Company at that date are set out in the annexed financial statements.

**DIVIDEND**

The directors do not recommend payment of any dividends.

**PLANT AND EQUIPMENT**

Movements in plant and equipment are set out in Note (11) to the financial statements.

**DIRECTORS**

The directors of the Company who held office during the year and up to date of this report were:

Sandeep Malhotra

Pallak Seth

Faiza Habeeb Seth (appointed on March 17, 2011)

In accordance with Article 7 of the Company's Articles of Association, the directors retire and, being eligible, offer themselves for re-election.

**DIRECTORS' INTEREST**

Except for the related party transactions as disclosed in Note (21) to the financial statements, no contracts of significance to which the Company, any of its holding company or its fellow subsidiaries was a party and in which a director had a material interest subsisted at the end of the year or at any time during the year. At no time during the year was the Company, any of its holding company or its fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

**AUDITORS**

The Company's auditors, Messrs. Louis Lai & Luk, retire and, being eligible, offer themselves for re-appointment.

By order of the Board

Sd/-

Chairman

Hong Kong

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SIMPLE APPROACH LIMITED**

(incorporated in Hong Kong with limited liability)

We have audited the financial statements of Simple Approach Limited set out on pages 5 to 26, which comprise the statement of financial position as at March 31, 2011 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Directors' responsibility for the financial statements**

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at March 31, 2011 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Sd/-

Louis Lai & Luk

Certified Public Accountants

Hong Kong, May 13, 2011

**STATEMENT OF COMPREHENSIVE INCOME**

(For the year ended March 31, 2011)

	Notes	2011 HK\$	2010 HK\$
Turnover	(6)	263,934,582	226,318,279
Cost of sales		(218,213,462)	(182,676,988)
Gross profit		45,721,120	43,641,291
Other revenue	(6)	4,082,355	3,509,743
Selling and distribution costs		(11,478,491)	(18,387,687)
Depreciation expenses		(66,647)	(78,640)
Staff costs		(18,775,324)	(12,594,375)
Other operating expenses		(10,431,151)	(8,623,457)
Profit from operations		9,051,862	7,466,875
Finance costs	(7)	(3,111,664)	(1,942,863)
Profit before taxation	(8)	5,940,198	5,524,012
Taxation	(10)	-	-
Profit for the year		5,940,198	5,524,012
Other comprehensive income		-	-
Total comprehensive income for the year		5,940,198	5,524,012

**STATEMENT OF FINANCIAL POSITION AS**

at March 31, 2011

	Notes	2011 HK\$	2010 HK\$
<b>ASSETS</b>			
Non-Current Assets			
Plant and equipment	(11)	124,878	60,974
Current Assets			
Deposits and prepayment		180,724	249,277
Trade and other receivables	(12)	63,686,297	69,622,800
Amounts due from fellow subsidiaries	(13)	8,682,404	970,862
Amount due from a director	(14)	5,050,237	5,248,831
Cash and bank balances		14,135,849	8,672,380
		91,735,511	84,764,150
Current Liabilities			
Amount due to ultimate holding company	(15)	418,506	625,802
Amount due to immediate holding company	(15)	338,897	205,392
Amounts due to fellow subsidiaries	(15)	2,941,660	18,272,506
Trade and other payables	(16)	20,229,636	30,250,373
Secured bank borrowings	(17)	56,553,074	30,032,633
		80,481,773	79,386,706
Net Current Assets		11,253,738	5,377,444
NET ASSETS		11,378,616	5,438,418
Represented by:			
CAPITAL AND RESERVES			
Share capital	(18)	26,763,200	26,763,200
Accumulated losses		(15,384,584)	(21,324,782)
SHAREHOLDERS' EQUITY		11,378,616	5,438,418

APPROVED BY THE BOARD OF DIRECTORS ON AND SIGNED

ON BEHALF OF THE BOARD BY:

Sd/-

Director

Simple Approach Limited

**STATEMENT OF CHANGES IN EQUITY**

(For the year ended March 31, 2011)

	Share Capital	Accumulated Losses	Total
	HK\$	HK\$	HK\$
At April 1, 2009	26,763,200	(26,848,794)	(85,594)
Total comprehensive income for the year	-	5,524,012	5,524,012
At March 31, 2010	26,763,200	(21,324,782)	5,438,418
Total comprehensive income for the year	-	5,940,198	5,940,198
At March 31, 2011	26,763,200	(15,384,584)	11,378,616

**STATEMENT OF CASH FLOWS**

(For the year ended March 31, 2011)

	2011	2010
	HK\$	HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	5,940,198	5,524,012
Adjustments for:		
Depreciation	66,647	78,640
Bank interest expenses	869,026	459,586
Bank interest income	(13,152)	(3,575)
Fixed asset written off	-	38,599
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>6,862,719</b>	<b>6,097,262</b>
Decrease in deposits	68,554	37,145
Decrease/(Increase) in trade and other receivables	5,936,503	(23,600,804)
Net (payment to)/receipt from ultimate holding company	(207,296)	633,582
Net receipt from immediate holding company	133,505	258,520
Net payment to fellow subsidiaries	(23,042,388)	(12,573,537)
Net receipt from/(payment to) a director	198,594	(213,039)
(Decrease)/Increase in trade and other payables	(10,020,737)	18,029,726
Cash used in operations	(20,070,547)	(11,331,145)
Bank interest received	13,152	3,575
Bank Interest paid	(869,026)	(459,586)
Net cash used in operating activities	(20,926,421)	(11,787,156)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of plant and equipment and net cash used in investing activities	(130,551)	(14,448)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net receipt from discounted bills loan	11,061,434	11,908,909
Net receipt from trust receipts loan	11,442,630	3,156,686
Net receipt from term loan	6,021,720	-
Net (payment to)/receipt from factoring loan	(2,005,343)	3,389,300
Net cash generated from financing activities	26,520,441	18,454,895
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>5,463,469</b>	<b>6,653,291</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>8,672,380</b>	<b>2,019,089</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>14,135,849</b>	<b>8,672,380</b>

**NOTES TO THE FINANCIAL STATEMENTS**

(For the year ended 31 March 2011)

**1. GENERAL**

Simple Approach Limited is incorporated in Hong Kong as a limited liability company. Its principal activity is garment trading. The address of its registered office is 7/F., Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong. The directors consider that the ultimate holding company is House of Pearl Fashions Limited, a company incorporated in India. The shares of the ultimate holding company is listed on the

**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 Ordinance.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note (5) to the financial statements.

In 2011, the Company adopted the new and revised HKFRSs below, which are relevant to its operations.

• HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2009
• HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
• HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
• HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
• HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
• HKFRS 3 (Revised)	Business Combinations
• HKFRS 5 (Amendments)	Non-current Assets Held for Sale and Discontinued Operations
• HKAS 27 (Revised)	Consolidated and Separate Financial Statements
• HKAS 28 (Revised)	Investments in Associates
• HKAS 32 (Amendment)	Classification of Rights Issues
• HKAS 39 (Amendment)	Eligible Hedged Items
• HK (IFRIC) - Int.17	Distributions of Non-cash Assets to Owners
• HK - Int 4 (Revised)	Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases
• HK - Int 5	Presentation of Financial-Statements Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of the above HKFRSs has had no material impact on the principal accounting policies of the Company and the methods of computation in the Company's financial statements. As such, no 2010 comparatives have been amended as a result from adopting the captioned HKFRSs.

**b. Impact of issued but not yet effective HKFRSs**

The Company has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

• HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKFRS 7, HKAS 1 and HKAS 28 <sup>(1)</sup>
• HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>(2)</sup>
• HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters <sup>(4)</sup>
• HKFRS 7 (Amendments)	Disclosure - Transfers of Financial Assets <sup>(4)</sup>
• HKFRS9	Financial Instruments <sup>(6)</sup>
• HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets <sup>(5)</sup>
• HKAS 24 (Revised)	Related Party Disclosures <sup>(3)</sup>
• HK (IFRIC) - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement <sup>(3)</sup>
• HK (IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>(2)</sup>

Notes:

- (1) Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
- (2) Effective for annual periods beginning on or after 1 July 2010
- (3) Effective for annual periods beginning on or after 1 January 2011
- (4) Effective for annual periods beginning on or after 1 July 2011
- (5) Effective for annual periods beginning on or after 1 January 2012
- (6) Effective for annual periods beginning on or after 1 January 2013

## Simple Approach Limited

The directors anticipate that all of the above new and revised standards, amendments or interpretations will be adopted in the Company's financial statements for the period commencing April 1, 2011 and that the adoption of those new and revised standards, amendments or interpretations will have no material impact on the financial statements of the Company.

**c. Plant and Equipment**

Plant and equipment are stated at cost less accumulated depreciation and aggregate identified impairment loss, if any.

Depreciation is provided at rates calculated to write off their cost on a straight line basis over the period of their estimated useful lives at the rate of 33 1/3% per annum.

When assets are sold or otherwise disposed of, their carrying amounts are written off from the financial statements and any gain or loss on the disposal is included in the Statement of Comprehensive Income.

The asset's residual value and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

**d. Impairment of Assets**

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

**e. Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized on the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

**f. Financial Assets**

The Company's financial assets are only classified under loans and receivables category.

**g. Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortized cost using effective interest method, less any identified impairment losses. An impairment loss is recognized in the Statement of Comprehensive Income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the assets recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to a restriction that the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

**h. Financial Liabilities**

The Company's financial liabilities include account and other payables which are subsequently measured at amortized cost, using the effective interest method.

**i. Equity Instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Company's equity instrument represents its issued share capital and is recorded at the share subscription received/receivable at the date of issuance of shares.

**j. Cash and Cash Equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months.

**k. Translation of Foreign Currency**

**(i) Functional and presentation currency**

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates

("the functional currency"). The financial statements are presented in Hong Kong Dollars ("HK\$"), which is the Company's functional and presentation currency.

**(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Comprehensive Income.

**l. Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable loss for the year. Taxable loss differs from net loss as reported in the Statement of Comprehensive Income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable loss, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable loss will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of specific assets and liabilities in a transaction that affects neither the tax loss nor the accounting loss.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the Statement of Comprehensive Income.

**m. Turnover**

Turnover represents invoiced amount of sales less discounts and returns.

**n. Recognition of Revenue**

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for services provided in the normal course of the Company's business. It is recognized when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the bases as follows:

- Revenue from sales of goods is recognized when the goods are delivered to buyer.
- Interest income from bank deposits is accrued on a time proportion basis on the principal outstanding and at the rate applicable.
- Other income is recognized on a receipt basis.

**o. Retirement Benefit Scheme**

The Company participates in Mandatory Provident Fund Scheme ("MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme is held separately from those of the Company in funds under the control of an independent trustee. Pursuant to the rules of the MPF Scheme, each of the employer and employees are required to make contributions to the scheme at rates specified in the rules.

The MPF Scheme is a defined contribution plan and the Company is only obliged to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit costs arising from the MPF Scheme charged to the Statement of Comprehensive Income represent contribution payable to the funds by the Company in accordance with the rules of the scheme.

**p. Employee Benefits**

Employee benefits are all forms of considerations, including wages, salaries, allowances and contribution to retirement benefit scheme payable by the Company in exchange for services rendered by its employees and directors. The employee benefits are classified as staff costs and charged to the Statement of Comprehensive Income.

Provision on employees' entitlements to unconsumed annual leaves as of the end of reporting period are not provided in the financial statements as such leaves are not permitted to be carried forward and utilized by the respective employees in the following year. Sick leave and maternity leave are recognized until the time of leave as directors consider that no material liability would arise as a result of such entitlements in the near future.

## Simple Approach Limited

### q. Borrowing Cost

Interest and other borrowing costs incurred in connection with the borrowing of funds are recognized as expenses in the period in which they are incurred.

### r. Bank Borrowings

Interest bearing bank loans and overdrafts are initially measured as fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs, if any) and the settlement or redemption of borrowings is recognized over the terms of borrowings in accordance with the Company's policy for borrowing cost as stated in the preceding note.

### s. Related Parties

A party is considered to be related to the Company if:

- the party, directly, or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Company; (ii) has an interest in the Company that gives it significant influence over the Company; or (iii) has joint control over the Company;
- the party is an associate;
- the party is a joint venture in which the Company is a venturer;
- the party is a member of the key management personnel of the Company or its parent;
- the party is a close member of the family of any individual referred to in (a) or (d);
- the party is a company that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such company resides with, directly or indirectly, any individual referred to in (d) or (e); or
- the party is a post-employment benefit plan for the benefit of employees of the Company, or of any company that is a related party of the Company.

### t. Financial Risks

The financial risks in connection with the Company's financial instruments include risks as follows.

- Market risk includes three types of risk as below:
  - Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.
  - Fair value interest rate risk: the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.
  - Price risk: the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Market risk embodies not only the potential for loss but also the potential for gain.
- Credit risk: the risk that the corresponding party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss.
- Liquidity risk (also referred to as funding risk): the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.
- Cash flow interest rate risk: the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

## 3. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- To support the Company's stability and growth; and
- To provide capital for the purpose of strengthening the Company's risk management capability.

The Company actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Company. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

## 4. FINANCIAL RISK MANAGEMENT

The Company's financial risks are limited by the financial management policies and practices described below.

### (a) Credit risk

The Company has no significant concentrations of credit risk because the creditworthiness of each of the Company's customers has been assessed before any goods are supplied to them on credit. The directors are not aware of any factor indicating that any debtors would not be capable of repaying their outstanding amounts. Accordingly, the directors are of the opinion that the Company is adequately protected from the credit risk.

### (b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. As at the end of reporting period, the Company keeps sufficient cash equivalents. Accordingly, the liquidity risk on difficult realization of cash equivalent is immaterial.

### (c) Cash flow and fair value interest rate risk

The Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

## 5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgment are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimate of fair value of current assets and liabilities

The nominal value of current assets and liabilities are assumed to approximate their fair value.

## 6. RECOGNITION OF REVENUE

	2011 HK \$	2010 HK \$
Revenue recognized during the year are as follows:		
Turnover:		
Sale of goods	263,934,582	226,318,279
Other revenue:		
Bank interest income	13,152	3,575
Commission received	480,182	-
Claim and recovery	2,399,904	2,449,154
Handling fee income	-	4,060
Sundry income	90,717	177,859
Management fee received	1,098,400	875,095
	4,082,355	3,509,743
Total revenue recognized	<u>268,016,937</u>	<u>229,828,022</u>

## 7. FINANCE COSTS

Bank interest paid	869,026	459,586
Bank finance charges	2,242,638	1,483,277
	<u>3,111,664</u>	<u>1,942,863</u>

## 8. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging and (crediting):

	2011 HK \$	2010 HK \$
Auditors' remuneration	68,000	56,000
Depreciation	66,647	78,640
Exchange difference	474,065	(273,193)
Rental payment under operating leases - properties Staff costs (including directors' remuneration)	60,210	10,373
- Salaries and allowance	17,310,783	11,384,211
- Contribution to retirement benefit scheme - MPF	361,140	319,072
- Director's quarter expenses	962,080	816,000
- Recruitment expenses	141,321	75,092
Fixed assets written off	-	38,599

## Simple Approach Limited

**9. DIRECTORS' REMUNERATION**

	2011 HK \$	2010 HK \$
Fees	-	-
Other emoluments	2,189,080	2,149,080
	<u>2,189,080</u>	<u>2,149,080</u>

**10. TAXATION**

No Hong Kong profits tax has been provided in the financial statements as the assessable profits for the current year have been wholly offset by taxation loss sustained in previous years.

At the end of reporting period, the Company has unused tax losses of HK\$15,459,327 (2010: HK\$21,367,589) available for offset against future profits. No deferred tax asset has been recognized in respect of such tax losses due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

The tax charge for the year can be reconciled to the loss per the Statement of Comprehensive Income as follows:

	2011 HK\$	2010 HK\$
Profit before taxation	5,940,198	5,524,012
Tax at the domestic income tax rate of 16.5%	980,133	911,462
Tax effect of income that are not taxable in determining taxable profits	(722)	(433)
Tax effect of expense that are not deductible in determining taxable profits	-	396
Net tax allowance claimed	(4,548)	16,433
Utilization of tax loss not previously recognized	(974,863)	( 927,858)
Taxation expense for the year	<u>-</u>	<u>-</u>

**11. PLANT AND EQUIPMENT**

	Office Equipment HK\$	Furniture and Fixtures HK\$	Computer Equipment HK\$	Leasehold Improvement HK\$	Total HK\$
Cost					
As 1/4/2009	73,678	24,170	257,243	-	355,091
Additions	7,898	-	6,550	-	14,448
Written off	(55,612)	-	-	-	(55,612)
At 31/3/2010	25,964	24,170	263,793	-	313,927
Additions	47,234	-	54,717	28,600	130,551
At 31/3/2011	73,198	24,170	318,510	28,600	444,478
Aggregate Depreciation					
As 1/4/2009	18,180	12,039	161,107	-	191,326
Charge for the year	14,613	8,056	55,971	-	78,640
Written back	(17,013)	-	-	-	(17,013)
At 31/3/2010	15,780	20,095	217,078	-	252,953
Charge for the year	9,145	4,075	43,895	9,532	66,647
At 31/3/2011	24,925	24,170	260,973	9,532	319,600
Net Book Value					
At 31/3/2011	48,273	-	57,537	19,068	124,878
At 31/3/2010	10,184	4,075	46,715	-	60,974

**12. TRADE AND OTHER RECEIVABLES**

	2011 HK\$	2010 HK\$
Trade receivables (Note (i))	60,561,398	66,582,982
Bills receivables	-	280,655
Other receivables	3,124,899	2,759,163
	<u>63,686,297</u>	<u>69,622,800</u>

## (i) Aging analysis

Aging analysis of trade receivables is as follows:

Neither past due nor impaired	56,594,111	63,993,310
Past due but not impaired	3,967,287	2,589,672
	<u>60,561,398</u>	<u>66,582,982</u>

Trade receivables are due within 90 days from date of billing

**13. AMOUNTS DUE FROM FELLOW SUBSIDIARIES**

The amounts due from fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayments. No provisions for bad and doubtful debts have been recognized on the amounts due from these companies. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

**14. AMOUNT DUE FROM A DIRECTOR**

Disclosed pursuant to Section 161B of the Companies Ordinance:

	Sandeep Malhotra HK\$
Balance at 1/4/2010	5,248,831
Balance at 31/3/2011	<u>5,050,237</u>
Maximum balance outstanding during the year	<u>5,248,831</u>
Terms	On demand
Interest	Free
Security	Nil

**15. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY/IMMEDIATE HOLDING COMPANY/ FELLOW SUBSIDIARIES**

The amounts due to ultimate holding company/immediate holding company/fellow subsidiaries are unsecured, interest-free and repayable on demand. The ultimate holding company/immediate holding company/fellow subsidiaries agreed not to demand repayment of the amount due until the Company is financially capable of repayment. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

**16. TRADE AND OTHER PAYABLES**

	2011 HK\$	2010 HK\$
Trade payables (Note (i))	17,144,902	16,834,087
Bills payable	2,344,039	1,133,951
Other payables and accruals	740,695	12,282,335
Total	<u>20,229,636</u>	<u>30,250,373</u>

## (i) Maturity of the trade payables is as follows:

Due for payment:		
Not later than one year	<u>17,144,902</u>	<u>16,834,087</u>

**17. SECURED BANK BORROWINGS**

Discounted bills loan	33,885,534	22,824,100
Trust receipts loan	15,261,863	3,819,233
Term loan	6,021,720	-
Factoring loan	1,383,957	3,389,300
	<u>56,553,074</u>	<u>30,032,633</u>

**18. SHARE CAPITAL**

	2011 HK\$	2010 HK\$
Authorised		
3,190,000 9% redeemable preference shares of US\$ 1 each	24,818,200	24,818,200
500,000 ordinary shares of US \$ 1 each	3,890,000	3,890,000
	<u>28,708,200</u>	<u>28,708,200</u>
Issued and fully paid-up:		
3,190,000 9% redeemable preference shares of US\$ 1 each	24,818,200	24,818,200
250,000 ordinary shares of US \$ 1 each	1,945,000	1,945,000
	<u>26,763,200</u>	<u>26,763,200</u>

**19. OPERATING LEASE COMMITMENTS**

(a) At the end of reporting period, the Company had outstanding commitments under its non-cancellable operating leases, which fall due as follows:

Simple Approach Limited

	2011 HK\$	2010 HK\$
Within one year	468,000	612,000
In the second to fifth years inclusive	-	-
	<u>468,000</u>	<u>612,000</u>

(b) Operating lease arrangements represent rental payable by the Company for its rented premises. Leases are negotiated for a term of two years.

20. BANKING FACILITIES

General banking facilities granted by a bank were secured by fellow subsidiaries' corporate guarantee, ultimate holding and immediate holding companies' corporate guarantee, directors' personal guarantee, bank guarantee and fellow subsidiary's properties.

21. RELATED PARTY TRANSACTIONS

During normal course of business, the Company had the following material transactions with its related parties below.

Name of Company	Relationship	Nature of transaction	2011 HK\$	2010 HK\$
Depa International Inc.	Fellow subsidiary	Amount due to	-	(8,082)
House of Pearl Fashions Ltd., India	Ultimate holding company	Handling charges	150,981	-
		Purchase of goods	4,501,741	6,872,361
		SAP facilities charges	75,855	161,435
		Amount due to	(418,507)	(625,802)
Global Textile Group Ltd.	Fellow subsidiary	Consultancy fee	1,042,520	-
House of Pearl Fashions (US) Ltd., USA	Fellow subsidiary	Management fee	1,025,311	1,106,203
		Amount due to	(427,228)	(324,947)
Multinational Textiles Group Ltd., Mauritius	Immediate holding company	Management fee	451,862	410,784
		Management fee	(338,897)	(205,392)
Norp Knit Industries Ltd., B'desh	Fellow subsidiary	Purchase of goods	12,663,114	14,144,760
		Amount due from	791,193	339,543
Norwest Industries Ltd., Hong Kong	Fellow subsidiary	Inspection commission	3,295,930	7,206,608
		Inspection fee	244,945	-
		Handling charges	144,328	-
		Management fee	62,271	392,112
		Rental fee	1,035,000	1,003,750
		Sampling expense	739,878	180,224
		Sampling income	-	412,215
		Amount due to	(738,263)	(13,480,291)
Nor Pearl Knitwear Ltd., B'desh	Fellow subsidiary	Amount due to	-	(1,125,414)
Pacific Logistics Ltd., UK	Fellow subsidiary	Processing charges	-	194,369
Pearl GES Group Ltd., Hong Kong	Fellow subsidiary	Purchase of goods	3,064,253	6,748,219

Name of Company	Relationship	Nature of transaction	2011 HK\$	2010 HK\$
		Management fee	326,527	131,482
		Inspection commission	-	231,323
		Amount due from	-	1,900
Pearl Global Ltd., India	Fellow subsidiary	SAP facilities charges	10,713	-
		Amount due from	589,112	608,909
Pearl Global Far East Ltd.	Fellow subsidiary	Amount due from	-	1,900
Poeticgem Limited, Canada	Fellow subsidiary	Sales of goods	13,099,487	-
		Amount due from	7,302,099	-
Poeticgem Limited, UK	Fellow subsidiary	Management fee	-	162,446
		Sampling expense	-	691,625
		Sampling income	-	3,618
		Amount due to	(1,776,169)	(3,333,772)
Zamira Fashion Ltd., Hong Kong	Fellow subsidiary	Commission income	480,182	-
		Inspection commission	47,800	-
		Management fee	-	246,000
		Management fee income	(139,000)	(87,095)
		Amount due from	-	18,610

22. CONTINGENT LIABILITIES

(a) The Company had the following contingent liabilities not provided for in the financial statements at the end of reporting period:

	2011 HK\$	2010 HK\$
Irrevocable letter of credit	113,239,480	42,492,621
Shipping guarantee	740,031	-
	<u>113,979,511</u>	<u>42,492,621</u>

(b) At the end of reporting period, there were mutual guarantees between the Company and its fellow subsidiary.

23. CURRENCY RISK

(i) Exposure to currency risk. The following table details the Company's exposure at the end of reporting period to currency risk arising from forecast transactions or recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2011				
	USD	GBP	EURO	RMB	BDT
Trade and other receivables	7,784,241	-	-	-	-
Cash and cash equivalent	1,721,888	77	987	-	4,965,730
Trade and other payables	(2,504,384)	-	-	(74,655)	-
Bank borrowings	(7,269,323)	-	-	-	-
Net exposure arising from recognized assets and liabilities	<u>(267,578)</u>	<u>77</u>	<u>987</u>	<u>(74,655)</u>	<u>4,965,730</u>

## Simple Approach Limited

	2010				
	USD	GBP	EURO	RMB	BDT
Trade and other receivables	7,781,719	-	602,006	-	-
Cash and cash equivalent	1,083,600	356	658	-	632,641
Trade and other payables	(2,301,849)	-	-	(88,786)	-
Bank borrowings	(732,653)	-	(562,382)	-	-
Net exposure arising from recognized assets and liabilities	<u>5,830,817</u>	<u>356</u>	<u>40,282</u>	<u>(88,786)</u>	<u>632,641</u>

## (ii) Sensitivity analysis.

The following table indicates the approximate change in the Company's profit after tax in response to reasonably possible changes (e.g.  $\pm 10\%$ ) in the foreign exchange rates to which the Company has significant exposure at the statement of financial position date.

	2011		2010	
	Increase	Decrease	Increase	Decrease
	HK\$	HK\$	HK\$	HK\$
United States Dollars	-	-	-	-
British Pound	76	(76)	402	(402)
	2011		2010	
	Increase	Decrease	Increase	Decrease
	HK\$	HK\$	HK\$	HK\$
Euro Dollars	637	(637)	42,308	(42,308)
Chinese Yuan	(7,238)	7,238	(10,309)	10,309
Bangladeshi Taka	45,914	(45,914)	7,136	(7,136)
	<u>39,389</u>	<u>(39,389)</u>	<u>39,537</u>	<u>(39,537)</u>

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period and had been applied to the Company's exposure to currency risk for the variables.

The stated changes represent Management's assessment of reasonably possible change in foreign exchange rates over the period until the next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any change in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on Company's profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2010.

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## 24. INTEREST RATE RISK

Financial liabilities bearing variable interests:

	2011	2010
	HK\$	HK\$
Discounted bills loan	33,885,534	22,824,100
Trust receipts loan	15,261,863	3,819,233
Term loan	6,021,720	-
Factoring loan	1,383,957	3,389,300
	<u>56,553,074</u>	<u>30,032,633</u>

Should market interest rate on March 31 increase by 10%, the profit or loss for the year would be reduced by a net amount of HK\$259,824 (2010: HK\$162,290). The carrying amounts of financial assets and financial liabilities measured at amortised cost and the carrying amount of financial liabilities bearing variable interest measure at fair value would not be affected by the assumed 10% increase in interest rates.

## 25. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Company's Board of Director on May 13, 2011.

Global Textiles Group Limited

**DIRECTORS' REPORT**

The directors are pleased to present their report together with the audited financial statements of the Company for the year ended 31 March 2011.

**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 (2010: NIL).

**Statement of directors' responsibilities in respect of financial statements**

Company law requires the directors to prepare financial statements for each financial period giving a true and fair view of the state of affairs of the Company and of the statement of comprehensive income of the Company. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements 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 or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe that the business will not be a going concern on the year ahead.

**By order of the Board of Directors**

Sd/-

**Director**

Date: 27 May 2011

**SECRETARY'S CERTIFICATE FOR THE YEAR ENDED 31 MARCH 2011**

**Secretary's certificate under Section 166 (d) of the Companies Act 2001**

In accordance with section 166 (d) of the Companies Act 2001, we certify that to the best of our knowledge and belief, the Company has filed with the Registrar of Companies, all such returns as are required of the Company under the Companies Act 2001.

Sd/-

For and on behalf of KROSS BORDER TRUST SERVICES LIMITED

Company Secretary

Date: 27 May 2011

**AUDITORS' REPORT TO THE SHAREHOLDERS OF GLOBAL TEXTILES GROUP LIMITED**

**Report on the Financial Statements**

We have audited the financial statements of Global Textiles Group limited, which comprise the statement of financial position at 31 March 2011, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

**Other matter**

This report, including the opinion, has been prepared for and only for the Company's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Directors' responsibility for the financial statements**

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements on pages 6 to 26 give a true and fair view of the financial position of the Company at 31 March 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritius Companies Act 2001.

**Report on Other Legal and Regulatory Requirements**

**Companies Act 2001**

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

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

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

Sd/-

**Lancasters**

Chartered Accountants

14, Lancaster Court

Lavoquer street

Port Louis

Mauritius

Date: 27 May 2011

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2011**

	Notes	2011 USD	2010 USD
Revenue	6	3,188,846	2,923,036
Expenses		(3,200,322)	(2,935,107)
<b>Loss before taxation</b>		<b>(11,476)</b>	<b>(12,071)</b>
Taxation	7	(3,612)	(11,660)
<b>Loss for the year</b>		<b>(15,088)</b>	<b>(23,731)</b>
Other comprehensive income			
<b>Total comprehensive loss for the year</b>		<b>(15,088)</b>	<b>(23,731)</b>

The notes on pages 10 to 26 form part of these financial statements

**STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2011**

	Notes	2011 USD	2010 USD
<b>Assets</b>			
Investments	8	6,895,833	6,895,833
Receivables	9	1,654,056	1,654,056
<b>Total non-current assets</b>		<b>8,549,889</b>	<b>8,549,889</b>
Other receivables	10	620,366	713,437
Cash and cash equivalents		54,468	180,656
<b>Total current assets</b>		<b>674,834</b>	<b>894,093</b>



## Global Textiles Group Limited

	Notes	2011 USD	2010 USD
<b>Total assets</b>		<b>9,224,723</b>	<b>9,443,982</b>
<b>Equity</b>			
Share capital	11	5,771,556	5,771,556
Revenue reserves		324,261	339,349
<b>Total equity</b>		<b>6,095,817</b>	<b>6,110,905</b>
<b>Non-current liabilities</b>			
Loan from holding company	12	2,487,351	2,492,251
<b>Current liabilities</b>			
Other payables	13	641,555	840,826
<b>Total liabilities</b>		<b>3,128,906</b>	<b>3,333,077</b>
<b>Total equity and liabilities</b>		<b>9,224,723</b>	<b>9,443,982</b>

Approved by the Board on 27 MAY 2011

Sd/- Director Sd/- Director

The notes on pages 10 to 26 form part of these financial statements

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2011

	Share capital USD	Revenue Reserves USD	Total USD
Balance as at 01 April 2009	5,771,556	363,080	6,134,636
<b>Total comprehensive loss for the year</b>			
Loss for the year	-	(23,731)	(23,731)
Balance as at 31 March 2010	5,771,556	339,349	6,110,905
<b>Total comprehensive loss for the year</b>			
Loss for the year	-	(15,088)	(15,088)
<b>Balance as at 31 March 2011</b>	<b>5,771,556</b>	<b>324,261</b>	<b>6,095,817</b>

The notes on pages 10 to 26 form part of these financial statements

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011

	2011 USD	2010 USD
<b>Cash flows from operating activities</b>		
Loss for the year	(15,088)	(23,731)
<i>Adjustments for:</i>		
Taxation	3,612	11,660
Change in receivables	-	(247,500)
Change in other receivables	93,071	(578,079)
Change in other payables	(199,271)	403,884
<b>Net cash generated from operations</b>	<b>(117,676)</b>	<b>(433,766)</b>
Tax paid	(3,612)	(15,913)
<b>Net cash used in operating activities</b>	<b>(121,288)</b>	<b>(449,679)</b>
<b>Cash flows from investing activities</b>		
Acquisition of investments	-	(1,889,421)
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(1,889,421)</b>
<b>Cash flows from financing activities</b>		
Loan from holding company	(4,900)	2,114,161
Advance from related party	-	350,000
<b>Net cash (used in)/from financing activities</b>	<b>(4,900)</b>	<b>2,464,161</b>
Movement in cash and cash equivalents	(126,188)	125,061
Cash and cash equivalents at 01 April	180,656	55,595
<b>Cash and cash equivalents at 31 March</b>	<b>54,468</b>	<b>180,656</b>

The notes on pages 10 to 26 form part of these financial statements

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

#### 1. General information

The Company was incorporated as a private limited Company on 29 March 2006 and was granted a Category 1 Global Business Licence on 31 March 2006. The principal activity of the Company is the holding of investments.

The Company, as a holder of a Category 1 Global Business Licence under the Companies Act 2001 and the Financial Services Act 2007 is required to carry on its business in a currency other than the Mauritian rupee. Since the Company operates in an international environment and conducts most of its transactions in foreign currencies the Company has chosen to retain the United States Dollar (USD) as its reporting currency.

#### 2. Basis of preparation

##### (a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

##### (b) Basis of measurement

The financial statements have been prepared on a historical cost basis except that financial assets and financial liabilities are fair valued.

##### (c) Functional currency

The financial statements are presented in United States Dollar (USD) which is the Company's functional currency and presentation currency.

##### (d) Use of estimates and judgement

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from these estimates.

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

#### 3. Significant accounting policies

The principal accounting policies adopted are as follows:

##### (a) Revenue recognition

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

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

##### (b) Taxation

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

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

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

##### (c) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the

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functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary terms is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

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

(d) *Impairment of assets*

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

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

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

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

(e) *Investments*

Investments in subsidiaries are classified as such where the Company has an interest of more than one half of the voting rights or otherwise has power to exercise control over the entity. The investments are measured at fair value and changes therein, other than impairment and foreign exchange gains and losses are recognised directly in equity.

(f) *Non-derivative financial assets*

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

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

The Company classifies its financial assets in the following categories: at fair value through profit and loss, loans and receivables, held to maturity investments and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

*Cash and cash equivalents*

Cash and cash equivalents comprises of cash at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

*Other receivables*

Other receivables are stated at cost less impairment

(g) *Non-derivative financial liabilities*

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

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

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

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

*Other payables*

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

*Loan from holding company*

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

*Share capital*

*Ordinary shares*

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

(h) *Related parties*

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

(i) *Expenses*

All expenses are recognised in the statement of comprehensive income on an accrual basis.

(j) *Provisions*

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

(k) *New standards, interpretations not yet adopted*

At the date of authorisation of the financial statements of the Company for the year ended 31st March 2011, the following Standards and Interpretations were in issue but not yet effective:

Standard / Interpretation		Effective date
IAS 24 (revised)	Related Party Disclosures	Annual periods beginning on or after 1 January 2011 *
11 individual amendments to 6 standards	Improvements to International Financial Reporting Standards 2010	Amendments are effective for annual periods beginning on or after 1 July 2010 or for annual periods beginning on or after 1 January 2011
IFRS 1 amendment	First-time adoption of International Financial Reporting Standards	Annual periods beginning on or after 1 July 2010*
IFRS 7 amendment	Disclosures - Transfers of Financial Assets	Annual periods beginning on or after 1 July 2011 *
IFRS 9	Financial Instruments	Annual periods beginning on or after 1 January 2013*
IFRS 9	Additions to IFRS 9 Financial Instruments	Annual periods beginning on or after 1 January 2013 *
IFRIC 14 amendment	Prepayments of a Minimum Funding Requirement	Annual periods beginning on or after 1 January 2011 *
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Annual periods beginning on or after 1 July 2010*

\* All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

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IAS 32 Financial Instruments: Presentation: Classification of Rights Issues, Improvements to International Financial Reporting Standards 2010, IFRS 1 amendment, IFRIC 14 amendment, and IFRIC 19 are not applicable to the business of the entity and will therefore have no impact on future financial statements. The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

*IAS 24 (revised)*

IAS 24 (revised) will be adopted by the Company for the first time for its financial reporting period ending 31 March 2012. The standard will be applied retrospectively.

IAS 24 (revised) addresses the disclosure requirements in respect of related parties, with the main changes relating to the definition of a related party and disclosure requirements by government-related entities.

The change in the definition of a related party has resulted in a number of new related party relationships being identified.

*IFRS 7 amendment*

The amendments to IFRS 7 will be adopted by the Company for the first time for its financial reporting period ending 31 March 2013.

In terms of the amendments additional disclosure will be provided regarding transfers of financial assets that are:

- Not derecognised in their entirety and
- Derecognised in their entirety but for which the Company retains continuing involvement.

*IFRS 9*

IFRS 9 will be adopted by the Company for the first time for its financial reporting period ending 31 March 2014. The standard will be applied retrospectively, subject to transitional provisions.

IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host.

The impact on the financial statements for the Company has not yet been estimated.

*Additions to IFRS 9*

The additions to IFRS 9 will be adopted by the Company for the first time for its financial reporting period ending 31 March 2014. The standard will be applied retrospectively, subject to transitional provisions.

Under IFRS 9 (2010), the classification and measurement requirements of financial liabilities are the same as per IAS 39, barring the following two aspects:

Fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, attributable to the changes in the credit risk of the liability will be presented in other comprehensive income (OCI). The remaining change is recognised in profit or loss. However, if the requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.

Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

IFRS 9 (2010) incorporates, the guidance in IAS 39 dealing with fair value measurement, derivatives embedded in host contracts that are not financial assets, and the requirements of IFRIC 9 Reassessment of Embedded Derivatives.

The impact on the financial statements for the Company has not yet been estimated.

**4. Financial risk management***Introduction and preview*

Financial instruments carried on the statement of financial position include loans and receivables, other receivables, cash and cash equivalents, loan from holding company and other payables. The recognition method adopted is disclosed in the individual policy statement associated with each item. The most important types of risk are credit risk, liquidity risk and market risk.

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly review their risk management policies and systems to reflect changes in markets and emerging best practice.

Risk management is carried out by the Board of directors through board meetings. The Company provide principles for overall risk management.

*Market risk*

Market risk represents the potential loss that can be caused by a change in the market value of the financial instruments. The Company's exposure to market risk is determined by a number of factors, including interest rates, foreign currency exchange rates and market volatility.

*Interest rate risk*

The Company is exposed to interest rate risk because they borrow funds both at fixed and floating interest rate. The income and operating cash flows are substantially independent of changes in market interest rates. The Company's only significant interest-bearing financial assets and liabilities are cash and cash equivalents and loan from holding company. Interest income and interest expense may fluctuate in amount, in particular due to changes in interest rates. The risk is managed by maintaining an appropriate mix between the fixed and floating rate borrowings

*Currency risk*

All of the Company's financial assets and liabilities are denominated in United States Dollar. Consequently, the Company is not exposed to the risk of foreign currency exchange rates.

*Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet contractual obligations, and arises from the Company's loans and receivables and cash and cash equivalents.

The Company limits its exposure to credit risk by dealing or investing only with counter parties that has a good credit rating and management does not expect counter party to fail to meet its obligations.

*Liquidity risk*

This refers to the possibility of default by the Company to meet their obligations because of unavailability of funds to meet both operational and capital requirements. In order to ensure adequacy of their funding, management actively manage their debt maturity profile, operating, cash flows and availability of funding. It maintains adequate facilities to finance the Company's operations.

Cash flow forecasting is performed in the operating entities of the Company. The Company monitors rolling forecasts of its liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

**5. Capital risk management**

The Company actively and regularly reviews and manages its capital position to maintain a balance between its liability and equity level. The Company is mainly financed by advances from its holding company.

The management of the Company's capital position is undertaken by the management team of the Company. The management team ensures that the Company is adequately capitalised to meet economic and regulatory requirements. Capital injections and repatriations are executed in a timely fashion, working closely with the business and infrastructure groups. The management team meets on a regular basis and manages capital by taking into account key considerations which may include business developments, regulatory requirements, profitability and market movements such as foreign exchange and interest rate.

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**6. Revenue**

Revenue represents:

	2011 USD	2010 USD
Marketing income	3,156,437	2,302,078
Interest receivable on loan	32,409	29,204
Management fees income	-	591,754
	<u>3,188,846</u>	<u>2,923,036</u>

**7. Taxation**

The Company is subject to income tax in Mauritius at the rate of 15%. It is, however, entitled to a tax credit equivalent to the higher of the foreign tax paid and a deemed credit of 80% of the Mauritian tax on its foreign source income.

The reconciliation of the actual tax charge with the effective tax charge is as follows:

*Recognised in statement of comprehensive income*

	2011 USD	2010 USD
Income tax expense under provided from prior year	3,612	-
Withholding tax	-	11,660
	<u>3,612</u>	<u>11,660</u>

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

*Reconciliation of effective taxation*

	2011 USD	2010 USD
Loss before taxation	<u>(11,476)</u>	<u>(12,071)</u>
Income tax at 15%	(1,721)	(1,811)
Unauthorised deductions	219	-
Tax credit	1,202	1,449
Deferred tax asset not recognised	300	362
Withholding tax	-	11,660
Income tax expense under provided from prior year	3,612	-
Income tax as per statement of comprehensive income	<u>3,612</u>	<u>11,660</u>

**8. Investments**

Investments consist of unquoted shares

	2011 USD	2010 USD
<i>Cost</i>		
At 01 April	6,895,833	5,006,412
Additions during the year	-	1,889,421
<b>At 31 March</b>	<u>6,895,833</u>	<u>6,895,833</u>

<i>Name of company</i>	<i>Type of shares</i>	<i>Number of shares</i>	<i>2011 % held</i>	<i>2010 % held</i>	<i>Country of incorporation</i>
Poeticgem Limited	Equity	50,000	100	100	United Kingdom
House of Pearl Fashions (US) Ltd	Equity	30	24	-	USA
PT Norwest Industry	Equity	149,998	99.87	99.99	Indonesia

At the reporting 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.

**9. Receivables**

	2011 USD	2010 USD
Unsecured, interest free loan to subsidiaries with no fixed repayment terms	<u>1,654,056</u>	<u>1,654,056</u>

**10. Other receivables**

	2011 USD	2010 USD
Loan to related parties	616,108	710,824
Prepayments	4,258	2,613
	<u>620,366</u>	<u>713,437</u>

**11. Share capital**

	2011 USD	2010 USD
Issued and fully paid 5,771,556 ordinary shares of USD 1 each	<u>5,771,556</u>	<u>5,771,556</u>

**12. Loan from holding company**

	2011 USD	2010 USD
Unsecured, interest free loan with no fixed repayment terms	<u>2,487,351</u>	<u>2,492,251</u>

**13. Other payables**

	2011 USD	2010 USD
Loan from related party	350,000	350,000
Management fees payables	141,400	364,900
Non-trade payables and accrued expenses	132,080	17,600
Advance from related company	18,075	18,075
Loan interests accrued	-	90,251
	<u>641,555</u>	<u>840,826</u>

**14. Related party transactions**

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

	2011 USD	2010 USD	
<i>Name of related parties:</i>			
Multinational Textiles Group Limited	Loan payable	4,900	2,114,161
Multinational Textiles Group Limited	Management fees payable	223,500	364,900
Multinational Textiles Group Limited	Interest payable	32,045	29,204
Norwest Industries Limited	Management fees receivable	47,907	74,123
Poeticgem Limited	Loan receivable	-	360,000
Poeticgem Limited	Interest receivable	32,045	29,204
House of Pearl Fashions (US) Ltd	Loan receivable	-	187,500
Pallas Holdings Limited	Loan payable	-	351,650
PT Norwest Industries Limited	Management fees receivable	-	11,660
Poeticgem Limited	Management fees receivable	<u>153,340</u>	<u>153,340</u>

## Global Textiles Group Limited

	Nature	2011 USD	2010 USD
<i>Balances outstanding at 31 March:</i>			
Multinational Textiles Group Limited	Loan payable	2,487,351	2,492,251
Multinational Textiles Group Limited	Management fees payable	141,400	364,900
Multinational Textiles Group Limited	Interest payable	61,613	29,204
Pallas Holdings Limited	Interest payable	61,047	61,047
Pallas Holdings Limited	Loan payable	368,575	368,575
Norwest Industries Limited	Management fee receivable	254,325	206,418
Poeticgem Limited	Loan receivable	904,056	904,056
Poeticgem Limited	Interest receivable	61,613	29,204
House of Pearl Fashions (US) Ltd	Loan receivable	750,000	750,000
JSM Trading Limited	Loan receivable	300,000	300,000
PT Norwest Industries Limited	Management fees receivable	11,660	11,660
Poeticgem Limited	Management fees receivable	-	153,340

## 15. Financial instruments

## Fair values versus carrying amounts

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

	Carrying amount 2011 USD	Fair value 2011 USD	Carrying amount 2010 USD	Fair value 2010 USD
<b>Financial Assets</b>				
Receivables	1,654,056	1,654,056	1,654,056	1,654,056
Other receivables	616,108	616,108	710,824	710,824
Cash and cash equivalents	54,468	54,468	180,656	180,656
<b>Total Financial Assets</b>	<b>2,324,632</b>	<b>2,324,632</b>	<b>2,545,536</b>	<b>2,545,536</b>
<b>Financial Liabilities</b>				
Loan from holding company	2,487,351	2,487,351	2,492,251	2,492,251
Other payables	641,555	641,555	840,826	840,826
<b>Total Financial Liabilities</b>	<b>3,128,906</b>	<b>3,128,906</b>	<b>3,333,077</b>	<b>3,333,077</b>

## Overview

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

## Credit risk

Credit risk represents the potential loss that the Company would incur if counter parties fail to perform pursuant to the terms of their obligations to the Company. The Company limits its credit risk by carrying out transactions through companies within the group. At the reporting date, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

## Exposure to credit risk

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

	2011 USD	2010 USD
<b>Receivables</b>	<b>1,654,056</b>	1,654,056
Other receivables	616,108	710,824
Cash and cash equivalents	54,468	180,656
	<b>2,324,632</b>	<b>2,545,536</b>

## Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to manage liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Company's reputation.

The following are the company's contractual maturities of financial liabilities

	Within One year USD	One to Five years USD
<b>31 March 2011</b>		
Financial liabilities		
Loan from holding company	-	2,487,351
Other payables	641,555	-
<b>Total Financial liabilities</b>	<b>641,555</b>	<b>2,487,351</b>

## 31 March 2010

## Financial liabilities

Loan from holding company	-	2,492,251
Other payables	840,826	-
<b>Total Financial liabilities</b>	<b>840,826</b>	<b>2,492,251</b>

## 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 HKD. Consequently, the Company is exposed to the risk that the exchange rate of the USD relative to the GBP and HKD may change in a manner which has a material effect on the reported values of the Company's assets and liabilities which are denominated in GBP and HKD.

## Currency profile

	Financial amount 2011 USD	Financial liabilities 2011 USD	Financial amount 2010 USD	Financial liabilities 2010 USD
USD	1,526,251	3,128,906	1,795,062	3,333,077
GBP	544,056	-	544,056	-
HKD	254,325	-	206,418	-
	<b>2,324,632</b>	<b>3,128,906</b>	<b>2,545,536</b>	<b>3,333,077</b>

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**Sensitivity Analysis:**

A 10 % strengthening of USD against the following currencies at 31st March 2011 would have increased net loss before tax by USD 79,839 (2010: USD 75,048). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as in 2010.

	2011 USD	2010 USD
GBP	54,406	54,406
HKD	25,433	20,642
<b>Total</b>	<b>79,839</b>	<b>75,048</b>

Similarly a 10% weakening of the USD against the above currencies at 31st March 2011 would have had the exact reverse effect.

**16. Capital management**

The Company's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

**17. Exemption from preparing consolidated financial statements**

The Company is a wholly owned subsidiary of Multinational Textile Group Limited and has taken advantage of paragraph 10 of International Accounting Standards (IAS 27) - 'Consolidated and Separate Financial Statements', which dispenses it from the need to present consolidated financial statements. The registered office of Multinational Textile Group Limited where the consolidated financial statements are available is St Louis Business Centre, Cnr Desroches & St Louis Streets, Port Louis, Mauritius.

**18. Holding and ultimate holding company**

The Company is a wholly owned subsidiary of Multinational Textile Group Limited, a Company incorporated in the Republic of Mauritius. The ultimate holding Company is House of Pearl Fashions Ltd a Company incorporated in India.

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2011**

	2011 USD	2010 USD
<b>Revenue</b>		
Marketing income	3,156,437	2,302,078
Interest on loan received	32,409	29,204
Management fees	-	591,754
	<b>3,188,846</b>	<b>2,923,036</b>
<b>Expenses</b>		
Consultancy fees	3,080,056	2,327,903
Interest paid on loan	32,409	29,204
Bank charges	31,240	27,567
Management fees	29,150	364,900
Professional fees	10,875	5,580
Audit and accounting fees	9,400	10,700
Administration charges	2,449	2,250
Licence fees	1,750	1,875
Debtors written off	1,458	132,456
Sundries	975	6,212
Telephone, fax and courier charges	560	500
Salaries	-	25,960
	<b>3,200,322</b>	<b>2,935,107</b>
<b>Loss before taxation</b>	<b>(11,476)</b>	<b>(12,071)</b>

**PG Group Limited**

(Formerly Pearl GES Group Limited)

**REPORT OF THE DIRECTORS**

The directors present their report and the audited financial statements for the year ended 31 March 2011.

**Principal activities**

The principal activities of the Company are the trading of home and garment products, and investment holding. The principal activities of the Company's subsidiaries are set out in note 12 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

**Change of company name**

Pursuant to a resolution of shareholders on 9 March 2011, the name of the Company was changed from Pearl GES Group Limited to PG Group Limited.

**Results**

The Group's profit for the year ended 31 March 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 5 to 36.

**Property, plant and equipment**

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note II to the financial statements.

**Reserves**

Details of movements in the reserves of the Company and the Group during the year are set out in note 17 to the financial statements and in the consolidated statement of changes in equity, respectively.

**Directors**

The directors of the Company during the year were:

- Berstein Jauregui Sebastian Felipe
- Deepak Kumar Seth
- GuiloffTitelman Yariv
- Pallak Seth
- Payel Seth

In accordance with the Company's articles of association, all directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

**Directors' interests**

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

**Directors' interests in contracts**

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party during the year.

**Auditors**

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

**ON BEHALF OF THE BOARD**

Mr. Pallak Seth  
Chairman  
Hong Kong  
12 MAY 2011

**INDEPENDENT AUDITORS' REPORT**

To the shareholders of PG Group Limited (formerly Pearl GES Group Limited) (Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of PG Group Limited (formerly Pearl GES Group Limited) (the "Company") and its subsidiaries (together, the "Group") set out on pages 5 to 36, which comprise the consolidated and company statements of financial position as at 31 March 2011, and the consolidated and company income statements, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Directors' responsibility for the consolidated financial statements**

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the

preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011, and of the Company's and the Group's profit and the Group's cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Sd/-  
Certified Public Accountants  
Hong Kong,  
12 May 2011

**CONSOLIDATED INCOME STATEMENT YEAR ENDED 31 MARCH 2011**

	Notes	2011 US\$	2010 US\$
<b>REVENUE</b>	5	<b>22,025,286</b>	17,640,953
Cost of sales		(18,702,138)	(14,996,321)
Gross profit		3,323,148	2,644,632
Other income	5	568,751	393,509
Selling and administrative expenses		(3,493,610)	(3,472,916)
Other operating expenses		-	(800)
Finance costs	8	(33,724)	(76,231)
<b>PROFIT/(LOSS) BEFORE TAX</b>	6	<b>364,565</b>	(511,806)
Income tax expense	9	(49,376)	(33,000)
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>315,189</b>	(544,806)
Attributable to:			
Owners of the parent	10	315,148	(544,806)
Non-controlling interests		41	-
		<b>315,189</b>	(544,806)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 MARCH 2011**

	2011 US\$	2010 US\$
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>315,189</b>	(544,806)
<b>OTHER COMPREHENSIVE LOSS</b>		
Exchange differences on translation of foreign operations	(9,342)	(26,421)
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(9,342)</b>	(26,421)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	<b>305,847</b>	(571,227)
Attributable to:		
Owners of the parent	306,740	(571,227)
Non-controlling interests	(893)	-
	<b>305,847</b>	(571,227)

PG Group Limited  
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION ON 31 MARCH 2011**

	Notes	2011 US\$	2010 US\$
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	41,959	120,217
Intangible asset - brandname		5,524	-
Deposits		47,789	42,547
Due from a director	15	7,000	7,000
Total non-current assets		102,272	169,764
<b>CURRENT ASSETS</b>			
Trade and bills receivables	13	1,401,413	1,281,504
Prepayments, deposits and other receivables		188,466	100,383
Due from a related company	14	906,806	1,149,994
Due from directors	15	404,000	404,000
Cash and cash equivalents		679,287	81,131
Total current assets		3,579,972	3,017,012
<b>CURRENT LIABILITIES</b>			
Trade payables		1,140,471	576,923
Other payables, accruals and receipts in advance		513,792	206,521
Due to the immediate holding company	19(b)	2,400,348	2,467,140
Due to fellow subsidiaries	19(b)	55,825	678,128
Tax payables		11,960	4,063
Total current liabilities		4,122,396	3,932,775
<b>NET CURRENT LIABILITIES</b>		<b>(542,424)</b>	<b>(915,763)</b>
Net liabilities		<b>(440,152)</b>	<b>(745,999)</b>
<b>EQUITY</b>			
Equity attributable to ordinary equity holders of the parent			
Issued capital	16	1,000,000	1,000,000
Reserves		(1,439,259)	(1,745,999)
		(439,259)	(745,999)
Non-controlling interests		(893)	-
Net deficiency in assets		(440,152)	(745,999)
Sd/- Mr. Deepak Seth Director			Sd/- Yariv Sepastion Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31 MARCH 2011**

	Issued capital	Exchange reserve	Accumulat-ed losses	Total	Non-controlling interests	Net deficiency in assets
	US\$	US\$	US\$	US\$	US\$	US\$
At 1 April 2009	1,000,000	(5,870)	(1,168,902)	(174,772)	-	(174,772)
Loss for the year	-	-	(544,806)	(544,806)	-	(544,806)
Other comprehensive loss for the year:						
Exchange differences on translation of foreign operations	-	(26,421)	-	(26,421)	-	(26,421)
Total comprehensive loss for the year	-	(26,421)	(544,806)	(571,227)	-	(571,227)
At 31 March 2010 and at 1 April 2010	1,000,000	(32,291)	(1,713,708)	(745,999)	-	(745,999)
Profit for the year	-	-	315,148	315,148	41	315,189
Other comprehensive loss for the year:						
Exchange differences on translation of foreign operations	-	(8,408)	-	(8,408)	(934)	(9,342)

	Issued capital	Exchange reserve	Accumulat-ed losses	Total	Non-controlling interests	Net deficiency in assets
	US\$	US\$	US\$	US\$	US\$	US\$
Total comprehensive income for the year	-	(8,408)	315,148	306,740	(893)	305,847
At 31 March 2011	1,000,000	(40,699)*	(1,398,560)*	(439,259)	(893)	(440,152)

\* These reserve accounts comprise the deficit reserves of HK\$ 1,439,259 (2010: HK\$1,745,999) in the consolidated statement of financial position.

**CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED 31 MARCH 2011**

	Notes	2011 US\$	2010 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before tax		364,565	(511,806)
Adjustments for:			
Interest income	5	(3,379)	(18,838)
Depreciation	6	85,736	101,478
Finance costs	8	33,724	76,231
		480,646	(352,935)
Increase in trade and bills receivables		(119,909)	(867,294)
Increase in prepayments, deposits and other receivables		(92,046)	(64,705)
Increase in amounts due from directors		-	(176,000)
Decrease/(increase) in an amount due from a related company		243,188	(1,149,994)
Increase in trade payables		563,548	424,999
Increase in other payables, accruals and receipts in advance		304,357	122,680
Increase/(decrease) in an amount due to the immediate holding company		(82,108)	2,021,973
Increase/(decrease) in amounts due to fellow subsidiaries		(622,303)	118,841
Cash generated from operations		675,373	77,565
Interest received		3,379	18,838
Interest paid		(33,724)	(76,231)
Overseas tax paid		(41,479)	(28,937)
Net cash flows from/(used in) operating activities		603,549	(8,765)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment	11	(9,681)	(14,976)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>593,868</b>	<b>(23,741)</b>
Cash and cash equivalents at beginning of year		81,131	96,008
Effect of foreign exchange rate changes, net		4,288	8,864
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>679,287</b>	<b>81,131</b>
<b>ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		679,287	81,131
<b>INCOME STATEMENT YEAR ENDED 31 MARCH 2011</b>			
	Notes	2011 US\$	2010 US\$
<b>REVENUE</b>			
Revenue	5	16,269,416	14,110,665
Cost of sales		(14,014,804)	(12,129,900)
Gross profit		2,254,612	1,980,765
Other income	5	827,928	511,942
Selling and administrative expenses		(2,684,677)	(2,771,347)
Finance costs	8	(33,709)	(76,231)
<b>PROFIT/(LOSS) BEFORE TAX</b>	6	<b>364,154</b>	<b>(354,871)</b>
Income tax expenses	9	(49,376)	(28,937)
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>314,778</b>	<b>(383,808)</b>



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STATEMENT OF FINANCIAL POSITION 31 MARCH 2011

	Notes	2011 US\$	2010 US\$
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	29,192	53,919
Investment in a subsidiary	12	225,000	225,000
Deposit		41,749	41,749
Due from a director	15	7,000	7,000
Total non-current assets		302,941	327,668
<b>CURRENT ASSETS</b>			
Trade and bills receivables	13	525,319	366,995
Prepayments, deposits and other receivables		132,203	75,639
Due from a subsidiary	12	857,168	1,034,444
Due from a related company	14	906,806	1,149,994
Due from directors	15	404,000	404,000
Cash and cash equivalents		476,474	39,751
Total current assets		3,301,970	3,070,823
<b>CURRENT LIABILITIES</b>			
Trade payables		736,451	337,902
Other payables and accruals		336,357	166,129
Due to the immediate holding company	9(b)	2,400,348	2,467,140
Due to fellow subsidiaries	19(b)	55,825	678,128
Tax payable		11,960	-
Total current liabilities		3,540,941	3,649,299
<b>NET CURRENT LIABILITIES</b>			
		(238,971)	(578,476)
<b>EQUITY</b>			
Net assets/(Liabilities)		63,970	(250,808)
<b>EQUITY</b>			
Issued capital	16	1,000,000	1,000,000
Accumulated losses		(936,030)	(1,250,808)
Total equity/(net deficiency in assets)		63,970	(250,808)
Sd/-			Sd/-
Mr. Deepak Seth			Yariv Sepastion
Director			Director

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2011

1. CORPORATE INFORMATION

PG Group Limited (formerly Pearl GES Group Limited) is a limited company incorporated in Hong Kong. The registered office of the Company is located at 9/F, Surson Commercial Building, 140-142 Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong.

During the year, the Group was primarily engaged in the trading of home and garment products, and investment holding.

Pursuant to a resolution of shareholders on 9 March 2011, the name of the Company was changed from Pearl GES Group Limited to PG Group Limited.

The Company is a subsidiary of Multinational Textile Group Limited, a company incorporated in Mauritius. In the opinion of the directors, the Company's ultimate holding company is House of Pearl Fashions Limited, a company incorporated in India whose shares are listed on The National Stock Exchange of India Limited.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost

convention and are presented in United States dollars ("US\$").

Basis of consolidation

*Basis of consolidation from 1 April 2010*

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2011. The financial statements of its subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of its subsidiaries are consolidated from the date of incorporation/acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Certain new and revised HKFRSs are effective for the first time during the current financial year but are not applicable to the Group, and accordingly, they have had no impact on the Group's financial statements for the year ended 31 March 2011.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied any new and revised HKFRSs, that have been issued but are not yet effective for the year ended 31 March 2011, in these financial statements. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of its subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Business combinations and goodwill

*Business combinations from 1 April 2010*

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement* either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's

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previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### *Business combinations prior to 1 April 2010 but after 1 January 2005*

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 April 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

### Related parties

A party is considered to be related to the Group if:

- the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under Common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- the party is an associate;

- the party is a jointly-controlled entity;
- the party is a member of the key management personnel of the Group or its parent;
- the party is a close member of the family of any individual referred to in (a) or (d);
- the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the lease terms
Office equipment	10% - 33 $\frac{1}{3}$ %
Furniture and fixtures	10% - 33 $\frac{1}{3}$ %

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### Intangible assets other than goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

The Group's brandname is stated at cost less any impairment losses.

### Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

### Financial instruments

#### *Financial assets*

The Group's financial assets are classified and accounted for as loans and receivables. Financial assets are recognised on the trade date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Any changes in their value are recognised in profit or loss.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial

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assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

An assessment for impairment is undertaken at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment loss on loans and receivables is recognised when there is objective evidence that the Group will not be able to collect all the amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

### Financial liabilities

The Group's financial liabilities are classified and accounted for as financial liabilities at amortised cost. Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or expires.

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash which are not restricted as to use.

### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside the income statement is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- commission income, in the period in which the sale services are rendered; and
- interest income, on an accrual basis using the effective interest method.

### Employee benefits

#### *Retirement benefit costs*

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

### Foreign currencies

These financial statements are presented in US\$, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of an overseas subsidiary is a currency other than the US\$. As at the end of the reporting period, the assets and liabilities of the subsidiary are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period, and its income statement is translated into US\$ at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of the overseas subsidiary are translated into US\$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas Subsidiary which arise throughout the year are translated into US\$ at the weighted average exchange rates for the year.

## 4. FINANCIAL SUPPORT

The ultimate holding company of the Group has confirmed its intention to provide continuing financial support to the Group, directly or through other group companies, so as to enable the Group to meet its liabilities as and when they fall due and to enable the Group to continue operating for the foreseeable future. Accordingly, the directors have prepared the financial statements on a going concern basis.

## 5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's and the Company's turnover, represents the net invoiced value of goods sold.

An analysis of other income is as follows:

	Group		Company	
	2011 US\$	2010 US\$	2011 US\$	2010 US\$
Interest income	3,379	18,838	35,825	18,838
Commission income	407,070	294,733	644,253	438,054
Foreign exchange differences, net	305	36,967	(2,816)	14,619
Compensation from suppliers for late shipments	154,665	42,971	150,666	40,430
Others	3,332	-	-	-
	<b>568,751</b>	<b>393,509</b>	<b>827,928</b>	<b>511,942</b>

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6. PROFIT/(LOSS) BEFORE TAX

The Group's and the Company's profit/(loss) before tax is arrived at after charging/(crediting):

	Group		Company	
	2011 US\$	2010 US\$	2011 US\$	2010 US\$
Cost of inventories sold	18,702,138	14,996,321	14,014,804	12,129,900
Auditors' remuneration	23,734	23,498	12,166	11,866
Depreciation	85,736	101,478	31,270	28,212
Minimum lease payments under operating leases of land and buildings	226,654	244,811	181,969	164,419
Staff costs (excluding directors' remuneration (note 7)):				
Salary and allowances	912,002	699,339	513,261	380,308
Pension scheme contribution (defined contribution scheme)	175,140	120,425	167,939	116,147
	1,087,142	819,764	681,200	496,455
Foreign exchange differences, net	(305)	(36,967)	2,816	(14,619)

7. DIRECTORS' REMUNERATION

Director's remuneration, disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group and Company	
	2011 US\$	2010 US\$
Fees	-	-
Other emoluments:		
Salaries and allowances	103,977	103,481
	103,977	103,481

8. FINANCE COSTS

	Group		Company	
	2011 US\$	2010 US\$	2011 US\$	2010 US\$
Interest on bank overdrafts	33,724	21,591	33,709	21,591
Interest on an amount due to the immediate holding company	-	54,640	-	54,640
	33,724	76,231	33,709	76,231

9. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group and the Company have available tax losses brought forward from prior years to offset the assessable profits generated during the year (2010: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Group and the Company operate.

	Group		Company	
	2011 US\$	2010 US\$	2011 US\$	2010 US\$
Hong Kong:				
Underprovision in prior years	-	4,063	-	-
Mainland China:				
Current	49,376	28,937	49,376	28,937
	49,376	33,000	49,376	28,937

A reconciliation of the tax expense applicable to profit/(loss) before tax at the Hong Kong statutory tax rate to the tax expense/amount at the effective tax rate, is as follows:

	Group		Company	
	2011 US\$	2010 US\$	2011 US\$	2010 US\$
Profit/(loss) before tax	364,565	(511,806)	364,154	(354,871)
Tax at the statutory tax rate	60,153	(84,448)	60,085	(58,554)
Income not subject to tax	(8,973)	(11,960)	-	-
Expenses not deductible for tax	55,667	16,743	9,224	12,578
Adjustments in respect of current tax of previous periods	-	4,063	-	-
Tax losses utilised from previous periods	(71,181)	-	(69,309)	-
Tax losses not recognised	-	103,373	-	45,976
Deemed income tax on the Group's representative office located in Mainland China	49,376	28,937	49,376	28,937
Effect of taxes elsewhere	(35,666)	(23,708)	-	-
Tax at the effective tax rate	49,376	33,000	49,376	28,937

At the end of the reporting period, the Group and the Company had tax losses arising from Hong Kong of approximately US\$702,600 (2010: US\$1,134,000), subject to the agreement of the Hong Kong Inland Department, that are available indefinitely for offsetting against future taxable profits of the Company arising in Hong Kong. The Group and the Company also had tax losses arising in Chile of US\$33,223 (2010: US\$211,555) that are available indefinitely for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as the directors consider it uncertain that future taxable profits will be available to utilise the unused tax losses.

10. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 March 2011 includes a profit of US\$314,778 (2010: loss of US\$383,808) which has been dealt with in the financial statements of the Company (note 17(b)).

11. PROPERTY, PLANT AND EQUIPMENT

	Group			
	Leasehold improvements US\$	Furniture and fixtures US\$	Office equipment US\$	Total US\$
<b>31 March 2011</b>				
At 31 March 2010 and at 1 April 2010:				
Cost	134,034	50,147	55,128	239,309
Accumulated depreciation	(81,696)	(20,091)	(17,305)	(119,092)
Net carrying amount	52,338	30,056	37,823	120,217
At 1 April 2010, net of accumulated depreciation	52,338	30,056	37,823	120,217
Additions	2,357	1,791	5,533	9,681
Depreciation provided during the year	(51,307)	(16,646)	(17,783)	(85,736)
Exchange realignment	(3,388)	195	990	(2,203)
At 31 March 2011, net of accumulated depreciation	-	15,396	26,563	41,959
At 31 March 2011 :				
Cost	-	51,938	60,661	112,599
Accumulated depreciation	-	(36,542)	(34,098)	(70,640)
Net carrying amount	-	15,396	26,563	41,959

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	Leasehold improvements	Furniture and fixtures	Office equipment	Total
	US\$	US\$	US\$	US\$
<b>31 March 2010</b>				
At 1 April 2009:				
Cost	134,034	49,580	40,719	224,333
Accumulated depreciation	(21,278)	(4,039)	(3,986)	(29,303)
Net carrying amount	<u>112,756</u>	<u>45,541</u>	<u>36,733</u>	<u>195,030</u>
At 1 April 2009, net of accumulated depreciation	112,756	45,541	36,733	195,030
Additions	-	567	14,409	14,976
Depreciation provided during the year	(70,864)	(16,248)	(14,366)	(101,478)
Exchange realignment	10,446	196	1,047	11,689
At 31 March 2010, net of accumulated depreciation	<u>52,338</u>	<u>30,056</u>	<u>37,823</u>	<u>120,217</u>
At 31 March 2010:				
Cost	134,034	50,147	55,128	239,309
Accumulated depreciation	(81,696)	(20,091)	(17,305)	(119,092)
Net carrying amount	<u>52,338</u>	<u>30,056</u>	<u>37,823</u>	<u>120,217</u>
Company				

	Furniture and fixtures	Office equipment	Total
	US\$	US\$	US\$
<b>31 March 2011</b>			
At 31 March 2010 and at 1 April 2010:			
Cost	47,584	42,072	89,656
Accumulated depreciation	(19,825)	(15,912)	(35,737)
Net carrying amount	<u>27,759</u>	<u>26,160</u>	<u>53,919</u>
At 1 April 2010, net of accumulated depreciation	27,759	26,160	53,919
Additions	1,791	4,752	6,543
Depreciation provided during the year	(16,207)	(10,063)	(31,270)
At 31 March 2011, net of accumulated depreciation	<u>13,343</u>	<u>15,849</u>	<u>29,192</u>
At 31 March 2011 :			
Cost	49,375	46,824	96,199
Accumulated depreciation	(36,032)	(30,975)	(67,007)
Net carrying amount	<u>13,343</u>	<u>15,849</u>	<u>29,192</u>
<b>31 March 2010</b>			
At 1 April 2009:			
Cost	47,584	30,015	77,599
Accumulated depreciation	(3,965)	(3,560)	(7,525)
Net carrying amount	<u>43,619</u>	<u>26,455</u>	<u>70,074</u>
At 1 April 2009, net of accumulated depreciation	43,619	26,455	70,074
Additions	-	12,057	12,057
Depreciation provided during the year	(15,860)	(12,352)	(28,212)
At 31 March 2010, net of accumulated depreciation	<u>27,759</u>	<u>26,160</u>	<u>53,919</u>
At 31 March 2010:			
Cost	47,584	42,072	89,656
Accumulated depreciation	(19,825)	(15,912)	(35,737)
Net carrying amount	<u>27,759</u>	<u>26,160</u>	<u>53,919</u>

12. INVESTMENT IN A SUBSIDIARY

	Company	
	2011 US\$	2010 US\$
Unlisted shares, at cost	<u>225,000</u>	<u>225,000</u>

The amount due from a subsidiary included in the Company's current assets of US\$857,168 (2010: 1,034,444) is unsecured, interest-free, and has no fixed terms of repayment.

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
PG Home Group Limited (formerly Pearl GES Home Group Limited)	Hong Kong	US\$250,000	90	-	Trading of home and garment products and investment holding
PG Home Group S.P.A. Chile (formerly Pearl GES Home Group S.P.A.)*	Chile	Chilean Pesos 3,000,000	-	90	Sales and marketing
#	Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.				

13. TRADE AND BILLS RECEIVABLES

The Group and the Company's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Trade and bills receivables are noninterest-bearing and are on terms of up to 120 days. The Group and the Company seek to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. There is no significant concentration of credit risk.

As at the end of the reporting period, all the Group's and the Company's trade and bills receivable balances were neither individually nor collectively considered to be impaired, and these receivables related to a number of diversified customers for whom there was no recent history of default.

The aged analysis of trade receivables as at the end of the reporting period, based on the payment due date, that are neither individually nor collectively considered to be impaired, is as follows:

	Group		Company	
	2011 US\$	2010 US\$	2011 US\$	2010 US\$
Neither past due nor impaired	1,401,413	1,175,357	525,319	320,683
Past due but not impaired:				
Less than one month	-	92,534	-	46,312
Over one month	-	13,613	-	-
	<u>1,401,413</u>	<u>1,281,504</u>	<u>525,319</u>	<u>366,995</u>

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group and the Company. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group and the Company do not hold any collateral or other credit enhancements over these balances.

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**14. DUE FROM A RELATED COMPANY**

Particulars of an amount due from a related company, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

Name	Maximum amount outstanding during the		
	31 March 2011 US\$	year US\$	1 April 2010 US\$
Grupo Extremo SUR S.A.	<u>906,806</u>	1,149,994	<u>1,149,994</u>

The related company held 100% shareholding of GES Corp. HK Limited, a shareholder of the Company.

The amount due from a related company is unsecured, interest-free, and has no fixed terms of repayment.

**15. DUE FROM DIRECTORS**

Particulars of the amounts due from directors, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

Name	Maximum amount outstanding during the		
	31 March 2011 US\$	year US\$	1 April 2010 US\$
Mr. Sebastian Felipe Berstein Jauregui	<u>196,000</u>	196,000	196,000
Mr. Yariv GuiloffTitelman	<u>215,000</u>	215,000	215,000
	<u>411,000</u>	-	411,000
Amount classified as non-current	<u>(7,000)</u>		(7,000)
	<u>404,000</u>		404,000

The amounts due from directors are unsecured, interest-free, and have no fixed terms of repayment.

**16. SHARE CAPITAL**

	2011 US\$	2010 US\$
Authorised, issued and fully paid:		
1,000,000 ordinary shares of US\$1 each - US\$1,000,000	<u>1,000,000</u>	<u>1,000,000</u>

**17. RESERVES**

## (a) Group

The amounts of the Group's reserves and the movements therein for the current year and the prior year are presented in the consolidated statement of changes in equity on page 9 of the financial statements.

## (b) Company

	Accumulated losses US\$
At 1 April 2009	(867,000)
Total comprehensive loss for the year	(383,808)
At 31 March 2010 and 1 April 2010	(1,250,808)
Total comprehensive income for the year	314,778
At 31 March 2011	<u>(936,030)</u>

**18. OPERATING LEASE ARRANGEMENTS**

The Group and the Company lease office premises under operating lease arrangements. Leases for these properties are negotiated for terms ranging from two to three years.

At the end of the reporting period, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2011 US\$	2010 US\$
Within one year	<u>237,932</u>	183,954
In the second to fifth years, inclusive	<u>120,997</u>	241,925
	<u>358,929</u>	<u>425,879</u>

**19. RELATED PARTY TRANSACTIONS**

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group and the Company had the following material transactions with related parties during the year:

	Notes	2011 US\$	2010 US\$
Fellow subsidiaries:			
Sales of goods	(i)	<u>444,967</u>	1,071,875
Commissions received	(ii)	-	29,733
Management fees received	(iii)	<u>83,940</u>	33,800
Commissions paid	(iv)	-	31,122
Immediate holding company:			
Management fees paid	(iii)	<u>7,184</u>	25,000
Interest paid	(v)	-	54,640
A related company:			
Sales of goods	(i)	<u>9,016,532</u>	8,809,849
Commissions paid	(iv)	<u>426,364</u>	570,624

Notes:

- The sales were made according to the prices and conditions similar to those offered to the major customers of the Group.
  - The commission income for 2010 was related to the provision of non-exclusive sourcing services provided to a fellow subsidiary and was charged according to terms stipulated in the agreement between the Group and the fellow subsidiary.
  - The management fees received and the management fee paid were charged at rates agreed between the Group and the respective fellow subsidiaries or the immediate holding company.
  - The commissions paid were related to sourcing services received and were charged at rates agreed between the Group and the fellow subsidiary or the related company.
  - The interest paid in 2010 was charged at 4% per annum.
- (b) Outstanding balances with related parties:

The amounts due to fellow subsidiaries and the immediate holding company are unsecured, interest-free, and have no fixed terms of repayment.

**20. FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2011 US\$	2010 US\$
Group		
<u>Financial assets - loans and receivables</u>		
Trade and bills receivables	<u>1,401,413</u>	1,281,504
Financial assets included in prepayments, deposits and other receivables	<u>48,789</u>	68,375
Due from a related company	<u>906,806</u>	1,149,994
Due from directors	<u>411,000</u>	411,000
Cash and cash equivalents	<u>679,287</u>	81,131
	<u>3,447,295</u>	<u>2,992,004</u>
<u>Financial liabilities - financial liabilities at amortised cost</u>		
Trade payables	<u>1,140,471</u>	576,923

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	2011 US\$	2010 US\$
Financial liabilities included in other payables accruals, and receipts in advance	434,202	206,521
Due to the immediate holding company	2,400,348	2,467,140
Due to fellow subsidiaries	55,825	678,128
	<u>4,030,846</u>	<u>3,928,712</u>

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

Company

	2011 US\$	2010 US\$
<b>Financial assets - loans and receivables</b>		
Trade and bills receivables	525,319	366,995
Financial assets included in prepayments, deposits and other receivables	42,749	42,833
Due from a subsidiary	857,168	1,034,444
Due from a related company	906,806	1,149,994
Due from directors	411,000	411,000
Cash and cash equivalents	476,474	39,751
	<u>3,219,516</u>	<u>3,045,017</u>
<b>Financial liabilities - financial liabilities at amortised cost</b>		
Trade payables	736,451	337,902
Financial liabilities included in other payables and accruals	336,357	166,129
Due to the immediate holding company	2,400,348	2,467,140
Due to fellow subsidiaries	55,825	678,128
	<u>3,528,981</u>	<u>3,649,299</u>

As at the end of the reporting period, the carrying amounts of the Group's and the Company's financial assets and financial liabilities approximate to their fair values.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's exposure to credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Group's financial management policies and practices described below:

*Credit risk*

The carrying amounts of cash and cash equivalents, trade receivables, deposits and other receivables, an amount due from a related company and amounts due from directors represent the Group's maximum exposure to credit risk in relation to financial assets. The Group's cash and cash equivalents are deposited with creditworthy banks with no recent history of default. The Group has policies in place to evaluate credit risk when accepting new business and to limit its credit exposure to individual customers. The maximum exposure for trade and bills receivables is the carrying amount as disclosed in note 13 to the financial statements. The directors consider that the Group does not have a significant concentration of credit risk.

*Liquidity risk*

In the management of liquidity risk, the Group monitors and maintains a level of working capital deemed adequate, and maintains a balance between continuity and flexibility of funding from group companies.

The Group and the Company's trade payables, other payables and accruals are due on demand whereas the repayment terms of the amounts due to the immediate holding company and fellow subsidiaries are disclosed in note 19(b).

*Capital management*

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2011 and 31 March 2010.

22. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 12 May 2011.

## PT Norwest Industry

**INDEPENDENT AUDITORS' REPORT**

The Stockholders and Directors

**PT Norwest Industry**

We have audited the balance sheets of PT Norwest Industry as of March 31, 2011 and 2010 and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also 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, with the exception of the matter described in the following paragraph, the financial position of PT Norwest Industry as of March 31, 2011 and 2010, 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.

As disclosed in Notes 2.d to financial statements, the Company has not implemented the Indonesian Statement of Financial Accounting Standard (SFAS) No. 55 and 55 (Revised 2006) - Financial Instruments, which are applicable for financial statements covering periods beginning on or after January 1, 2010. The management has informed that impact of these standards on the financial statements has not been determined.

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 Note 22, 23 and 24 to the financial statements.

Sd/-

**Saptoto Agustomo**

Public Accountant License Number: 98.1.0202

Jakarta, May 9, 2011

**BALANCE SHEET**As of March 31, 2011 and 2010  
(In US Dollar)

<b>ASSETS</b>	Notes	<b>March 31, 2011</b>	March 31, 2010
		<b>USD</b>	USD
<b>Current Assets</b>			
Cash and Cash Equivalents	2.b, 2.e, 3	<b>509,079</b>	164,527
Account Receivables			
Third Parties	2.b, 2.f, 4	<b>3,024,169</b>	1,547,774
Related Parties	2.c, 2.f, 4	-	1,425,561
Other Receivables			
Third Parties	5	<b>521</b>	22,342
Related Parties	2.c, 5	<b>40,902</b>	23,981
Inventories	2.g, 6	<b>1,946,475</b>	533,913
Advance to Suppliers	7	<b>865,710</b>	630,788
Prepaid Taxes	2.i, 15.a	<b>149,194</b>	371,803
Prepaid Expenses	2.h, 8	<b>86,233</b>	93,866
Other Current Assets	9	<b>17,138</b>	18,294
<b>Total Current Assets</b>		<b>6,639,421</b>	4,832,849
<b>Non Current Assets</b>			
Deferred Tax Assets	2.i, 15.d	<b>246,021</b>	203,639
Fixed Assets			
(Net of accumulated depreciation of USD 2,048,443 and USD 1,714,856 as of March 31, 2011 and 2010)	2.i, 10	<b>1,051,981</b>	1,321,806
Refundable Deposits	11	<b>98,604</b>	96,519
<b>Total Non Current Assets</b>		<b>1,396,606</b>	1,621,964
<b>TOTAL ASSETS</b>		<b>8,036,027</b>	6,454,813
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Bank Loan	12	<b>2,525,495</b>	1,875,406
Accounts Payable	13	<b>881,646</b>	293,763
Other Payables	14	<b>13,062</b>	111,104
Taxes Payable	2.i, 15.b	<b>9,240</b>	11,409
Accrued Expenses	16	<b>442,086</b>	357,313
Advance from Buyers		<b>15,333</b>	-
<b>Total Current Liabilities</b>		<b>3,886,862</b>	2,648,995
<b>Non-Current Liabilities</b>			
Employee Benefits Obligation	2.j, 17	<b>116,588</b>	81,904
<b>Total Non-Current Liabilities</b>		<b>116,588</b>	81,904
<b>Total Liabilities</b>		<b>4,003,450</b>	2,730,899
<b>Stockholders' Equity</b>			
Capital Stock - Par Value USD 10 per Share Authorized - 200,000 Shares, Issued and Fully Paid - 150,198 Shares as of March 31, 2011 and 2010	18	<b>1,501,980</b>	1,501,980
Additional Paid-in Capital		<b>1,980</b>	1,980
Retained Earnings		<b>2,528,617</b>	2,219,954
<b>Total Stockholders' Equity</b>		<b>4,032,577</b>	3,723,914
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>8,036,027</b>	6,454,813



PT Norwest Industry

**STATEMENTS OF INCOME**

For the Year Ended March 31, 2011 and 2010  
(In US Dollar)

	Notes	March 31, 2011 USD	March 31, 2010 USD
<b>REVENUES</b>	2.c, 2.k, 19	<b>19,368,344</b>	19,267,340
<b>COST OF GOODS SOLD</b>	2.k, 20	<b>17,114,427</b>	16,536,197
<b>GROSS PROFIT</b>		<b>2,253,917</b>	2,731,143
<b>OPERATING EXPENSES</b>			
Selling Expenses	2.k, 21	(140,657)	(132,331)
General and Administrative Expenses	2.k, 21	(2,665,411)	(2,292,824)
Total Operating Expenses		(2,806,068)	(2,425,155)
<b>INCOME FROM OPERATIONS</b>		<b>(552,151)</b>	305,988
<b>OTHER INCOME (EXPENSES)</b>			
Claim from Buyers (to Suppliers) - Net		269,645	(86,303)
Gain on Disposal of Fixed Assets	10	17,625	18,036
Gain (Losses) on Foreign Exchange - Net		393,707	236,115
Miscellaneous Income - Net		311,459	242,694
		<b>992,436</b>	410,542
<b>INCOME BEFORE INCOME TAX</b>		<b>440,285</b>	716,530
<b>INCOME TAX BENEFITS (EXPENSES)</b>			
Current Tax	2.i, 15.c	(174,004)	(256,491)
Deferred Tax	2.i, 15.d	42,382	20,973
Total Income Tax Expenses		(131,622)	(235,518)
<b>NET INCOME</b>		<b>308,663</b>	481,012

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

For the Years Ended March 31, 2011 and 2010  
(In US Dollar)

	Capital Stock USD	Additional Paid-in Capital USD	Retained Earnings USD	Stockholders' Equity USD
<b>Balance as of March 31, 2009</b>	1,501,980	1,980	1,738,942	3,242,902
Net Income	-	-	481,012	481,012
<b>Balance as of March 31, 2010</b>	1,501,980	1,980	2,219,954	3,723,914
Net Income	-	-	308,663	308,663
<b>Balance as of March 31, 2011</b>	1,501,980	1,980	2,528,617	4,032,577

**STATEMENTS OF CASH FLOWS**

For the Years Ended March 31, 2011 and 2010  
(In US Dollar)

	March 31, 2011 USD	March 31, 2010 USD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income Before Income Tax and Interest Expenses	598,262	946,491
Adjustments for:		
Depreciation	384,610	368,503
Proceeds from Capital Subsidy	-	(25,795)
Gain on Disposals of Property and Equipment	(17,625)	(18,036)
Employee Benefits Obligation	34,684	33,950
Operating Income Before Changes in Working Capital	999,931	1,305,113
Changes in Assets and Liabilities:		
Account and Other Receivables	(45,934)	923,769
Inventories	(1,412,562)	568,074
Advance to Suppliers and Prepayments	(4,680)	(558,563)
Other Current Assets	1,156	1,187

	March 31, 2011 USD	March 31, 2010 USD
Account and Other Payables	505,174	(419,867)
Accrued Expenses	84,773	87,465
Taxes Payables Other than Corporate Income Tax	(2,289)	2,349
Cash Generated from (Disbursed for) Operations	125,569	1,909,527
Interest Paid	(157,737)	(235,016)
Income Tax Paid	(174,124)	(256,534)
Net Cash Flows Used in (Provided by) Operating Activities	(206,292)	1,417,977
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of Property and Equipment	(163,601)	(176,836)
Proceeds from Capital Subsidy	-	25,795
Proceeds from Sale of Property and Equipment	66,441	36,092
Additional Refundable Deposits	(2,085)	(1,020)
Net Cash Flows Used in Investing Activities	(99,245)	(115,969)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from (Repayment of) Bank Loans - Net	650,089	(1,600,088)
Net Cash Flows Provided by (Used In) Financing Activities	650,089	(1,600,088)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>344,552</b>	<b>(298,080)</b>
<b>CASH AND CASH EQUIVALENTS - AT THE BEGINNING OF THE YEAR</b>	<b>164,527</b>	<b>462,607</b>
<b>CASH AND CASH EQUIVALENTS - AT THE END OF THE YEAR</b>	<b>509,079</b>	<b>164,527</b>
<b>Cash and Cash Equivalents consist of:</b>		
Cash on Hand	29,973	17,157
Cash in Banks	456,548	147,370
Deposits	22,558	-
<b>TOTAL</b>	<b>509,079</b>	<b>164,527</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the Years Ended March 31, 2011 and 2010  
(In US Dollar)

1. General

1.a. Background

PT Norwest Industry (the "Company") was established based on Notarial Deed No. 27 of H. Dana Sasmita, SH, Notary in Jakarta, dated April 8, 2002. The deed of establishment was approved by Ministry of Justice of Republic of Indonesia in its Decision Letter No. C-14557.HT.01.01.TH.2002 dated August 5, 2002. Based on notification of approval from the Capital Investment Coordination Board (BKPM) No. 187/II/PM/2002 dated April 4, 2002 the Company was established within the framework of the Foreign Capital Investment.

The Company's Articles of Association have been amended several times, most recently related to changes in capital structure based on Notarial Deed No. 58 of Popie Savitri Martosuhardjo, SH, Notary in Jakarta, dated April 24, 2008 and has been approved by the Ministry of Law and Human Rights of The Republic of Indonesia in its Decision Letter No. AHU-24082.AH.01.02.Tahun 2008, dated May 8, 2008.

In accordance with article 3 of Article of Association and Notification of Approval from the Capital Investment Coordination Board (BKPM) No. 187/II/PM/2002 dated April 4, 2002 the Company is engaged in garment and textiles industry. Notification of Approval from the Capital Investment Coordination Board has been amended several times and most recently was No. 868/III/PM/2008 dated May 29, 2008.

The Company domiciled in Jakarta and its factory located in Tanjung Emas Export Processing Zone, Semarang. The Company started its commercial activities on September 2002.

As of March 31, 2011 and 2010, the Company has a total permanent employees of 2,374 and 1,943 person (unaudited).

1.b. The Company's Management

The Company's management as of March 31, 2011 and 2010 consists of the following:

Commissioner	: Rajesh Vishnu Ajwani
President Director	: Pulkit Seth
Director	: Amit Kumar

## PT Norwest Industry

**2. Summary of Significant Accounting Policies****2.a. Basis of Financial Statements Preparation**

The financial statements prepared in conformity with accounting principles generally accepted in Indonesia, using going concern and historical cost basis of accounting concepts. The basic have been consistently applied and will be noted otherwise.

The statement of cash flows is prepared using the indirect method, by classifying cash flows into operating, investing and financing activities.

**2.b. Foreign Currency Transactions and Balances**

The Company maintains its accounting records in US Dollar. Transactions in other currencies are recorded at the rate of exchange prevailing on the date of the transactions. At balance sheet date, all monetary assets and liabilities in Rupiah and other currencies are converted into US Dollar at Bank Indonesia middle rates. Exchange rates used on March 31, 2011 were IDR 8,709, Euro 0.71, HKD 7.79, SGD 1.26, and GBP 0.62 while on March 31, 2010 were IDR 9,115, Euro 0.75, HKD 7.76, SGD 1.40 and GBP 0.66.

Exchange gains or losses arising from foreign currency translations are recognized in the current period's statements 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 (SFAS) No. 7, "Related Party Disclosures". All significant transactions with related parties are disclosed in financial statements.

**2.d. Financial Asset and Financial Liabilities**

In 2006 Indonesian Institute of Accountants (IAI) issued SFAS No. 50 (Revised 2006), "Financial Instruments: Disclosure and Presentation" and SFAS No. 55 (Revised 2006), "Financial Instruments: Recognition and Measurement". Those two statements replace SFAS 50 "Accounting for Investment in Certain Securities" and SFAS 55 "Accounting for Derivative Instruments and Hedging Activities". Both statements are effective for financial statements covering periods beginning on or after January 1, 2010.

The Company has not implemented those standards in 2010, the impact of those standards on the financial statements has not been determined.

**2.e. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, cash in banks and time deposits with maturities not more than or equal to 3 (three) months since their placement and not pledged as collateral.

**2.f. Account Receivables and Allowance for Doubtful Accounts**

Account receivable is recorded in net realizable value. The Company determines allowance for doubtful accounts based on the review over accounts balances for each debtor at the end of the year. The write off of relevant account receivable will be done when management believes that such account receivable were to be definitely uncollectible.

**2.g. Inventories**

Inventories are stated at the lower of cost or net realizable value.

**2.h. Prepaid Expenses**

Prepaid expenses are amortized over the period benefited.

**2.i. Fixed Assets**

In 2007, the Board of Financial Accounting Standard issued Statement of Financial Accounting Standard (SFAS) No. 16 (Revised 2007), "Fixed Assets". This standard is effective for financial statements for period that starts on or after January 1, 2008. Under SFAS No. 16 (Revised 2007), an entity shall choose between the cost model and revaluation model as the accounting policy for its property and equipment measurement.

In relation to the implementation of PSAK 16 (Revised 2007), the Company determined to continue using cost method to measure the property and equipment.

Property and equipment, except land, are stated at cost less accumulated depreciation. Depreciations are calculated using straight-line method over their estimated useful life. The useful life is 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.

**2.j. Employee Benefits Obligation**

The Company calculates employee benefits in accordance with SFAS No. 24 (Revised 2004) concerning "Employee Benefits".

Short-term employee benefits are recognized at undiscounted amount when an employee has rendered service to the Company during an accounting period.

Post-employment benefits are recognized at a discounted amount when an employee has rendered service to the Company during an accounting period. Liabilities and expenses are measured using actuarial techniques which include constructive obligation that arises from the Company's informal practices. In calculating the liabilities, benefits should be discounted by using projected unit credit method.

Termination benefits are recognized when, and only when, the Company is demonstrably committed to either:

- terminate an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy

**2.k. Revenues and Expenses Recognition**

Revenue is recognized when invoices are made and delivered to customers at the time of shipment. Expense is recognized when incurred.

**2.l. Taxation**

All temporary differences arising between tax bases of assets and liabilities and their carrying value are recognized as deferred tax using the liability method. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax assets relating to carry forward unused tax losses are recognized to the extent that it is probable the future taxable profit will be available against which the unused tax losses can be utilized. Amendments to tax obligations are recorded when an assessment is received or, if appealed against, when the results of the appeal are determined.

Current tax is recognized based on taxable income for the year, in accordance with current tax regulation.

**2.m. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**3. Cash and Cash Equivalents**

	March 31, 2011 USD	March 31, 2010 USD
<b>Cash on Hand</b>		
Rupiah	26,778	9,805
USD	2,745	6,886
Poundsterling	210	210
Euro	168	167
HKD	38	82
SGD	34	7
Sub Total	29,973	17,157
<b>Cash in Banks</b>		
Rupiah	136,633	129,979
USD	319,909	17,385
Euro	6	6
Sub Total	456,548	147,370
<b>Deposits</b>		
Rupiah	22,558	-
Sub Total	22,558	-
<b>Total</b>	<b>509,079</b>	<b>164,527</b>

PT Norwest Industry

4. Account Receivables

	March 31, 2011	March 31, 2010
	USD	USD
<b>Third Parties</b>		
Esprit	766,581	-
S.Oliver Bernd Freier GMBH & Co.Kg	699,305	122,325
The Gap Inc	491,847	-
JC Penney Purch Corp	442,888	-
Express	305,603	-
The Limited	209,763	-
Liz Claiborne Inc	91,438	-
Mast Industries Ltd	-	857,782
TMS Fashion (HK) Ltd	-	567,667
Others (below USD 15,000)	16,744	-
Sub total	3,024,169	1,547,774
<b>Related Parties</b>		
Pearl Global Limited	-	1,425,561
Sub total	-	1,425,561
<b>Total</b>	<b>3,024,169</b>	<b>2,973,335</b>

Management believes that all account receivables are collectible; accordingly the management does not provide allowance for doubtful accounts.

As of March 31, 2011 and 2010, account receivables are used as collateral for bank loan facilities amounting to USD 1,100,000, respectively (Note 12).

5. Other Receivables

	March 31, 2011	March 31, 2010
	USD	USD
<b>Third Parties</b>		
Others (below USD 2,000)	521	22,342
Sub total	521	22,342
<b>Related Parties</b>		
Employees	40,902	23,981
Sub total	40,902	23,981
<b>Total</b>	<b>41,423</b>	<b>46,323</b>

As of March 31, 2011 and 2010, other receivables to the third parties mainly represent claim to suppliers and insurance claim to PT Asuransi Indrapura and employee receivables mainly represent loan which is given by the Company to support the household needs and the repayment is deducted from the monthly salaries.

6. Inventories

	March 31, 2011	March 31, 2010
	USD	USD
<b>Work in Process</b>	<b>1,946,475</b>	<b>533,913</b>

Based on a review of inventories, the Company's management believes there is no impairment on inventories, thus management does not provide allowance for inventories obsolescence accounts. Inventories are covered by insurance against losses from fire and other risks under several blanket policies amounting to USD 2,465,000 as of March 31, 2011 and USD 2,600,000 as of March 31, 2010, respectively. Management believes that sum of insured is adequate to cover possible losses from fire and other risks of related assets.

As of March 31, 2011 and 2010, Inventories are used as collateral for bank loan facilities amounting to USD 1,100,000, respectively (Note 12).

7. Advance to Suppliers

	March 31, 2011	March 31, 2010
	USD	USD
Anand Fashion Int Llc	501,178	497,898
Hyun Corporation Ltd	99,648	-
Intan Jaya Garment, PT	80,146	-
Hans Industrial Co Ltd	30,808	-
Mast Industries (Far East) Limited	21,026	-
Trade Rise	16,743	-
Ruentex Ind Ltd	16,378	-
Fratekindo Jaya Gemilang, PT	11,901	-

March 31, 2011  
USD

Wooju Inti Indonesia, PT	11,012	-
Union Trans Internusa, PT (UTI)	9,644	-
Room Textiles Co Ltd	8,054	63,472
Expeditors	7,146	-
Millenium Corp	6,805	-
APL Logistic	5,190	-
Union Knopf (HK)	122	5,783
SGTex Global Co Ltd	-	31,565
Winnitex Limited	-	12,730
Welchom World Limited	-	6,262
Others (below USD 5,000)	39,909	13,078
<b>Total</b>	<b>865,710</b>	<b>630,788</b>

8. Prepaid Expenses

March 31, 2011  
USD

House Rent	62,087	-
Work Permit	13,800	8,300
Office Rent	5,756	11,916
Factory Rent	4,048	54,129
Others (below USD 2,000)	542	19,521
<b>Total</b>	<b>86,233</b>	<b>93,866</b>

House rent mainly represents houses allowances from the Company to expatriate employees in Jakarta and Semarang. Factory rent represents factories space rental in Semarang, Central Java. On May 15, 2002, the Company has taken factory premises on rent in Semarang, Central Java, from PT Lamicitra Nusantara Tbk, the third party, for 5 years and extended the term until October 15, 2013. On November 22, 2007, the Company has also taken additional premises for expansion of their production activities to the same lender for 5 years covering 8,244 m<sup>2</sup>

9. Other Current Assets

Other current assets mainly represent factory consumable goods which have not been used yet by the Company as of March 31, 2011 and 2010. The balance of other current assets as of March 31, 2011 and 2010 amounting to USD 17,138 and USD 18,294 respectively.

10. Fixed Assets

	2011				
	Beginning Balance	Additions	Disposals	Reclassification	Ending Balance
	USD	USD	USD	USD	USD
<b>Direct Ownership</b>					
<b>Cost</b>					
Land Titles	182,932	-	-	-	182,932
Infrastructures	271,856	8,122	-	-	279,978
Machineries	1,833,012	85,972	68,332	-	1,850,652
Furniture and Fixtures	154,089	1,745	-	-	155,834
Vehicles	296,572	32,035	18,612	-	309,995
Tools and Equipment	274,201	27,831	4,999	24,000	321,033
Capital Work in Progress	24,000	7,896	7,896	(24,000)	-
	3,036,662	163,601	99,839	-	3,100,424
<b>Accumulated Depreciation</b>					
Infrastructures	164,565	37,442	-	-	202,007
Machineries	1,126,099	231,247	35,426	-	1,321,920
Furniture and Fixtures	87,656	22,156	-	-	109,812
Vehicles	123,165	61,058	13,029	-	171,194
Tools and Equipment	213,371	32,707	2,568	-	243,510
	1,714,856	384,610	51,023	-	2,048,443
<b>Total</b>	<b>1,321,806</b>				<b>1,051,981</b>

## PT Norwest Industry

	2010				
	Beginning Balance	Additions	Disposals	Reclassification	Ending Balance
	USD	USD	USD	USD	USD
<b>Direct Ownership</b>					
<b>Cost</b>					
Land Titles	182,932	-	-	-	182,932
Infrastructures	271,372	484	-	-	271,856
Machineries	1,741,335	91,677	-	-	1,833,012
Furniture and Fixtures	146,885	7,204	-	-	154,089
Vehicles	313,181	19,483	36,092	-	296,572
Tools and Equipment	240,213	33,988	-	-	274,201
Capital Work in Progress	-	24,000	-	-	24,000
	<u>2,895,918</u>	<u>176,836</u>	<u>36,092</u>	<u>-</u>	<u>3,036,662</u>
<b>Accumulated Depreciation</b>					
Infrastructures	127,693	36,872	-	-	164,565
Machineries	898,277	227,822	-	-	1,126,099
Furniture and Fixtures	65,810	21,846	-	-	87,656
Vehicles	87,138	60,447	24,420	-	123,165
Tools and Equipment	191,855	21,516	-	-	213,371
	<u>1,370,773</u>	<u>368,503</u>	<u>24,420</u>	<u>-</u>	<u>1,714,856</u>
<b>Total</b>	<u><b>1,525,145</b></u>				<u><b>1,321,806</b></u>

In 2011 and 2010, additional of fixed assets mainly consisted of purchases of machineries, tools and equipment, and vehicle. Deductions of fixed assets represent sale of machineries, motor vehicle, and tools and equipment.

	March 31, 2011	March 31, 2010
	USD	USD
Selling Price	<u>58,545</u>	29,708
Book Value	<u>40,920</u>	11,672
Gain on Disposal	<u><u>17,625</u></u>	<u>18,036</u>

Based on management's review and estimates of the status of individual fixed assets at the end of the period, there is no impairment to write down which should be applied to the amount recorded in the balance sheets as of March 31, 2011 and 2010, respectively.

Land titles represent usage rights of Taman Pasadena Apartment at Jakarta ("Hak Milik atas Satuan Rumah Susun") for a maximum period of 20 years and could be extended.

Fixed assets are covered by insurance against losses from fire and other risks under several blanket policies amounting to IDR 300,000,000 and USD 2,426,000 as of March 31, 2011 and IDR 2,970,300,000 and USD 2,222,000 as of March 31, 2010. Management believes that sum of insured is adequate to cover possible losses from fire and other risks of related assets.

As of March 31, 2011 and 2010, Machineries and Equipment are used as collateral for bank loan facilities amounting to USD 1,300,000, respectively (Note 12).

Depreciation was charged to:

	March 31, 2011	March 31, 2010
	USD	USD
Cost of Goods Sold (Note 20)	<u>268,689</u>	264,694
General and Administrative Expenses (Note 21)	<u>115,921</u>	103,809
<b>Total</b>	<u><u>384,610</u></u>	<u>368,503</u>

## 11. Refundable Deposits

	March 31, 2011	March 31, 2010
	USD	USD
Plants	<u>77,205</u>	77,205
Office	<u>11,156</u>	9,559
Electricity	<u>8,083</u>	7,595
Warehouses	<u>2,160</u>	2,160
<b>Total</b>	<u><u>98,604</u></u>	<u>96,519</u>

## 12. Bank Loans

	March 31, 2011	March 31, 2010
	USD	USD
HSBC Bank:		
Import	<u>2,010,058</u>	1,672,623
Export	<u>127,641</u>	113,783
Packing Credit Loan	<u>387,796</u>	89,000
<b>Total</b>	<u><u>2,525,495</u></u>	<u>1,875,406</u>

Based on Loan Agreement dated August 6, 2004, the Company has obtained credit facilities for import and export from HSBC with combined maximum limit amounting to USD 1,200,000 and subject to review any event. The agreement has been amended several times and most recently by amendment No. JAK/090871/U/091009 dated October 20, 2009 with combined maximum limit amounting to USD 3,000,000. These facilities were charged interest of 5.25% per annum below the banks' prime lending rate for the year ended March 31, 2011 and 2010. The average interest rates for the period of March 31, 2011 and 2010 were 5.20% and 5.72%, respectively.

The facilities are secured by the followings:

- Fiduciary transfer over Machinery and Equipment for USD 1,300,000
- Fiduciary transfer over Stocks for USD 1,100,000;
- Fiduciary transfer over Account Receivable for USD 1,100,000;
- Letter of undertaking from shareholders to inject additional equity/subordinated loan to cover losses; and
- Corporate guarantee from House of Pearl Fashions Ltd under Indian Law for USD 2,500,000.

Under the agreement, the Company should maintain debt to equity ratio not to exceed 1.5 and minimum current ratio of 1.0. As of March 31, 2011 and 2010, the Company has fulfilled these covenants.

Packing Credit Loan represents loan against Letter of Credit (LC). As of March 31, 2011 and 2010, the Company using Packing Credit Loan which is part of Export Credit Facilities amounting to USD 387,796 and USD 89,000 respectively.

## 13. Accounts Payable

	March 31, 2011	March 31, 2010
	USD	USD
Pearl Global	<u>172,264</u>	-
PT Uni Air Indotama Cargo	<u>78,285</u>	11,393
PCC Asia LLC	<u>63,795</u>	-
Joint Creation Enterprise Limited	<u>48,038</u>	-
Gunze Indonesia	<u>34,396</u>	-
Camintex Limited	<u>27,638</u>	-
Maju Jaya Abadi Sejati, PT	<u>19,660</u>	-
Anugerah Cipta Kreasi, CV	<u>19,523</u>	-
Han La Washing	<u>18,982</u>	-
Toko Obor	<u>15,550</u>	-
PT Coats Rejo Indonesia	<u>14,343</u>	12,552
PT Birotika Semesta	<u>13,370</u>	18,682
Korin Jaya, PT	<u>13,223</u>	-
Pegasus	<u>13,207</u>	-
Jawasurya Kencana Indah, PT	<u>12,269</u>	-
Wendler	<u>11,305</u>	-
Inti Duta Dwitama Transindo	<u>10,680</u>	-
Vision Land Co., Ltd	<u>10,666</u>	-
PT Interlining Raphita	<u>5,287</u>	17,045
CV Jati Karya Embroidery	<u>136</u>	26,644
PT YKK Zipper Indonesia	<u>22</u>	20,005
BSL International Trading Pte Ltd	<u>-</u>	32,977
Others (each below USD 10,000)	<u>279,007</u>	154,465
<b>Total</b>	<u><u>881,646</u></u>	<u>293,763</u>

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14. Other Payables

	March 31, 2011	March 31, 2010
	USD	USD
<b>Third Parties</b>		
Brother Machinery	12,108	9,036
PT Lamicitra Nusantara Tbk	954	52,336
Ngai Shing Development Ltd	-	18,990
Pegasus	-	18,229
Others (below USD 1,000)	-	853
Sub total	13,062	99,444
<b>Related Parties</b>		
Global Textiles Group Limited	-	11,660
Sub total	-	11,660
<b>Total</b>	<b>13,062</b>	<b>111,104</b>

15. Taxation

a. Prepaid Taxes

Prepaid taxes represent value added tax as of March 31, 2011 and 2010 amounting to USD 149,194 and USD 371,803, respectively.

b. Taxes Payable

	March 31, 2011	March 31, 2010
	USD	USD
Income Tax Article 21	7,330	5,147
Income Tax Article 23	770	3,482
Income Tax Article 26	506	-
Income Tax Article 4 (2)	120	1,329
Income Tax Article 29	514	1,451
<b>Total</b>	<b>9,240</b>	<b>11,409</b>

c. Income Tax Benefit (Expenses)

Reconciliation between income before estimated income tax as shown in the statements of income and estimated taxable income of the Company is as follows:

	March 31, 2011	March 31, 2010
	USD	USD
Income before Income Tax as per Statement of Income	440,285	716,530
<b>Permanent Difference:</b>		
Interest Income already Subjected to Final Tax	(1,752)	(15,654)
Profit on Sales of Vehicles-Commercial	(17,625)	(18,036)
Profit on Sales of Vehicles-Fiscal	(3,223)	9,430
Non Deductible Expenses		
Depreciation	30,529	16,862
Traveling	22,783	3,735
Expatriate Work Permit	47,894	4,307
Entertainment	13,905	2,106
Motor Vehicle Maintenance	9,635	6,149
Tax Penalty	5,565	1,750
Expatriate House Expenses	5,198	11,250
Mobile Phone	3,443	2,961
Guest House	2,423	3,502
Donation	927	739
Other	3,131	-
	122,832	29,101
<b>Timing Difference:</b>		
Depreciation	98,216	136,456
Employee Benefits	34,684	33,951
	132,900	170,407
<b>Taxable Income</b>	<b>696,017</b>	<b>916,038</b>
<b>Income Tax at Tax Rate of 25%</b>	<b>174,004</b>	<b>256,491</b>
<b>Total Income Tax Expense</b>	<b>174,004</b>	<b>256,491</b>

	March 31, 2011	March 31, 2010
	USD	USD
<b>Credit Tax:</b>		
Income Tax Article 25	169,571	249,344
Income Tax Article 22	3,919	5,696
Total Credit Tax	173,490	255,040
Corporate Income Tax Payable	514	1,451

On September 23, 2008, Government of Republic of Indonesia issued new Income Tax Regulation No. 36 Year 2008 on which, among others determining the graduated corporate income tax rate is charged from previous tax rate 30% to 28% in 2009 and 25% in 2010 and thereafter. The new regulation superseded Income Tax Regulation No. 17 year 2000 and is effective on January 1, 2009.

d. Deferred Tax Assets

	March 31, 2009	Statement of Income USD	March 31, 2010	Statement of Income USD	March 31, 2011	USD
Depreciation	169,239	13,924	183,163	33,711	216,874	
Provision for Employee Benefits	13,427	7,049	20,476	8,671	29,147	
<b>Total</b>	<b>182,666</b>	<b>20,973</b>	<b>203,639</b>	<b>42,382</b>	<b>246,021</b>	

16. Accrued Expenses

	March 31, 2011	March 31, 2010
	USD	USD
Salaries and Wages	277,428	199,356
Bonus	134,555	128,362
Jamsostek Payable	23,182	19,304
Legal and Professional Fee	6,921	5,760
Interest	-	4,531
<b>Total</b>	<b>442,086</b>	<b>357,313</b>

17. Employee Benefits Obligation

The Company provides benefits for its employees who achieve the retirement age at 55 based on the provisions of Labor Law No. 13/2003 dated March 25, 2003. The benefits are unfunded.

As of March 31, 2011 and 2010, the liability for employee benefits is calculated by an independent actuary, PT Bumi Dharma Aktuaria, in their report dated April 19, 2011 and April 22, 2010.

The principal assumptions used in determining employee benefits liability as of December 31, 2008 and 2007 are as follows:

	March 31, 2011	March 31, 2010
Discount Rate	10.5%	11%
Future Salary Increase	8%	8%
Other assumptions:		

	March 31, 2011	March 31, 2010
Mortality Rate	CSO '88	CSO '88
Disability Rate	10%	10%
Normal Retirement Age	55 Years	55 Years
Valuation Cost Method	Projected Unit Credit	

Voluntary resignation determined as 2% - 37% for employees below the age of 20-22 and will be linearly decreasing until 0% at the age of 54.

Past service cost – non-vested:

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

The amount recognized in balance sheets and income statement for period of March 31, 2011 and 2010 is as follow:

	March 31, 2011	March 31, 2010
	USD	USD
Present Value Obligaton	99,334	78,942
Unrecognized Actuarial Losses	17,254	2,962
Liability in Balance Sheets	116,588	81,904

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## Unrecognized Service Cost:

	March 31, 2011	March 31, 2010
	USD	USD
Current Service Cost	25,596	30,037
Interest Cost	9,088	3,913
Net Expense Charged in Statement of Income	34,684	33,950
Movements in liability recognized in balance sheets are as follows:		
	March 31, 2011	March 31, 2010
	USD	USD
Beginning of the Year	81,904	47,954
Charged to Statement of Income	34,684	33,950
End of the Year	116,588	81,904

## 18. Capital Stock and Additional Paid-in Capital

The compositions of stockholders' as of March 31, 2011 and 2010 are as follows:

Stockholders	Shares Issued		Issued and Fully Paid Capital
	Number of Shares	%	
Global Textiles Group Limited	149,998	99.87	1,499,980
Mr. Pallak Seth	100	0.07	1,000
Mr. Pulkit Seth	100	0.07	1,000
<b>Total</b>	<b>150,198</b>	<b>100.00</b>	<b>1,501,980</b>

Based on Circular Resolutions of the Stockholders of PT Norwest Industry as stipulated on notarial deed No. 58 of Popie Savitri Martosuhardjo Pharmanto, SH, notary in Jakarta, dated April 24, 2008, the Company has issued 99 shares to Mr. Pallak Seth and 99 shares to Mr. Pulkit Seth. The change in capital structure has been approved by the Ministry of Law and Human Rights of the Republic of Indonesia through its letter No. AHU-24082.AH.01.02, dated May 8, 2008. The Company has issued 198 shares on premium of USD 10 per share and recorded as additional paid-in capital.

## 19. Revenues

	March 31, 2011	March 31, 2010
	USD	USD
Export Sales - Net		
Third Parties	19,368,344	10,415,748
Related Parties	-	8,851,592
<b>Total</b>	<b>19,368,344</b>	<b>19,267,340</b>

This account represents export sales of 243,035 dozens amounted to USD 19,368,344 as of March 31, 2011 and 247,570 dozens amounted to USD 19,266,166 as of March 31, 2010.

Management believes that the sales to related parties are performed with the same level price and normal condition as performed to the third parties.

## 20. Cost of Goods Sold

	March 31, 2011	March 31, 2010
	USD	USD
Material	12,143,271	12,131,469
Labor	3,933,551	3,396,232
Overhead Cost		
Depreciation (Note 10)	268,689	264,694
Factory Rent	204,370	196,827
Power and Fuel	203,344	170,523
Freight Cost	169,145	181,171
Spare Parts	166,519	154,598
Maintenance	25,538	40,683
<b>Total</b>	<b>17,114,427</b>	<b>16,536,197</b>

The Company carries out production activity based on order received from customers. All finished goods inventory are directly delivered to customer when finished. Therefore, cost of goods sold represents cost of finished goods that already shipped to customers during the period.

## 21. Operating Expenses

	March 31, 2011	March 31, 2010
	USD	USD
<b>Selling Expenses</b>		
Product Development and Samples	92,769	86,758
Entertainment	22,461	11,555
Travelling Overseas	18,576	24,454
Marketing	6,851	9,564
<b>Sub Total</b>	<b>140,657</b>	<b>132,331</b>
<b>General and Administrative Expenses</b>		
Salary	1,110,248	896,053
Bonus and Allowance	285,309	203,672
Import and Export	324,273	311,426
Telecommunication	177,457	105,952
Bank Interest and Bank Charges	157,977	229,961
Depreciation (Note 10)	115,921	103,809
Transportation	73,921	59,543
Rent Office & Machine	53,267	53,914
Office Maintenance	40,637	13,952
Employee Benefits	34,684	33,951
Printing and Stationary	30,462	28,643
Legal and Professional Fee	26,344	18,756
Tax and Duties	26,188	-
Insurance	25,086	14,329
Travelling	23,412	23,910
Freight Cost	23,246	13,530
Recruitment and Training	22,132	9,723
Water	19,869	14,725
Employee Welfare	14,458	8,960
Office Consumable	5,697	16,811
Inspection Charges	900	10,590
Management Fee	-	58,300
Cancellation Cost	-	28,480
Work Permit	47,894	24,102
Others (below USD 10,000)	26,029	9,732
<b>Sub Total</b>	<b>2,665,411</b>	<b>2,292,824</b>
<b>Total</b>	<b>2,806,068</b>	<b>2,425,155</b>

## 22. Summary of Significant Differences between 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.

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**Fixed Assets**

Under Indonesian GAAP, subsequent maintenance expenditure is expensed as incurred. Replacements of parts that increase the value of asset in significant amount can be capitalized. Under IFRS, cost should be capitalized only if they increase the benefit that property, plant and equipment is expected to generate. All other cost are charged in operation, even if they increase the asset's value. Indonesian GAAP permits to use cost or revaluation method to measure the property, plant and equipment. Under IFRS, revaluations must be kept sufficiently up to date so that the carrying amount does not differ materially from the fair value. This requires regular revaluations of all property, plant and equipment when the revaluation policy is adopted.

**23. Reconciliation of Net Income and Stockholders' Equity Determined under the Indonesia GAAP and IFRS**

The following is a summary of the significant adjustments to net income (loss) for the year ended March 31, 2011 and 2010 and to stockholders' equity as of March 31, 2011 and 2010 which would be required if IFRS had been applied instead of Indonesian GAAP in the financial statements.

	March 31, 2011 USD	March 31, 2010 USD
Net income (loss) as reported in the statements of income	308,663	481,012
Item increasing (decreasing) reported net income (loss)		
Fair value loss from other financial receivables	(9,652)	(9,550)
Net decrease in reported net income	(9,652)	(9,550)
<b>Approximate net income in accordance with IFRS</b>	<b>299,011</b>	<b>471,462</b>

	March 31, 2011 USD	March 31, 2010 USD
Stockholder's equity reported in the balance sheets	4,032,577	3,723,914
Item increasing (decreasing) reported in stockholder's equity		
Fair value loss from other financial receivables	(27,897)	(18,245)
Net decrease in stockholder's equity	(27,897)	(18,245)
<b>Approximate stockholder's equity in accordance to IFRS</b>	<b>4,004,680</b>	<b>3,705,669</b>

As a result of the IFRS adjustment to net income and stockholders' equity, the following tables presents the approximate balance sheets, statements of income, changes in stockholders' equity and cash flows as of March 31, 2011 and 2010 as determined under IFRS:

**a. Balance Sheet**

	March 31, 2011 USD	March 31, 2010 USD
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalent	509,079	164,527
Account Receivables		
Third Parties	3,024,169	1,547,774
Related Parties	-	1,425,561
Other Receivables		
Third Parties	521	22,342
Related Parties	40,902	23,981
Inventories	1,946,475	533,913
Advance to Suppliers	865,710	630,788
Prepaid Taxes	149,194	371,803
Prepaid Expenses	86,233	93,866
Other Current Asset	17,138	18,294
<b>Total Current Assets</b>	<b>6,639,421</b>	<b>4,832,849</b>
<b>Non Current Assets</b>		
Deferred Tax Asset	246,021	203,639
<b>Fixed Assets</b>		
<i>(Net of accumulated depreciation of USD2,048,443 and USD 1,714,856 as of March 31, 2011 and 2010)</i>	1,051,981	1,321,806
Refundable Deposits	70,707	78,274
<b>Total Non Current Assets</b>	<b>1,368,709</b>	<b>1,603,719</b>
<b>TOTAL ASSETS</b>	<b>8,008,130</b>	<b>6,436,568</b>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

	March 31, 2011 USD	March 31, 2010 USD
<b>Current Liabilities</b>		
Bank Loan	2,525,495	1,875,406
Account Payables	881,646	293,763
Other Payables	13,062	111,104
Taxes Payable	9,240	11,409
Accrued Expenses	442,086	357,313
Advance from Buyer	15,333	-
<b>Total Current Liabilities</b>	<b>3,886,862</b>	<b>2,648,995</b>
<b>Non-Current Liabilities</b>		
Employee Benefits Obligation	116,588	81,904
<b>Total Non-Current Liabilities</b>	<b>116,588</b>	<b>81,904</b>
<b>Total Liabilities</b>	<b>4,003,450</b>	<b>2,730,899</b>
<b>Stockholders' Equity</b>		
Capital Stock - Par Value USD 10 per Share		
Authorised - 200,000 Shares,		
Issued and Fully Paid - 150,198 Shares		
as of March 31, 2011 and 2010.	1,501,980	1,501,980
Additional Paid-in Capital	1,980	1,980
Retained Earnings	2,500,720	2,201,709
<b>Total Stockholders' Equity</b>	<b>4,004,680</b>	<b>3,705,669</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>8,008,130</b>	<b>6,436,568</b>

**b. Income Statement**

	March 31, 2011 USD	March 31, 2010 USD
<b>REVENUES</b>	19,368,344	19,267,340
<b>COST OF GOODS SOLD</b>	17,114,427	16,536,197
<b>GROSS PROFIT</b>	2,253,917	2,731,143
Other Operating Income		
Claim from Buyers (to Suppliers) -Net	269,645	(86,303)
Gain on Disposal of Fixed Assets	17,625	18,036
Gain (Loss) on Foreign Exchange -Net	393,707	236,115
Miscellaneous Income -Net	301,807	217,490
Selling Expenses	(140,657)	(132,331)
General and Administrative Expenses	(2,665,411)	(2,292,824)
Interest Income	-	-
Other Operating Expenses	-	-
<b>INCOME BEFORE TAX</b>	<b>430,633</b>	<b>691,326</b>
<b>INCOME TAX BENEFIT (EXPENSES)</b>		
Current Tax	(174,004)	(256,491)
Deferred Tax	42,382	20,973
<b>Total Income Tax Expenses</b>	<b>(131,622)</b>	<b>(235,518)</b>
<b>NET INCOME</b>	<b>299,011</b>	<b>455,808</b>

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Reconciliation between Indonesia GAAP with IFRS for above statements of income is as follow:

	March 31, 2011	March 31, 2010
	USD	USD
<b>Net Income as reported in the Statements of Income</b>	<b>308,663</b>	481,012
<b>Item decreasing reported net income :</b>		
Fair value loss from other financial receivables	(9,652)	(9,550)
Net decrease in reported net losst	(9,652)	(9,550)
<b>Approximate Net Income in accordance with IFRS</b>	<b>299,011</b>	471,462

## c. Statements of Changes in Stockholders' Equity

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Stockholders' Equity
	USD	USD	USD	USD
<b>Balance as of March 31, 2009</b>	1,501,980	1,980	1,730,247	3,234,207
Net Income	-	-	471,462	471,462
<b>Balance as of March 31, 2010</b>	1,501,980	1,980	2,201,709	3,705,669
Net Income	-	-	299,011	299,011
<b>Balance as of March 31, 2011</b>	1,501,980	1,980	2,500,720	4,004,680

## d. Statements of Cash Flows

	March 31, 2011	March 31, 2010
	USD	USD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income Before Income Tax and Interest Expenses	570,365	928,246
Adjustments for:		
Depreciation	384,610	368,503
Proceeds from Capital Subsidy	-	(25,795)
Gain on Disposals of Property and Equipment	(17,625)	(18,036)
Employee Benefits Obligation	34,684	33,950
Miscellaneous Expenses	27,897	18,245
Operating Income Before Changes in Working Capital	999,931	1,305,113
Changes in Assets and Liabilities:		
Account and Other Receivables	(45,934)	923,769
Inventories	(1,412,562)	568,074
Advance to Suppliers and Prepayments	(4,680)	(558,563)
Other Current Assets	1,156	1,187
Account and Other Payables	505,174	(419,867)
Accrued Expenses	84,773	87,465
Taxes Payables Other than Corporate Income Tax	(2,289)	2,349
Cash Generated from Operations	125,569	1,909,527
Interest Paid	(157,737)	(235,016)
Income Tax Paid	(174,124)	(256,534)
Net Cash Flows Provided by (Used in) Operating Activities	(206,292)	1,417,977
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of Property and Equipment	(163,601)	(176,836)

Proceeds from Capital Subsidy	-	25,795
Proceeds from Sale of Property and Equipment	66,441	36,092
Additional Refundable Deposits	(2,085)	(1,020)
Net Cash Flows Used in Investing Activities	(99,245)	(115,969)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from (Repayment of) Bank Loan - Net	650,089	(1,600,088)
Net Cash Flows Provided by (Used In) Financing Activities	650,089	(1,600,088)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>344,552</b>	<b>(298,080)</b>
<b>CASH AND CASH EQUIVALENTS - AT THE BEGINNING OF THE YEAR</b>	<b>164,527</b>	462,607
<b>CASH AND CASH EQUIVALENTS - AT THE END OF THE YEAR</b>	<b>509,079</b>	<b>164,527</b>
<b>Cash and Cash Equivalents consist of:</b>		
Cash on Hand	29,973	17,157
Cash in Banks	456,548	147,370
Deposits	22,558	-
<b>TOTAL</b>	<b>509,079</b>	164,527

## 24. Additional Disclosures Required By IFRS

## a. Financial Risk Management

The Company's activities expose it to a variety of financial risks: foreign exchange risk, credit risk and interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

- Foreign exchange risk: the Company exposed to foreign exchange risk from various currency exposures primarily Indonesian Rupiah. The Company has not hedged its exposure to foreign currency risk in connection with the recording currency except for salaries payment, factory overhead and material purchase.
- Credit risk: the Company has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Company has policies that limit the amount of credit exposure to any customers.
- Interest rate risk: the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company has no significant interest-bearing assets.

## b. Critical Accounting Estimates and Assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- Employee benefits  
The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality bonds that are denominated in the currency in which the benefits will be paid (Rupiah currency), and that have maturity approximating the terms of the related post employment benefit liability.
- Income taxes  
The Company is subject to income tax in Indonesian tax jurisdictions. Significant judgment is required in determining local provision for income tax, among other, non deductible expenses. The Company recognises provision for income tax based on self assessment. Where the final tax outcome as a result of tax audit is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Prepaid taxes are impaired as the carrying amounts may not be recoverable.



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- 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, 2011	March 31, 2010
	USD	USD
Trade Receivable	3,024,169	2,973,335
Other Receivable-Third Parties	521	22,342
Other Receivable-Related Parties	40,902	23,981
Other Financial Receivables-Refundable Deposits	70,707	78,274
<b>Total</b>	<b>3,136,299</b>	<b>3,097,932</b>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money or goods directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

The fair values are based on discounted cash flows using a rate based on the borrowings rate of 10%.

The nominal value less estimated credit adjustments of trade receivables are assumed to approximate their fair values.

There are no concentrations of credit risk with respect to trade receivables, as the Company has a number of customers, internationally dispersed. No loss for impairment of its trade receivables was recognized for the year ended March 31, 2011 and 2010.

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.

25. Related Parties Transactions

Parties Relation	Related	Transaction
Global Textiles Groups Limited	Stockholders'	Management Fee
Pearl Global Limited	Affiliated Company	Sales of Product and Purchases Material
Norwest Industries Ltd, Hongkong	Affiliated Company	Sales of Product and Purchases Material

26. Revised Statement of Financial Accounting Standards

IAI released several new Statements of Financial Accounting Standards (SFAS), which will be effective on or after January 1, 2011, among other, as follows:

- a. SFAS No. 1 (Revised 2009) "Presentation of Financial Statements".
- b. SFAS No. 2 (Revised 2009) "Statement of Cash Flows".

- c. SFAS No. 3 (Revised 2010) "Interim Financial Reporting"
- d. SFAS No. 4 (Revised 2009) "Consolidated and Separate Financial Statements".
- e. SFAS No. 5 (Revised 2009) "Operating Segments".
- f. SFAS No. 7 (Revised 2009) "Related Party Disclosure".
- g. SFAS No. 8 (Revised 2010) "Event After Balance Sheet Date"
- h. SFAS No. 12 (Revised 2009) "Interests in Joint Ventures".
- i. SFAS No. 15 (Revised 2009) "Investment in Associates".
- j. SFAS No. 19 (Revised 2010) "Intangible Assets".
- k. SFAS No. 22 (Revised 2010) "Business Combinations".
- l. SFAS No. 23 (Revised 2010) "Revenue".
- m. SFAS No. 25 (Revised 2009) "Accounting Policies, Changes in Accounting Estimates and Errors".
- n. SFAS No. 48 (Revised 2009) "Impairment of Assets".
- o. SFAS No. 57 (Revised 2009) "Provisions, Contingent Liabilities and Contingent Assets".
- p. SFAS No. 58 (Revised 2009) "Non-Current Assets, Held for Sale and Discontinued Operations".
- q. ISAK 7 (Revised 2009) "Consolidation – Special Purpose Entities"
- r. ISAK 9 "Changes in Existing Decommissioning, Restoration and Similar Liabilities"
- s. ISAK 10 "Customer Loyalty Programs"
- t. ISAK 11 "Distribution of Non-cash Assets to Owners"
- u. ISAK 12 "Jointly Controlled Entities – Non-monetary Contributions by Venturers"
- v. ISAK 14 "Intangible Assets – Web Site Cost"
- w. ISAK 17 "Interim Financial Reporting and Impairment"

The management is presently evaluating and has not yet determined the effects of these revised and new Standards.

27. Reclassification

Certain account in the financial statements as of March 31, 2011 has been reclassified to conform to the presentation of financial statement as of March 31, 2010 as follow:

	Before Reclassification USD	After Reclassification USD
Operating expense		
Selling and Marketing Expenses		
Travelling Overseas	-	24,454
General and Administrative Expense		
Travelling	24,454	
Bank Interest and Bank Charges	-	229,961
Other Income (Expenses)		
Bank Interest and Bank Charges	229,961	-
<b>Total</b>	<b>254,415</b>	<b>254,415</b>

28. Responsibility of the Financial Statements

The management of the Company is responsible for the preparation of the financial statements completed on May 6, 2011.

## Poeticgem Limited

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2011**

The directors present their report and the audited financial statements for the year ended 31 March 2011.

**Principal activities and financial review**

The company's principal activity is the import and distribution of garments.

The results for the year and the financial position at the year end for the company were considered satisfactory by the directors who expect continued growth in the foreseeable future.

The company's key performance indicators are measured by reference to maintaining growth in the gross profit margin. Despite the current economic market conditions, the company has managed to maintain its performance over last year; the gross margin as a percentage of turnover has increased to 46.68% (2010: 36.72%).

Other key financial performance indicators can be summarised as follows:

i)	Improvement and efficiency of asset usage	<b>2011</b>	2010
a)	Average credit period for trade receivables	<b>50 days</b>	28 days
b)	Stock turnover days	<b>43 days</b>	35 days
ii)	Financial stability of the company	<b>2011</b>	2010
	Working capital ratio	<b>1.02:1</b>	1.19:1
	Liquidity ratio	<b>0.94:1</b>	1.09:1

The above ratios show no major changes in the financial structure of the company which continues to maintain a satisfactory liquidity position.

**Key risks and uncertainties**

The main risks of the company are summarised below:

- **Currency risk**  
Purchases of the company are mainly denominated in US dollars. As a result, the company is subject to risk of foreign currency movements. It is the company's policy to monitor this risk and to take necessary steps to minimise any adverse effects. The company enters into forward foreign exchange contracts to manage its currency risks.
- **Liquidity risk**  
Liquidity risk is the risk that the company may encounter in meeting its financial obligations as they fall due. During the year, the company continued to be funded from liquid resources retained in the UK. The directors continue to monitor the company's liquidity, taking steps, wherever necessary, to ensure that financial obligations and commitments are met as and when they fall due.
- **Market risk**  
Pressure on margins: As the competition amongst value retailers is increasing, profit margins are under constant pressure. However, the company is spreading its customer base from value retailers to high margin fashion retailers to counter this risk.
- **Credit risk**  
Credit risk arises from trade receivables where the party fails to discharge their obligation in relation to the instrument. To minimise the risk, management have appropriate credit assessment methods in place to establish credit worthiness of new customers and monitor receivables by regularly reviewing aged receivable reports. There is no concentration of credit risk because most of the receivables are factored and the company's customer base is large and unrelated.

**Other business review**

- **Environmental policy**  
The company recognises the importance of environmental responsibilities and where practical has an environmental policy in place which includes the recycling of paper and all office materials. The directors believe the nature of its activities has a minimal effect on the environment.
- **Health and safety**  
The company recognises the importance of safeguarding the health, safety and welfare of its employees and has a health and safety policy in place. Regular updates are communicated to all employees.
- **Employees**  
The company aims to ensure that the employees work in a safe and healthy environment. The company encourages the workforce to be involved by providing appropriate training, learning and career development programmes. It is also making information available to employees through the medium of frequent staff meetings, together with personal appraisals and feedback sessions.

**Future developments**

The business environment looks challenging due to the current economic market conditions which have an impact on the UK retail industry. Poeticgem Limited will continue to follow the plans of customer diversification and optimisation of synergies between various subsidiaries of House of Pearl Fashions Limited to bring overall growth and improvement in profitability.

**Policy on the payment of creditors**

The company applies a policy of agreeing payment terms with each of its main suppliers and the company aims to abide by these terms, subject to satisfactory performance by suppliers.

At the year end, the company had 19 days (2010: 35 days) of purchases outstanding.

**Results and dividends**

The company's loss for the year after taxation was £200,022 (2010: profit £440,762).

The directors do not recommend the payment of a dividend.

**Directors**

The following directors have held office since 1 April 2010:

Mr Anuj Banaik

Mrs Payel Seth

Mrs Faiza Seth (Appointed 1 February 2011)

**Directors' interests**

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	31 March 2011	1 April 2010
Mr Anuj Banaik	–	–
Mrs Payel Seth	–	–
Mrs Faiza Seth	–	–
<b>Charitable and political donations</b>	<b>2011</b>	2010
	£	£
During the year the company made the following charitable donations:		
Save the Children	<b>1,000</b>	–
Various charitable organisations for cancer research	<b>500</b>	1,500
Other small charitable payments <sup>(a)</sup>	<b>950</b>	2,095
	<b>2,450</b>	3,595

<sup>(a)</sup> These payments were made to various charitable organisations such as Sport Relief, Asda Foundation, Norwood and Fight for Life.

The company does not make donations to political parties.

**Auditor**

Montpelier Audit Limited was appointed auditor to the company in accordance with Section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed as auditor will be put at a General Meeting.

**Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and

Poeticgem Limited

explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the financial information included on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

**Disclosure of information to auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant information of which the company's auditor is unaware; and
- the directors have taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

**Responsibility statement**

Each of the persons who is a director at the date of approval of this report confirms that to the best of his or her knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the directors' report includes a fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face.

By order of the board

Sd/  
**Mr Anuj Banaik**  
 Director  
 6 May 2011

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF POETICGEM LIMITED FOR THE YEAR ENDED 31 MARCH 2011**

We have audited the financial statements of Poeticgem Limited for the year ended 31 March 2011 set out on pages 8 to 41 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

**Respective responsibilities of the directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion to the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Separate opinion in relation to IFRSs as issued by the IASB**

As explained in the accounting policies, the Company has prepared financial statements that comply with IFRSs as adopted by the EU, and with IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Sd/

**Howard Reuben FCA (Senior Statutory Auditor)** 6 May 2011  
**For and on behalf of Montpellier Audit Limited** 58-60 Berners Street  
 Statutory Auditor London  
 Chartered Accountants WIT3JS

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2011**

		2011	2010
	Notes	£	£
<b>Continuing operations</b>			
Revenue	4	22,245,260	24,591,007
Cost of revenue		<b>(11,861,196)</b>	(15,561,576)
<b>Gross profit</b>		<b>10,384,064</b>	9,029,431
Other income	5	964,881	1,091,903
Distribution costs		<b>(2,932,891)</b>	(2,658,092)
Administrative expenses		<b>(8,349,954)</b>	(8,408,305)
<b>Operating profit/(loss) before exceptional items</b>	6	<b>66,100</b>	(945,063)
<b>Exceptional item</b>			
Profit on sale of property	7	-	1,616,245
<b>Operating profit after exceptional items</b>		<b>66,100</b>	671,182
Finance income	9	82,500	65,168
Finance costs	10	<b>(320,063)</b>	(198,956)
<b>(Loss)/profit for the year before taxation</b>		<b>(171,463)</b>	537,394
Taxation	11	<b>(28,559)</b>	(96,632)
<b>(Loss)/profit for the financial year</b>	27	<b>(200,022)</b>	440,762

None of the company's activities were discontinued in the year.

There are no other comprehensive income and expenses other than those passing through the statement of comprehensive income.

The notes on pages 12 to 41 form part of these financial statements.

## Poeticgem Limited

## STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2011

	Notes	2011 £	2010 £
<b>Non current assets</b>			
Property, plant and equipment	12	3,050,875	3,207,661
Investments in subsidiaries	13	8,075,487	575,520
Other investments	14	273,203	229,150
Trade and other receivables	17	636,596	2,035,447
		<u>12,036,161</u>	<u>6,047,778</u>
<b>Current assets</b>			
Inventories	16	1,379,642	1,473,296
Trade and other receivables	17	7,936,265	8,304,086
Other financial assets	21	132,589	–
Short term investments	15	–	696,656
Cash and cash equivalents		7,213,448	7,873,207
		<u>16,661,944</u>	<u>18,347,245</u>
<b>Total assets</b>		<u>28,698,105</u>	<u>24,395,023</u>
<b>Current liabilities</b>			
Trade and other payables	18	(5,668,396)	(2,827,132)
Borrowings	19	(10,555,414)	(12,187,750)
Hire purchase contracts and finance leases	20	(48,689)	(49,479)
Other financial liabilities	21	–	(381,461)
		<u>(16,272,499)</u>	<u>(15,445,822)</u>
<b>Net current assets</b>		<u>389,445</u>	<u>2,901,423</u>
<b>Non current liabilities</b>			
Other payables		(28,510)	(28,510)
Borrowings	19	(5,532,167)	(2,321,046)
Hire purchase contracts and finance leases	20	(40,638)	(88,701)
Deferred tax liabilities	24	(338,364)	(339,045)
		<u>(5,939,679)</u>	<u>(2,777,302)</u>
<b>Total liabilities</b>		<u>(22,212,178)</u>	<u>(18,223,124)</u>
<b>Net Assets</b>		<u>6,485,927</u>	<u>6,171,899</u>
<b>Shareholders' equity</b>			
Share capital	25	50,000	50,000
Other reserves	26	132,589	(381,461)
Retained earnings	27	6,303,338	6,503,360
<b>Total equity</b>		<u>6,485,927</u>	<u>6,171,899</u>

The financial statements were approved by the board of directors and authorised for issue on 6 May 2011 and were signed on its behalf by:

Sd/-  
Mr Anuj Banaik  
Director  
Company Registration No. 02608346

The notes on pages 12 to 41 form part of these financial statements

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH, 2011

Notes	Share capital £	Other reserves £	Retained earnings £	Total £
<b>Balance at 1 April 2009</b>	50,000	(305,644)	6,062,598	5,806,954
<b>Comprehensive income:</b>				
Profit for the year	–	–	440,762	440,762
Cash flow hedges	–	(75,817)	–	(75,817)
<b>Balance at 1 April 2010</b>	50,000	(381,461)	6,503,360	6,171,899
<b>Comprehensive income:</b>				
Loss for the year	27	–	(200,022)	(200,022)
Cash flow hedges	26	–	514,050	514,050
<b>Balance at 31 March 2011</b>	<u>50,000</u>	<u>132,589</u>	<u>6,303,338</u>	<u>6,485,927</u>

The notes on pages 12 to 41 form part of these financial statements

## STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH, 2011

Note	2011 £	2010 £	
<b>Cash flows from operating activities</b>			
Cash generated from operations	31	3,457,632	439,592
Finance costs		(320,063)	(198,956)
Tax paid		–	(207,802)
Finance income		82,500	65,168
<b>Net cash generated by operating activities</b>		<u>3,220,069</u>	<u>98,002</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		–	3,123,360
Payments to acquire property, plant and equipment		(124,640)	(238,472)
Acquisition of subsidiary, net of cash acquired		(5,241,067)	–
Purchases of available-for-sale financial assets		(44,053)	(56,457)
<b>Net cash (used in)/generated by investing activities</b>		<u>(5,409,760)</u>	<u>2,828,431</u>
<b>Cash flows from financing activities</b>			
New bank loans raised		4,900,000	42,878
New other loans raised		–	251,822
Repayments of borrowings		(2,407,603)	(1,288,048)
Proceeds/(repayments) of advances from debt factoring		8,656	(1,809,601)
Capital element of hire purchase contracts repayments		(48,853)	(115,617)
<b>Net cash generated by/(used in) financing activities</b>		<u>2,452,200</u>	<u>(2,918,566)</u>
<b>Net increase in cash and cash equivalents</b>		<u>262,509</u>	<u>7,867</u>
Cash and cash equivalents at the start of the year		(172,603)	(180,470)
<b>Cash and cash equivalents at the end of the year</b>		<u>89,906</u>	<u>(172,603)</u>
		2011	2010
		£	£
Cash and cash equivalents comprise:			
Cash at bank and in hand		7,213,448	7,873,207
Bank overdrafts		(7,123,542)	(8,045,810)
		<u>89,906</u>	<u>(172,603)</u>

The notes on pages 12 to 41 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

## 1. General information

Poeticgem Limited is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 1. The principal activity of the company is disclosed in the directors' report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

## 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

## Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (EU) (together IFRSs), and the Companies Act 2006 applicable to companies reporting under IFRSs.

**Impact of standards and interpretations effective for the first time**

*Revisions to adopted IFRS:*

The company has adopted new, revised and amended standards and interpretations which are relevant to the company during the year ended 31 March 2011, but which have no material impact on these financial statements:

IFRS 3 (revised), 'Business combinations', (effective from 1 July 2009): The revised IFRS 3 will make many changes to how future business combinations will be accounted for. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt, subsequently re-measured through the statement of comprehensive income. There is a choice on acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009): The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the statement of comprehensive income.

IAS 28 (revised), 'Investments in associates', (effective from 1 July 2009): The principle adopted under IAS 27 (revised) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendment to IAS 28. Therefore, when significant influence is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in the statement of comprehensive income.

IAS 36 (amendment), 'Impairment of assets' (effective from 1 January 2010): The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating Segments'.

*Revisions to IFRS in issue not yet effective:*

At the date of approval of these financial statements the following new, revised and amended standards and interpretations, which are relevant to the company have not been applied and when adopted will have no material impact on the company:

IFRS 9 "Financial instruments" (effective from 1 January 2013): IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value. This approach is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39.

IAS 24 (revised), 'Related Party Disclosures' (effective from 1 January 2011): The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities.

**2.1 Group accounts**

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by Section 401 of the Companies Act 2006 as it is a subsidiary undertaking of Multinational Textile Group Limited, a company incorporated in Mauritius, and is included in the consolidated accounts of that company.

**2.2 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:

Freehold land and buildings	1% straight line
Leasehold land and buildings	1% straight line on long lease and over lease term for short lease
Plant and machinery	33.33% reducing balance
Fixtures, fittings and equipment	25% reducing balance
Motor vehicles	25% reducing balance
Freehold land is not depreciated.	

**2.3 Impairment**

The carrying values of the company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying

value of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

**2.4 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable.

– **Sale of goods**

Revenue represents amounts receivable from the distribution of garments net of discounts and value added tax. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

– **Rental income**

Rental income is earned at arm's length on the freehold property which is occupied by one of the company's subsidiaries. Rental income under operating leases is credited to the statement of comprehensive income on a straight line basis over the term of the lease.

– **Interest income**

Interest revenue is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

– **Corporate income**

Corporate income represents the recovery of cost of services rendered by senior management. It is accounted for on an accrual basis.

**2.5 Leasing and hire purchase commitments**

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

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

**2.6 Investments**

Investments in subsidiary undertakings are stated at cost less provision for impairment.

**2.7 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises purchase price and other costs incurred in bringing the inventories to their present location and condition. Cost is measured using the FIFO method. Net realisable value represents the estimated selling price.

**2.8 Taxation**

Income tax expense represents the current tax payable and deferred tax provision.

– **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

– **Deferred tax**

The company accounts for deferred tax using the liability method and as such recognises all timing differences between the company's profits chargeable to tax and its results as shown in the financial statements. These timing differences arise from the inclusion of gains and losses for tax purposes in different 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.

**2.9 Foreign currencies**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit or loss for the period.

In order to hedge its exposure to certain foreign exchange risks, the company enters into forward contracts and options (see note 2.11 for details of the company's accounting policies in respect of such derivative financial instruments).

## Poeticgem Limited

**2.10 Related parties**

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions.

**2.11 Financial instruments**

Financial instruments are measured initially at cost, which is the fair value of whatever was paid or received to acquire or incur them. The company has the following categories of financial assets and liabilities:

- **Trade and other receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. This also includes factored debts as described overleaf.

- **Trade and other payables**

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade and other payable are stated at their nominal value.

- **Factored debts**

Factored debts are shown as gross assets within trade receivables and a corresponding liability is shown in respect of proceeds received within payables. The interest and factoring charges are recognised in the statement of comprehensive income during the period to which they relate using the effective interest method.

- **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in noncurrent assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

- **Other financial liabilities**

Trade payables are recognised and carried at original invoice cost and are a short-term liability of the company.

- **Cash and cash equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the company statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

- **Interest-bearing loans and borrowings**

Interest-bearing bank loans and overdrafts are recorded as the proceeds received, net of direct issue costs. Finance charges are accounted for on an accruals basis in the statement of comprehensive income using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

- **Derivative financial instruments and hedge accounting**

The company uses derivative financial instruments such as forward currency contracts to hedge its exposure to exchange rate movements on merchandise purchases, certain other costs and sales denominated in foreign currencies.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The company applies cash flow hedge accounting whereby changes in the fair value of the hedging instrument are recognised directly in equity rather than the statement of comprehensive income. When the hedged item is recognised in the financial statements, the accumulated gains and losses are removed from equity and recognised in the statement of comprehensive income. If the hedged item results in a non-financial asset or non-financial liability, the accumulated gains and losses are removed from equity and recognised as adjustments to their initial carrying value.

Hedge effectiveness testing is carried out retrospectively and prospectively and where ineffectiveness arises on hedged items, the changes in fair value are taken directly to the statement of comprehensive income for the year.

**3. Significant judgements and estimates**

The preparation of the company's financial statements in conforming with IFRSs require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances. Information about such judgements and estimates is contained in either the accounting policies or in the notes to the financial statements.

*Current economic environment*

The current economic environment could have an impact on a number of estimates necessary to prepare the financial statements, in particular, the recoverable amount of assets and contingent liabilities. The company has taken these factors into account in assessing the estimates set out below.

*Foreign payables and foreign receivables*

Certain foreign payables and foreign receivables are not retranslated at the rates prevailing on the balance sheet date, because in the directors' opinion the payables are covered by the forward exchange contracts and the receivables will be collected at the sterling amount recognised in the financial statements. Any net overstatement or net understatement of foreign exchange differences is not considered to be material.

*Available-for-sale financial assets*

Available-for-sale financial assets are stated in the financial statements at the same carrying value at the balance sheet date. In the directors' opinion, these financial assets have not been impaired and are correctly stated.

*Derivative financial instruments*

Derivative financial instruments are recognised at fair value and change significantly from period to period.

**4. Revenue****a. Company activities**

The company's activity is in a single business segment, being the supply of ladies', men's and children's garments.

**b. Revenues by geographical market and customer location**

The company's operations are located primarily in the UK and the business activity is reportable as follows:

Analysis of revenue by category:	2011	2010
	£	£
Sale of garments	<u>11,661,790</u>	16,204,217
Commission receivable	<u>10,583,470</u>	8,386,790
	<u>22,245,260</u>	<u>24,591,007</u>
Analysis of revenues by geographical market and customer location are as follows:		
UK	<u>10,726,930</u>	15,999,108
Rest of the World	<u>10,583,470</u>	8,386,790
Europe	<u>934,860</u>	205,109
	<u>22,245,260</u>	<u>24,591,007</u>
<b>5. Other income</b>		
Rent receivable	<u>149,526</u>	230,040
Exchange (loss)/gain	<u>(96,410)</u>	172,660
Other income	<u>560,597</u>	689,203
Corporate income	<u>351,168</u>	–
	<u>964,881</u>	<u>1,091,903</u>
<b>6. Operating profit</b>		
Operating profit has been arrived at after charging/(crediting):		
Staff costs (see note 8)	<u>5,566,878</u>	5,781,681
Depreciation of property, plant and equipment	<u>337,549</u>	332,783
Loss on disposal of property, plant and equipment	–	6,503
Operating lease rentals	<u>234,109</u>	205,580
Hire of equipment	<u>7,892</u>	10,021
Loss/(profit) on foreign exchange transactions	<u>96,410</u>	(172,660)

Poeticgem Limited

	2011		2010	
	£	£	£	£
<b>Analysis of revenue by category:</b>				
Fees payable to auditors:				
Audit of annual financial statements	51,000	40,200		
Other services - review of the interim financial statements	23,300	24,500		
Other services relating to taxation	34,425	23,625		
Other services	358	-		
<b>7. Exceptional item</b>				
During the year ended 31 March 2010, the company sold a property at market value for £3,000,000, recognising a profit of £1,616,245. No provision for current taxation was recognised in the financial statements in respect of this gain, however, a provision for deferred taxation charge was recognised and is disclosed in note 24.				
<b>8. Staff numbers and costs</b>				
The payroll costs (including directors) were as follows:	£	£		
Staff wages and salaries	4,766,369	4,541,534		
Directors' remuneration	240,000	651,629		
Social security costs	560,509	588,518		
	<u>5,566,878</u>	<u>5,781,681</u>		
The average number of employees (including directors) during the year was:				
	2011	2010		
	Number	Number		
Designers	41	33		
Sales	61	53		
Management and administration	17	19		
Quality control	17	17		
	<u>136</u>	<u>122</u>		
<b>Directors' emoluments</b>	£	£		
Emoluments for qualifying services	267,605	687,081		
	<u>267,605</u>	<u>687,081</u>		
<b>9. Finance income</b>				
	£	£		
Interest income on bank deposits	10,077	5,552		
Interest income on short-term investments	54,360	53,315		
Interest income on loans to related parties	10,805	6,301		
Interest income on VAT refund	7,258	-		
	<u>82,500</u>	<u>65,168</u>		
<b>10. Finance costs</b>				
	£	£		
Interest on borrowings	303,858	183,895		
Interest on overdue tax	-	1,488		
Interest on obligations under hire purchase and lease contracts	16,205	13,573		
	<u>320,063</u>	<u>198,956</u>		
<b>11. Taxation for the period</b>				
<b>Income tax expense</b>				
<b>Current tax expense:</b>				
UK corporation tax:				
Adjustment for prior years	29,240	(241,410)		
<b>Total current tax (see below)</b>	<u>29,240</u>	<u>(241,410)</u>		
<b>Deferred tax:</b>				
Origination and reversal of temporary differences	(681)	338,042		

	2011	2010
	£	£
<b>Total deferred tax (see note 24)</b>	<u>(681)</u>	<u>338,042</u>
<b>Income tax expenses</b>	<u>28,559</u>	<u>96,632</u>
<b>Reconciliation of current tax expense to accounting profit:</b>		
(Loss)/profit before taxation	(171,463)	537,394
Notional taxation charge at the UK corporation tax rate of 28% (2010: 28%)	<u>(48,010)</u>	<u>150,470</u>
Tax effects of:		
Expenses not deductible for tax purposes	37,629	67,607
Excess depreciation over capital allowances	38,444	30,747
Adjustments in respect of prior years	(29,240)	(220,405)
Temporary differences	-	339,044
Other tax adjustments	-	(608,873)
Tax losses surrendered from group company	(28,063)	-
<b>Total current (charge)/credit for the year</b>	<u>(29,240)</u>	<u>241,410</u>

The company has claimed group relief of £100,225 for losses surrendered by its fellow group company which has resulted in a £Nil corporation tax charge.

**12. Property, plant and equipment**

	Land and buildings freehold	Land and buildings leasehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 1 April 2010	2,436,537	567,761	489,035	711,471	245,654	4,450,458
Additions	-	34,332	113,871	32,560	-	180,763
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 March 2011	<u>2,436,537</u>	<u>602,093</u>	<u>602,906</u>	<u>744,031</u>	<u>245,654</u>	<u>4,631,221</u>
<b>Accumulated depreciation</b>						
At 1 April 2010	80,610	267,666	334,497	478,620	81,404	1,242,797
Transfers	-	-	-	-	-	-
On disposals	-	-	-	-	-	-
Charge for the year	24,366	120,244	85,339	63,063	44,537	337,549
At 31 March 2011	<u>104,976</u>	<u>387,910</u>	<u>419,836</u>	<u>541,683</u>	<u>125,941</u>	<u>1,580,346</u>
<b>Carrying amount</b>						
At 31 March 2011	<u>2,331,561</u>	<u>214,183</u>	<u>183,070</u>	<u>202,348</u>	<u>119,713</u>	<u>3,050,875</u>
At 31 March 2010	<u>2,355,927</u>	<u>300,095</u>	<u>154,538</u>	<u>232,851</u>	<u>164,250</u>	<u>3,207,661</u>

Included in the above are assets held under finance leases and hire purchase contracts as follows:

	Motor vehicles	
	2011	2010
	£	£
Cost	210,974	226,060
Aggregate depreciation	(99,668)	(66,655)
Carrying amount	<u>111,306</u>	<u>159,405</u>

**Security**  
Properties with a carrying value of £2,331,561 (2010: £2,355,927) are subject to a legal charge to secure bank loans (see note 19).

## Poeticgem Limited

	Land and buildings freehold	Land and buildings leasehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 1 April 2009	2,436,537	2,029,673	378,961	878,122	300,165	6,023,458
Additions	–	48,438	110,074	69,960	118,460	346,932
Transfers	–	(25,580)	–	25,580	–	–
Disposals	–	(1,484,770)	–	(262,191)	(172,971)	(1,919,932)
At 31 March 2010	2,436,537	567,761	489,035	711,471	245,654	4,450,458
<b>Accumulated depreciation</b>						
At 1 April 2009	56,245	257,518	276,910	602,189	123,466	1,316,328
Transfers	–	(7,829)	–	7,829	–	–
On disposals	–	(103,477)	–	(210,423)	(92,414)	(406,314)
Charge for the year	24,365	121,454	57,587	79,025	50,352	332,783
At 31 March 2010	80,610	267,666	334,497	478,620	81,404	1,242,797
<b>Carrying amount</b>						
At 31 March 2010	2,355,927	300,095	154,538	232,851	164,250	3,207,661
At 31 March 2009	2,380,292	1,772,155	102,051	275,933	176,699	4,707,130

Included in the above are assets held under finance leases and hire purchase contracts as follows:

	Motor vehicles	
	2010	2009
	£	£
Cost	226,060	248,757
Aggregate depreciation	(66,655)	(86,595)
Carrying amount	159,405	162,162

## 13. Investments in subsidiaries

	Shares in Subsidiary Undertakings	
	2011	2010
	£	£
<b>Cost</b>		
At beginning of the year	575,520	575,821
Additions during the year	7,500,000	–
Cost written down	(33)	(301)
At the end of the year	8,075,487	575,520

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid.

**Holdings of more than 20%**

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	
		Class	%
<b>Subsidiary undertakings</b>			
Pacific Logistics Limited	England and Wales	Ordinary	100
Poeticgem (Canada) Limited	Canada	Ordinary	100
Pacific Supply Chain Limited	England and Wales	Ordinary	100
Poetic Knitwear Limited	England and Wales	Ordinary	67
FX Import Company Limited	England and Wales	Ordinary	50
FX Import Hong Kong Limited	Hong Kong	Ordinary	50
Razamtazz Limited	Mauritius	Ordinary	100

The aggregate amount of capital and reserves and the results of the undertakings at 31 March 2011 were as follows:

	Capital and reserves	Profit/(loss) for the period
	£	£
Pacific Logistics Limited	104,963	(61,122)
Poeticgem (Canada) Limited	(3,292)	55,000
Pacific Supply Chain Limited	(9,942)	(1,401)
Poetic Knitwear Limited	(873,166)	(452,760)
FX Import Company Limited	(877,747)	(156,449)
FX Import Hong Kong Limited	44,273	39,332
Razamtazz Limited	6,137,024	(6,126)
<b>14. Other investments</b>	<b>2011</b>	<b>2010</b>
	£	£
• Available-for-sale:		
At start of the year	229,150	172,693
Additions during the year	61,750	66,348
Net loss - exchange difference	(17,697)	(9,891)
At the end of the year	273,203	229,150
Other investments are available-for-sale financial assets consisting of ordinary shares, and therefore have no maturity date or coupon rate. In the directors' opinion, the fair value of this unlisted security is the same as the carrying value at the balance sheet date.		
<b>15. Short-term investments</b>		
• Available-for-sale:		
At start of the year	696,656	738,984
Transferred to investment in equity of Razamtazz Limited	(678,689)	–
Net loss - exchange difference	(17,967)	(42,328)
At the end of the year	–	696,656
During the year, the above short-term investment was transferred to Razamtazz Limited. This company was acquired as a wholly owned subsidiary for £7,500,000.		
<b>16. Inventories</b>		
Finished goods and goods for resale	1,379,642	1,473,296
<b>17. Trade and other receivables</b>		
<b>Current assets</b>		
Trade receivables	1,586,016	1,235,873
Other receivables	2,776,851	3,147,954
Receivables from fellow group companies	1,439,869	1,608,837
Receivables from subsidiary companies	1,466,439	1,123,492
Prepaid expenses	286,037	386,130
Receivables from related parties	381,053	801,800
	7,936,265	8,304,086
<b>Non-current assets</b>		
Other receivables	234,841	1,498,255
Receivables from subsidiary companies	401,755	537,192
	636,596	2,035,447
The average credit period given for trade receivables at the end of the year is 50 days (2010: 28 days).		
At 31 March 2011, the ageing analysis of trade receivables is as follows:		



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	Overdue but not impaired		
	Total £	<3 Months £	>3 Months £
2011	1,586,016	1,520,010	66,006
2010	1,235,873	1,224,597	11,276

All amounts are due to be recovered within 12 months of the balance sheet date. The fair value of trade and other receivables is the same as the carrying value shown above.

The maximum exposure to credit risk for trade and other receivables is represented by their carrying amount. The company does not have a significant concentration of credit risk for its trade receivables because its customer base is large.

There is a charge over the bank security deposit of £383,545 (2010: £1,892,994) which is included in other receivables.

18. Trade and other payables	2011	2010
	£	£
Trade payables	607,064	1,480,413
Payables to fellow group companies	4,138,343	1,011,376
Payables to subsidiary companies	13,041	84,997
Payable to related parties	610,471	8,325
Social security and other taxes	140,100	185,244
Other payables	2,401	16,967
Accrued expenses	156,976	39,810
	<u>5,668,396</u>	<u>2,827,132</u>

Trade payables and accrued expenses mainly comprise of amounts owed for trading purchases and associated costs.

All trade and other payables are due to be paid within 12 months of the balance sheet date.

The fair value of trade and other payables is the same as the carrying value shown above.

19. Borrowings	2011	2010
	£	£
Bank overdrafts	7,123,542	8,045,810
Bank loans	7,501,521	5,005,572
Advances from factors	901,464	892,808
Loan from parent undertaking	561,054	564,606
	<u>16,087,581</u>	<u>14,508,796</u>

The borrowings are repayable as follows:

On demand or within one year	10,555,414	12,187,750
In the second year	71,113	257,719
In the third to fifth years inclusive	5,461,054	995,813
After five years	-	1,067,514
	<u>16,087,581</u>	<u>14,508,796</u>

Less: Amount due for settlement within 12 months (shown under current liabilities)

Amount due for settlement after 12 months

The weighted average of interest rates paid was as follows:

	2011	2010
	%	%
Bank overdrafts	2.50	2.50
Bank loans	2.28	2.31

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 2.5 per cent per annum and is determined based on 2 per

cent 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 fixed and floating charges over the assets of the company and a cross guarantee between Poeticgem Limited and its subsidiary Pacific Logistics Limited. The average effective interest rate on bank loans approximates to 2.28 percent per annum and is determined based on 1.9 percent plus base rate.

At 31 March 2011 the company had available £969,625 (2010: £5,079,739) 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 £561,054 (2010: £564,606) due to Global Textile Group Limited, the company's immediate parent company. The amount is unsecured and repayable after more than one year. Interest is chargeable at a rate of 9% per annum on an amount of £248,270.

The carrying value of all the company's long term borrowings approximate to their fair value as at the balance sheet date.

20. Hire purchase contracts and finance leases	2011	2010
Amounts payable are as follows:	£	£
Within one year	62,128	63,180
In the second to fifth years	56,219	117,631
Less: Future interest charges	(29,020)	(42,631)
Present value of the obligations	89,327	138,180
Less: Amount due for settlement within 12 months (shown under current liabilities)	(48,689)	(49,479)
Amount due for settlement after 12 months	<u>40,638</u>	<u>88,701</u>

The fair value of the hire purchase contracts and finance leases is approximately equal to the carrying amount.

The company's obligations under hire purchase contracts and finance leases are secured by charges over the relevant assets.

21. Derivative financial instruments	2011	2010
Forward foreign exchange (fair value)	£	£
	132,589	(381,461)

The terms of the forward foreign exchange contracts have been negotiated to match the terms of the commitments referred to below. The cash flow hedges of the expected future purchases were assessed to be highly effective and as at 31 March 2011, an unrealised gain of £514,050 (2010: loss £75,817) was included in the hedging reserves in respect of these contracts.

The ineffective portion recognised in the statement of comprehensive income that arises from cash flow hedges amounts to a gain of £279,678 (2010: £269,053).

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

	2011	2010
	£	£
Forward foreign exchange contracts (cash flow hedges)	17,591,965	6,332,877

These commitments have been entered into to hedge against future payments to suppliers in the ordinary course of business that will fall due in the period ending 31 March 2012.

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## 22. Financial instruments

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

	Financial assets at fair value through profit or loss-held for trading	Available-for-sale financial assets	Loan and receivables	Financial liabilities at amortised cost	2011 Total
	£	£	£	£	£
<b>Financial assets</b>					
Available-for-sale investments	–	273,203	–	–	273,203
Other long-term receivables	–	–	234,841	–	234,841
Trade receivables	–	–	1,586,016	–	1,586,016
Other receivables	–	–	2,412,845	–	2,412,845
Receivables from fellow group companies	–	–	1,439,869	–	1,439,869
Receivables from subsidiary companies	–	–	1,868,194	–	1,868,194
Receivables from related parties	–	–	381,053	–	381,053
Cash and cash equivalents	–	–	7,213,448	–	7,213,448
Derivative financial assets	132,589	–	–	–	132,589
<b>Total financial assets</b>	<b>132,589</b>	<b>273,203</b>	<b>15,136,266</b>		<b>15,542,058</b>
<b>Financial liabilities</b>					
Hire purchase contracts and finance leases	–	–	–	89,327	89,327
Trade payables, other payables and accruals-current	–	–	–	766,441	766,441
Other payables-not current	–	–	–	28,510	28,510
Secured borrowings	–	–	–	15,526,527	15,526,527
Payable to immediate parent company	–	–	–	561,054	561,054
Payables to fellow group companies	–	–	–	4,138,343	4,138,343
Payables to subsidiary companies	–	–	–	13,041	13,041
Payables to related parties	–	–	–	610,471	610,471
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>21,733,714</b>	<b>21,733,714</b>
<b>Financial liabilities at fair value through profit or loss-held for trading</b>					
	£	£	£	£	2010 Total
					£
<b>Financial assets</b>					
Available-for-sale investments	–	925,806	–	–	925,806
Other long-term receivables	–	–	1,498,255	–	1,498,255
Trade receivables	–	–	1,235,873	–	1,235,873
Other receivables	–	–	2,627,087	–	2,627,087
Receivables from fellow group companies	–	–	1,608,837	–	1,608,837
Receivables from subsidiary companies	–	–	1,660,684	–	1,660,684
Receivables from related parties	–	–	801,800	–	801,800
Cash and cash equivalents	–	–	7,873,207	–	7,873,207
<b>Total financial assets</b>	<b>–</b>	<b>925,806</b>	<b>17,305,743</b>	<b>–</b>	<b>18,231,549</b>
<b>Financial liabilities</b>					
Hire purchase contracts and finance leases	–	–	–	138,180	138,180
Trade payables, other payables and accruals-current	–	–	–	1,537,190	1,537,190
Other payables-not current	–	–	–	28,510	28,510
Secured borrowings	–	–	–	13,944,190	13,944,190
Payable to immediate parent company	–	–	–	564,606	564,606
Payables to fellow group companies	–	–	–	1,011,376	1,011,376
Payables to subsidiary companies	–	–	–	84,997	84,997
Payables to related parties	–	–	–	8,325	8,325
Derivative financial liabilities	381,461	–	–	–	381,461
<b>Total financial liabilities</b>	<b>381,461</b>	<b>–</b>	<b>–</b>	<b>17,317,374</b>	<b>17,698,835</b>

Poeticgem Limited

23. Financial risk management objectives and policies

US dollar

The company's exposure to interest rate risk, foreign currency risk, credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the company's financial management policies and practices described below:

a. Interest rate risk

The company's exposure to the risk of changes in market interest rates relates primarily to the company's interest-bearing bank borrowings with floating interest rates.

The company's policy to manage its interest rate risk is to reduce or maintain its current level of interest-bearing borrowings. As the company is not expected to significantly increase its level of interest-bearing borrowings, it has not used any interest rate swaps to hedge its exposure to interest rate risk.

Sensitivity analysis

The following table demonstrates the sensitivity to a possible change in interest rates (+/-0.25%), with all other variables held constant, on the company's profit or loss (through the impact on floating rate borrowings) and the company's equity.

	Increase/ (Decrease) in profit before tax	Increase/ (Decrease) in equity
	£	£
<b>2011</b>		
Increase in basis point of 0.25%	(38,816)	(38,816)
Decrease in basis point of 0.25%	38,816	38,816
<b>2010</b>		
Increase in basis point of 0.25%	(34,860)	(34,860)
Decrease in basis point of 0.25%	34,860	34,860

b. Foreign currency risk

The company has transactional currency exposures. Such exposures arise mainly from purchases in currencies other than the company's functional currency. Approximately 73% (2010: 83%) of the company's purchases are denominated in currencies other than the functional currency of the company, whilst almost all of the company's sales are denominated in the company's functional currency.

The company uses forward currency contracts to eliminate the foreign currency exposures on its purchases transactions, for which the corresponding settlements are anticipated to take place more than one month after the company has entered into firm commitments for the purchases. The forward currency contracts must be in the same currency as the hedged items. The company negotiates the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. It is the company's policy that a forward contract is not entered into until a firm commitment is in place.

At 31 March 2011, the company had fully hedged its foreign currency purchases for which firm commitments existed at the balance sheet date, thus the company's exposure to foreign currency risk is minimal. These arrangements are designed to address significant exchange exposures and are renewed on a revolving basis as required.

At 31 March 2011, the company held 29 forward currency contracts (2010: 35) designated as hedges in respect of expected future purchases from suppliers in Asia for which the company has firm commitments.

(i) Currency exposures

The following table details the company's exposure (after taking account of derivative foreign currency contracts, which are not designated as hedging instruments for accounting) at the balance sheet date to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

At 31 March 2011

	£
Trade and other receivables	3,439,787
Cash and cash equivalents	7,199,543
Trade payables	(124,495)
Other payables	(39,037)
Borrowings	(9,504,454)
Net exposure arising from recognised assets and liabilities	971,344

At 31 March 2010

Trade and other receivables	3,713,087
Cash and cash equivalents	7,863,243
Trade payables	(1,099,402)
Other payables	(61,177)
Borrowings	(3,027,640)
Net exposure arising from recognised assets and liabilities	7,388,111

(ii) Sensitivity analysis

The company is exposed to a number of foreign currencies. The most significant transactional currency exposures is US dollar with sterling.

The following table demonstrates the sensitivity to a possible change if the sterling weakened/strengthened by 10% against the US dollar, with all other variables held constant, on the company's profit or loss and the company's equity.

	Increase/ (Decrease) in profit before tax	Increase/ (Decrease) in equity
	£	£
<b>2011</b>		
10% weakened	(97,134)	(97,134)
10% strengthened	97,134	97,134
<b>2010</b>		
10% weakened	(738,811)	(738,811)
10% strengthened	738,811	738,811

c. Credit risk

The company is exposed to credit risk to the extent of non-payment by either its customers or the counterparties of its financial instruments.

The company trades on credit terms only with recognised and creditworthy third parties. If the wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Receivable balances are monitored on an ongoing basis and there is no significant concentration of credit risk within the company. The company's exposure to bad debts is also not significant as the company's trade receivables relate to diversified debtors and most of the trade receivables are factored

Since the company trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the company's other financial assets, which comprise deposits and other receivables, amounts due from group companies, bank balances and pledged time deposits, arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

## Poeticgem Limited

**d. Liquidity risk**

The company's policy is to hold financial instruments and financial assets (e.g. trade receivables) and maintain undrawn committed facilities at a level sufficient to ensure that the company has available funds to meet its medium-term capital and funding obligations and to meet any unforeseen obligations and opportunities. The company holds cash and short-term investments, which together with the undrawn committed facilities, enable the company to manage its liquidity risk.

The company's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings.

The repayment terms of the company's balances with group companies are disclosed in note 19. The maturity profile of the company's other financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years	2011 Total
	£	£	£	£
Trade payables	607,064	–	–	607,064
Other payables	159,377	–	28,510	187,887
Borrowings	10,555,414	71,113	5,461,054	16,087,581
Hire purchase contracts and finance leases	48,689	40,638	–	89,327
Payables to fellow group companies	4,138,343	–	–	4,138,343
Payables to subsidiary companies	13,041	–	–	13,041
Payables to related parties	610,471	–	–	610,471
	<u>16,132,399</u>	<u>111,751</u>	<u>5,489,564</u>	<u>21,733,714</u>

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years	2010 Total
	£	£	£	£
Trade payables	1,480,413	–	–	1,480,413
Other payables	56,777	–	28,510	85,287
Borrowings	12,187,750	257,719	2,063,327	14,508,796
Hire purchase contracts and finance leases	49,479	88,701	–	138,180
Payables to fellow group companies	1,011,376	–	–	1,011,376
Payables to subsidiary companies	84,997	–	–	84,997
Payables to related parties	8,325	–	–	8,325
Derivative financial instruments	381,461	–	–	381,461
	<u>15,260,578</u>	<u>346,420</u>	<u>2,091,837</u>	<u>17,698,835</u>

The maturity analysis applies to financial instruments only and therefore statutory liabilities are not included.

**e. Capital management**

The company aims to manage its overall capital to ensure that it continues to operate as a going concern and maintains sufficient financial flexibility to undertake planned investments, whilst providing adequate return to shareholders.

The company's capital structure is reviewed on a quarterly basis to ensure that an appropriate level of gearing is being used.

The company calculates its gearing ratio as borrowings, including current and non-current borrowings, divided by total capital as represented by borrowings less cash and cash equivalents plus total equity.

**24. Deferred tax liabilities (net)**

The deferred tax liabilities is shown net of deferred tax assets as the total deferred tax assets is insignificant to the total deferred tax liabilities.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2011 £	2010 £
Deferred tax assets	681	–
Deferred tax liabilities	(339,045)	(339,045)
Deferred tax liabilities (net)	<u>(338,364)</u>	<u>(339,045)</u>
This gross movement on the deferred tax account is as follows:		
At the start of the year	(339,045)	(1,003)
(Credited)/charged to statement of comprehensive income	681	(338,042)
At the end of the year	<u>(338,364)</u>	<u>(339,045)</u>

The movement in deferred tax assets and liabilities during the year is as follows:

	Decelerated/ (accelerated) tax depreciation £	Rolled-over and held over gains £	Total £
<b>At 1 April 2009</b>	(1,003)	–	(1,003)
Tax credit/(charge) to statement of comprehensive income	1,003	(339,045)	(338,042)
<b>At 31 March 2010</b>	–	(339,045)	(339,045)
Tax credit to statement of comprehensive income	681	–	681
<b>At 31 March 2011</b>	<u>681</u>	<u>(339,045)</u>	<u>(338,364)</u>

**25. Share capital**

	2011 £	2010 £
<b>Issued and fully paid</b>		
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

**26. Other reserves**

	2011 £	2010 £
<b>Hedging reserve</b>		
Cash flow hedges:		
Fair value at the start of the year	381,461	305,644
(Decrease)/increase in fair value of cash flow hedges (see note 21)	(514,050)	75,817
Fair value at the end of the year	<u>(132,589)</u>	<u>381,461</u>

Poeticgem Limited

27. Retained earnings	2011	2010
	£	£
Balance at the start of the year	6,503,360	6,062,598
(Loss)/profit for the financial year	(200,022)	440,762
Balance at the end of the year	6,303,338	6,503,360

28. Operating lease arrangements	2011	2010
	£	£
Minimum lease payments under operating leases recognised in the statement of comprehensive income for the year	202,505	192,929

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	
	2011	2010	2011	2010
	£	£	£	£
<b>Within one year</b>	195,932	194,932	27,835	18,188
<b>Between two and five years</b>	61,087	247,319	25,226	6,663
	257,019	442,251	53,061	24,851

Operating lease payments represent rentals payable by the company.

29. Contingent liabilities

At 31 March 2011 the company had the following contingent liabilities:

The company's bankers, Royal Bank of Scotland plc have given the following guarantee on behalf of the company:

HM Revenue and Customs	£1,200,000
Allport Limited	£37,534

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 2011 is £11,431. The company has given an unlimited guarantee on the banking facilities of its subsidiary company FX Import Company Limited. At the balance sheet date there was no contingent liability under this guarantee.

30. Capital commitments

Capital commitments contracted for at the balance sheet date but not yet incurred are as follows:

	2011		2010	
	\$	£	\$	£
Non current asset investments	562,000	350,549*	654,625	434,332*

\*Amounts have been translated at the exchange rate prevailing at the balance sheet date.

31. Notes to the cash flow statement

**Cash flows from operating activities**

	2011	2010
	£	£
Profit from operations	66,100	671,182
Adjustments for:		
Exceptional item-Profit on disposal of property	-	(1,616,245)
Depreciation of property, plant and equipment	337,549	332,783
Investment at cost written off	-	301
Loss on disposal of property, plant and equipment	-	6,503
<b>Operating cash inflows/(outflows) before working capital</b>	<b>403,649</b>	<b>(605,476)</b>
Decrease in inventories	93,654	936,925
Decrease/(increase) in receivables	729,174	(533,468)
Increase in payables	2,231,155	641,611
<b>Cash generated by operations</b>	<b>3,457,632</b>	<b>439,592</b>

32. Related party transactions

a. Transactions with related companies

During the year, the company entered into the following transactions with related parties:

## Poeticgem Limited

	Sales/management fee FOB transfers/rent/commission interest received		Commission interest paid/ purchases/expenses		Amounts owed by related party		Amounts owed to related party	
	2011	2010	2011	2010	2011	2010	2011	2010
	£	£	£	£	£	£	£	£
Depa International Inc, USA	-	-	-	-	-	-	-	4,470
FX Import Company Limited, UK	66,000	60,000	-	18,221	467,632*	416,222*	-	-
Global Textile Group Limited, Mauritius	-	-	21,607	231,590	-	-	599,486	686,919
House of Pearl Fashions Limited, India	-	37,500	29,700	52,949	63,682	136,178	-	-
House of Pearl Fashions Limited, USA	-	-	-	-	-	3,806	606	-
Nor Pearl Knitwear Limited, Bangladesh	-	-	-	-	-	-	-	40,118
Norp Knit Industries Limited, Bangladesh	-	-	-	-	130,114	119,158	-	-
Norwest Industries Limited, Hong Kong	10,584,546	8,653,750	2,034,849	1,553,486	-	-	4,099,305	861,064
Pacific Logistics Limited, UK	54,330	230,040	1,168,697	1,489,226	532,993"	675,351"	-	-
Pacific Supply Chain Limited, UK	-	-	-	-	2,071	2,071	-	-
Pearl Global Limited, India	-	-	-	-	426,415	415,956	-	-
Poeticgem (Canada) Limited, Canada	31,360	18,207	-	-	-	-	13,041	84,997
Poetic Knitwear Limited, UK	-	103,552	-	-	865,498	567,039	-	-
Simple Approach Limited, Hong Kong	-	75,709	-	1,207	142,402	295,521	-	-
Vastras, India	-	-	20,359	37,030	-	4,815	-	-
Zamira Fashion Limited, Hong Kong	27,717	16,528	2,364	5,599	122,704	16,605	-	-
Zamira Fashions (Europe) Limited, UK	-	-	-	-	63,528	151,903	-	-
Magic Global Fashions Limited, UK	-	4,800	-	-	70,377	469,712	-	-
Pearl GES Group Limited, Hong Kong	-	-	-	60,258	1,988	-	-	-
Nor Lanka Manufacturing Limited, Sri Lanka	-	-	-	-	217,116	-	-	-
NAFS Limited, UK	-	-	-	-	674	-	-	-
Multinational Textile Group Limited, Mauritius	265,808	-	441,426	-	200,869	-	-	-

The above balances are interest free and repayable on demand.

\* The amount owed by FX Import Company Limited includes an interest free long-term loan of 351,500 (2010: £351,500).

"- The amount owed by Pacific Logistics Limited includes an interest free long-term loan of £50,255 (2010: £185,692).

• The amount payable to Global Textile Group Limited, Mauritius is unsecured and repayable after more than one year. Interest is chargeable at a rate of 9% per annum on an amount of £248,270.

The above companies are related as follows:

The ultimate parent company of Poeticgem Limited is House of Pearl Fashions Limited, India.

The immediate parent company of Poeticgem Limited is Global Textile Group Limited, Mauritius.

Pacific Logistics Limited, Pacific Supply Chain Limited, Poetic Knitwear Limited and Poeticgem (Canada) Limited, are all wholly owned subsidiaries of Poeticgem Limited.

Poeticgem Limited owns a 50% share in FX Import Company Limited.

Depa International Inc, USA is a subsidiary of the company's immediate parent company, Global Textile Group Limited, Mauritius. -

Pearl Global Limited, India; Nor-Pearl Knitware Limited, Bangladesh; Norp Knit Industries Limited, Bangladesh and House of Pearl Fashions (US) Limited are subsidiaries of the company's ultimate parent company, House of Pearl Fashions Limited, India.

Norwest Industries Limited, Hong Kong; Zamira Fashions Limited, Hong Kong; Simple Approach Limited, Hong Kong and Pearl GES Group Limited, Hong Kong are fellow subsidiaries of

Poeticgem Limited

Global Textile Group Limited, Mauritius.

Zamira Fashions (Europe) Limited is a subsidiary of Zamira Fashion Limited, Hong Kong.

Magic Global Fashions Limited is a subsidiary of Magic Global Fashions Limited, Hong Kong.

Vastras is an associate of House of Pearl Fashions Limited, India.

Sales of goods and services to related parties were made at the company's list prices less average volume discounts. Purchases were made at market prices discounted to reflect volume purchases.

**b. Loans and advances to/(from) related parties**

	2011	2010
	£	£
<b>(i) Loans and advances to/(from) key management of the company and their close family members</b>		
At start of the year	(575)	(11,464)
Amounts advanced during the year	983,288	965,992
Amounts repaid during the year	(615,157)	(955,103)
At end of the year	<u>367,556</u>	<u>(575)</u>
The above loans are interest free.		
<b>(ii) Loan to business in which key management has a controlling interest</b>		
At start of the year	794,657	623,339
Amounts advanced during the year	100	171,318
Amounts repaid during the year	(794,757)	-
At end of the year	<u>-</u>	<u>794,657</u>
The above loans are interest free.		
<b>(iii) Loans to/(from) business in which close family member of key management has a controlling interest</b>		
At start of the year	817,614	738,984
Amounts advanced during the year	(7,500,000)	-
Amounts repaid during the year	6,072,278	-
Interest charged	54,360	78,630
Interest received	(54,360)	-
At end of the year	<u>(610,108)</u>	<u>817,614</u>

During the year the company paid £7,500,000 at market value to purchase Razamtazz Limited from a foreign trust in which the director and close family member have a beneficial interest. At the balance sheet date the company owed the trust £610,108. This amount is interest free and repayable on demand.

	Salaries/ Bonus	Benefits	2011	2010
	£	£	£	£
<b>c. Directors' emoluments</b>				
Mr Pallak Seth	-	-	-	596,078
Mr Anuj Banaik	90,000	22,082	112,082	38,243
Mrs Payel Seth	150,000	5,523	155,523	52,760

**d. Other transactions with related parties**

Mr Pallak Seth, close family member of Mrs Faiza Seth has given a personal guarantee of £750,000 in respect of a bank loan taken by the company.

Mr Deepak Seth, close family member of Mrs Payel Seth has given a personal guarantee of £4,900,000 plus interest in respect of a bank loan taken by the company.

One of the company's bank loans is secured by a legal charge over Flat 3, 22 Down Street, Mayfair, London, a property owned by Razamtazz Limited, a wholly owned subsidiary of the company.

**33. Control**

The immediate parent company is Global Textile Group Limited, a company registered in Mauritius, and the ultimate parent company is House of Pearl Fashions Limited, a company registered in India. House of Pearl Fashions Limited prepares group financial statements and copies can be obtained from Corporate Office: 446, Udyog Vihar, Phase-V, Gurgaon122016 (Haryana), India.

House of Pearl Fashions Limited is listed on the Bombay Stock Exchange and the National Stock Exchange in India.

PG Home Group Limited  
(Formerly Pearl GES Home Group Limited)

## REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 2011.

### Principal activities

The principal activities of the Company are the trading of home and garment products, and investment holding. The principal activity of the Company's subsidiary is set out in note 12 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

### Change of company name

Pursuant to a resolution of shareholders on 9 March 2011, the name of the Company was changed from Pearl GES Home Group Limited to PG Home Group Limited.

### Results

The Group's profit for the year ended 31 March 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 5 to 31.

### Property, plant and equipment

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 11 to the financial statements.

### Directors

The directors of the Company during the year were:

Deepak Seth  
Pallak Seth  
Mahesh Kumar Seth  
Berstein Jauregui Sebastian Felipe  
Guiloff Titelman Yariv  
Vial Cerda Vicente  
Payel Seth

In accordance with the Company's articles of association, all directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

### Directors' interests

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its subsidiary or any of its holding companies or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### Directors' interests in contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its subsidiary or any of its holding companies or fellow subsidiaries was a party during the year.

### Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Chairman  
Mr. Deepak Seth

Hong Kong  
12 May 2011

## INDEPENDENT AUDITORS' REPORT

**To the shareholders of PG Home Group Limited (formerly Pearl GES Home Group Limited)**  
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of PG Home Group Limited (formerly Pearl GES Home Group Limited) (the "Company") and its subsidiaries (together, the "Group") set out on pages 5 to 31, which comprise the consolidated and company statements of financial position as at 31 March 2011, and the consolidated and company income statements, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2011, and of the Company's and the Group's profit and the Group's 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  
12 May 2011





PG Home Group Limited  
(Formerly Pearl GES Home Group Limited)

### CONSOLIDATED INCOME STATEMENT YEAR ENDED 31 March 2011

	Notes	2011 US\$	2010 US\$
REVENUE	5	5,755,870	3,530,288
Cost of sales		(4,687,334)	(2,866,421)
Gross profit		1,068,536	663,867
Other income	5	10,452	24,888
Administrative expenses		(1,046,116)	(844,890)
Other operating expenses		-	(800)
Finance costs	8	(32,461)	-
PROFIT/(LOSS) BEFORE TAX	6	411	(156,935)
Income tax expense	9	-	(4,063)
PROFIT/(LOSS) FOR THE YEAR		411	(160,998)

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 March 2011

	2011 US\$	2010 US\$
PROFIT/(LOSS) FOR THE YEAR	411	(160,998)
OTHER COMPREHENSIVE LOSS		
Exchange differences on translation of foreign operations	(9,342)	(26,421)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	(9,342)	(26,421)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(8,931)	(187,419)

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION 31 March 2011

	Notes	2011 US\$	2010 US\$
NON-CURRENT ASSETS			
Property, plant and equipment	11	12,767	66,298
Intangible asset - brandname		5,524	-
Deposits		6,040	798
Total non-current assets		24,331	67,096
CURRENT ASSETS			
Trade and bills receivables	13	876,094	914,509
Deposits		56,263	24,744
Cash and cash equivalents		202,813	41,380
Total current assets		1,135,170	980,633
CURRENT LIABILITIES			
Trade payables		404,020	239,021
Other payables, accruals and receipts in advance		177,435	40,392
Due to the immediate holding company	17(b)	857,168	1,034,444
Tax payables		-	4,063
Total current liabilities		1,438,623	1,317,920
NET CURRENT LIABILITIES		(303,453)	(337,287)
Net liabilities		(279,122)	(270,191)
EQUITY			
Issued capital	14	250,000	250,000
Reserves		(529,122)	(520,191)
Net deficiency in assets		(279,122)	(270,191)

Sd/-  
Director

Sd/-  
Director

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31 MARCH 2011

	Issued capital US\$	Exchange reserve US\$	Accumulated losses US\$	Net deficiency in assets US\$
At 1 April 2009	250,000	(5,870)	(326,902)	(82,772)
Loss for the year	-	-	(160,998)	(160,998)
Other comprehensive loss for the year:				
Exchange differences on translation of foreign operations	-	(26,421)	-	(26,421)
Total comprehensive loss for the year	-	(26,421)	(160,998)	(187,419)
At 31 March 2010 and 1 April 2010	250,000	(32,291)	(487,900)	(270,191)
Profit for the year	-	-	411	411
Other comprehensive loss for the year:				
Exchange differences on translation of foreign operations	-	(9,342)	-	(9,342)
Total comprehensive loss for the year	-	(9,342)	411	(8,931)
At 31 March 2011	250,000	(41,633)*	(487,489)*	(279,122)

\* These reserve accounts comprise the deficit reserves of HK\$529,122 (2010: HK\$520,191) in the consolidated statement of financial position.

### CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED 31 MARCH 2011

	Notes	2011 US\$	2010 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		411	(156,935)
Adjustments for:			
Depreciation	6	54,467	73,266
Finance costs	8	32,461	-
		87,339	(83,669)
Decrease/(increase) in trade and bills receivables		38,415	(889,945)
Increase in deposits		(35,482)	(20,057)
Increase in trade payables		164,999	196,301
Increase in other payables, accruals and receipts in advance		134,129	6,363
Increase/(decrease) in an amount due to the immediate holding company		(192,592)	785,861
Increase in an amount due to a fellow subsidiary		-	(1,541)
Cash generated from/(used in) operations		196,808	(6,687)
Interest paid		(32,461)	-
Tax paid		(4,063)	-
Net cash flows from/(used in) operating activities		160,284	(6,687)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	11	(3,138)	(2,919)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		157,146	(9,606)
Cash and cash equivalents at beginning of year		41,380	42,122
Effect of foreign exchange rate changes, net		4,287	8,864
CASH AND CASH EQUIVALENTS AT END OF YEAR		202,813	41,380
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		202,813	41,380

PG Home Group Limited  
(Formerly Pearl GES Home Group Limited)

**INCOME STATEMENT**

YEAR ENDED 31 MARCH 2011

	Notes	2011 US\$	2010 US\$
REVENUE	5	5,755,870	3,530,288
Cost of sales		(4,687,334)	(2,866,421)
Gross profit		1,068,536	663,867
Other income	5	3,732	6,183
Administrative expenses		(1,032,898)	(1,021,007)
Finance costs	8	(32,461)	–
PROFIT/(LOSS) BEFORE TAX	6	6,909	(350,957)
Income tax expense	9	–	(4,063)
PROFIT/(LOSS) FOR THE YEAR		6,909	(355,020)

**STATEMENT OF FINANCIAL POSITION**

31 MARCH 2011

	Notes	2011 US\$	2010 US\$
NON-CURRENT ASSETS			
Investment in a subsidiary	12	5,967	5,967
CURRENT ASSETS			
Trade and bills receivables	13	876,094	914,509
Deposits		40,952	16,155
Due from a subsidiary	12	254,001	261,552
Cash and cash equivalents		142,889	15,495
Total current assets		1,313,936	1,207,711
CURRENT LIABILITIES			
Trade payables		404,020	239,021
Other payables, accruals and receipts in advance		132,163	16,507
Due to the immediate holding company	17(b)	857,168	1,034,444
Tax payables		–	4,063
Total current liabilities		1,393,351	1,294,035
NET CURRENT LIABILITIES		(79,415)	(86,324)
Net liabilities		(73,448)	(80,357)
EQUITY			
Issued capital	14	250,000	250,000
Accumulated losses		(323,448)	(330,357)
Net deficiency in assets		(73,448)	(80,357)

Sd/-  
DirectorSd/-  
Director**NOTES TO FINANCIAL STATEMENTS**

31 MARCH 2011

**1. CORPORATE INFORMATION**

PG Home Group Limited is a limited company incorporated in Hong Kong. The registered office of the Company is located at 9/F, Surson Commercial Building, 140-142 Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong.

During the year, the Group was primarily engaged in the trading of home and garment products.

Pursuant to a resolution of shareholders on 9 March 2011, the name of the Company was changed from Pearl GES Home Group Limited to PG Home Group Limited.

The Company is a subsidiary of PG Group Limited (formerly Pearl GES Group Limited), a company incorporated in Hong Kong. In the opinion of the directors, the Company's ultimate holding company is House of Pearl Fashions Limited, a company incorporated in India whose shares are listed on The National Stock Exchange of India Limited.

**2.1 BASIS OF PREPARATION**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention and are presented in United States dollars ("US\$").

**Basis of consolidation****Basis of consolidation from 1 April 2010**

The consolidated financial statements include the financial statements of the Company and its subsidiary (collectively referred to as the "Group") for the year ended 31 March 2011. The financial statements of its subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies. The results of its subsidiary are consolidated from the date of incorporation/acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

**2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

Certain new and revised HKFRSs are effective for the first time during the current financial year but are not applicable to the Group, and accordingly, they have had no impact on the Group's financial statements for the year ended 31 March 2011.

**2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS**

The Group has not early applied any new and revised HKFRSs, that have been issued but are not yet effective for the year ended 31 March 2011, in these financial statements. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

**3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Subsidiaries**

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of its subsidiary are included in the Company's income statement to the extent of dividends received and receivable. The Company's investment in a subsidiary is stated at cost less any impairment losses.

**Business combinations and goodwill****Business combinations from 1 April 2010**

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

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Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement* either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

*Business combinations prior to 1 April 2010 but after 1 January 2005*

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 April 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation)

had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the lease terms
Office equipment	10%
Furniture and fixtures	10%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

The Group's brandname is stated at cost less any impairment losses.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

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### Financial instruments

#### *Financial assets*

The Group's financial assets are classified and accounted for as loans and receivables. Financial assets are recognised on the trade date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Any changes in their value are recognised in profit or loss.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

An assessment for impairment is undertaken at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment loss on loans and receivables is recognised when there is objective evidence that the Group will not be able to collect all the amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

The Group's financial liabilities are classified and accounted for as financial liabilities at amortised cost. Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or expires.

#### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

#### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

#### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside the income statement is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and
- (b) interest income, on an accrual basis using the effective interest method.

#### Employee benefits

##### *Retirement benefit costs*

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

#### Foreign currencies

These financial statements are presented in US\$, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of an overseas subsidiary is a currency other than the US\$. As at the end of the reporting period, the assets and liabilities of the subsidiary are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period, and its income statement is translated into US\$ at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of the overseas subsidiary are translated into US\$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiary which arise throughout the year are translated into US\$ at the weighted average exchange rates for the year.

#### 4. FINANCIAL SUPPORT

The ultimate holding company of the Group has confirmed its intention to provide continuing financial support to the Group, directly or through other group companies, so as to enable the Group to meet its liabilities as and when they fall due and to enable the Group to continue operating for the foreseeable future. Accordingly, the directors have prepared the financial statements on a going concern basis.

#### 5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's and the Company's turnover, represents the net invoiced value of goods sold.

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An analysis of other income is as follows:

	Group		Company	
	2011	2010	2011	2010
	US\$	US\$	US\$	US\$
Compensation from suppliers for late shipments	3,999	2,540	3,999	2,540
Foreign exchange differences, net	3,121	22,348	(267)	3,643
Others	3,332	–	–	–
	<u>10,452</u>	<u>24,888</u>	<u>3,732</u>	<u>6,183</u>

6. PROFIT/(LOSS) BEFORE TAX

The Group's and the Company's profit/(loss) before tax is arrived at after charging/(crediting):

	Group		Company	
	2011	2010	2011	2010
	US\$	US\$	US\$	US\$
Cost of inventories sold	4,687,334	2,866,421	4,687,334	2,866,421
Auditors' remuneration	11,568	11,632	11,568	11,632
Depreciation	54,467	73,266	–	–
Minimum lease payments under operating leases of land and buildings	44,685	80,392	44,685	80,392
Staff costs (excluding directors' remuneration (note 7));				
Salary and allowances	218,476	169,956	218,476	169,956
Pension scheme contribution (defined contribution scheme)	7,201	4,278	7,201	4,278
	<u>225,677</u>	<u>174,234</u>	<u>225,677</u>	<u>174,234</u>
Foreign exchange differences, net	<u>(3,121)</u>	<u>(22,348)</u>	<u>267</u>	<u>(3,643)</u>

7. DIRECTORS' REMUNERATION

Director's remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group and Company	
	2011	2010
	US\$	US\$
Fees	–	–
Other emoluments:		
Salaries and allowances	173,181	149,075
	<u>173,181</u>	<u>149,075</u>

8. FINANCE COSTS

	Group and Company	
	2011	2010
	US\$	US\$
Interest on bank overdrafts	15	–
Interest on an amount due to the immediate holding company (note 17(b))	32,446	–
	<u>32,461</u>	<u>–</u>

9. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group and the Company have available tax losses brought forward from prior years to offset the assessable profits generated during the year (2010: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Group and the Company operate.

	2011	2010
	US\$	US\$
Group and Company - Hong Kong Underprovision in prior years	–	4,063

A reconciliation of the tax expense applicable to profit/(loss) before tax at the Hong Kong statutory tax rate to the tax expense/amount at the effective tax rate, is as follows:

	Group		Company	
	2011	2010	2011	2010
	US\$	US\$	US\$	US\$
Profit/(loss) before tax	411	(156,935)	6,909	(350,957)
Tax at the statutory tax rate	68	(25,894)	1,140	(57,908)
Income not subject to tax	(8,973)	(11,960)	–	–
Expenses not deductible for tax	46,443	3,655	732	–
Adjustments in respect of current tax of previous periods	–	4,063	–	4,063
Tax losses utilised from previous periods	(1,872)	–	(1,872)	–
Tax losses not recognised	–	57,907	–	57,907
Effect of taxes elsewhere	(35,666)	(23,708)	–	–
Tax at the effective tax rate	<u>–</u>	<u>4,063</u>	<u>–</u>	<u>4,063</u>

At the end of the reporting period, the Group and the Company had tax losses arising in Hong Kong of approximately US\$339,606 (2010: US\$350,952), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the Company arising in Hong Kong. The Group also had tax losses arising in Chile of US\$33,223 (2010: US\$211,555) that are available indefinitely for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as the directors consider it uncertain that future taxable profits will be available to utilise the unused tax losses.

10. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 March 2011 includes a profit of US\$6,909 (2010: loss of US\$355,020) which has been dealt with in the financial statements of the Company (note 15(b)).

11. PROPERTY, PLANT AND EQUIPMENT

	Group			
	Leasehold improvements	Furniture and fixtures	Office equipment	Total
	US\$	US\$	US\$	US\$
<b>31 March 2011</b>				
At 31 March 2010 and at 1 April 2010:				
Cost	134,034	2,563	13,056	149,653
Accumulated depreciation	(81,696)	(266)	(1,393)	(83,355)
Net carrying amount	<u>52,338</u>	<u>2,297</u>	<u>11,663</u>	<u>66,298</u>
At 1 April 2010, net of accumulated depreciation	52,338	2,297	11,663	66,298
Additions	2,357	–	781	3,138
Depreciation provided during the year	(51,307)	(439)	(2,721)	(54,467)
Exchange realignment	(3,388)	195	991	(2,202)
At 31 March 2011, net of accumulated depreciation	<u>–</u>	<u>2,053</u>	<u>10,714</u>	<u>12,767</u>
At 31 March 2011:				
Cost	–	2,563	13,837	16,400
Accumulated depreciation	–	(510)	(3,123)	(3,633)
Net carrying amount	<u>–</u>	<u>2,053</u>	<u>10,714</u>	<u>12,767</u>

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Group

	Leasehold improvements	Furniture and fixtures	Office equipment	Total
	US\$	US\$	US\$	US\$
<b>31 March 2010</b>				
At 1 April 2009:				
Cost	134,034	1,996	10,704	146,734
Accumulated depreciation	(21,278)	(74)	(426)	(21,778)
Net carrying amount	<u>112,756</u>	<u>1,922</u>	<u>10,278</u>	<u>124,956</u>
At 1 April 2009, net of accumulated depreciation	112,756	1,922	10,278	124,956
Additions	-	567	2,352	2,919
Depreciation provided during the year	(70,864)	(388)	(2,014)	(73,266)
Exchange realignment	10,446	196	1,047	11,689
At 31 March 2010, net of accumulated depreciation	<u>52,338</u>	<u>2,297</u>	<u>11,663</u>	<u>66,298</u>
At 31 March 2010:				
Cost	134,034	2,563	13,056	149,653
Accumulated depreciation	(81,696)	(266)	(1,393)	(83,355)
Net carrying amount	<u>52,338</u>	<u>2,297</u>	<u>11,663</u>	<u>66,298</u>

## 12. INVESTMENT IN A SUBSIDIARY

	Company	
	2011	2010
	US\$	US\$
Unlisted shares, at cost	<u>5,967</u>	<u>5,967</u>

The amount due from a subsidiary included in the Company's current assets of US\$ 254,001 (2010: US\$261,552) is unsecured, interest-free, and has no fixed terms of repayment.

Particulars of the Company's subsidiary are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable directly to the Company	Principal activities
PG Home Group S.P.A. (formerly Pearl GES Home Group S.P.A.)#	Chile	Chilean Pesos 3,000,000	100	Sales and marketing

# Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

## 13. TRADE AND BILLS RECEIVABLES

The Group and the Company's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Trade and bills receivables are non-interest-bearing and are on terms of up to 60 days. The Group and the Company seek to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. There is no significant concentration of credit risk.

As at the end of the reporting period, all the Group's and the Company's trade and bills receivable balances were neither individually nor collectively considered to be impaired, and these receivables related to a number of diversified customers for whom there was no recent history of default.

The aged analysis of trade receivables as at the end of the reporting period, based on payment due date, that are neither individually nor collectively considered to be impaired, is as follows:

Group and Company	2011	2010
	US\$	US\$
Neither past due nor impaired	<u>876,094</u>	854,674
Past due but not impaired:	-	46,222
Less than one month	-	13,613
Over one month	<u>876,094</u>	<u>914,509</u>

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group and the Company. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group and the Company do not hold any collateral or other credit enhancements over these balances.

## 14. SHARE CAPITAL

	2011	2010
	US\$	US\$
Authorised, issued and fully paid:		
250,000 ordinary shares of US\$1 each - US\$250,000	<u>250,000</u>	<u>250,000</u>

## 15. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current year and the prior year are presented in the consolidated statement of changes in equity on page 8 of the financial statements.

(b) Company

	Accumulated losses
	US\$
At 1 April 2009	24,663
Total comprehensive loss for the year	(355,020)
At 31 March 2010 and 1 April 2010	(330,357)
Total comprehensive income for the year	6,909
At 31 March 2011	<u>(323,448)</u>

## 16. OPERATING LEASE ARRANGEMENTS

The Group and the Company lease office premise under an operating lease arrangement. The lease for this property is negotiated for a term of three years.

At the end of the reporting period, the Group and the Company had total future minimum lease payments under a non-cancellable operating lease falling due as follows:

	2011	2010
	US\$	US\$
Within one year	<u>42,707</u>	21,194
In the second to fifth years, inclusive	<u>64,056</u>	-
	<u>106,763</u>	<u>21,194</u>

## 17. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group and the Company had the following material transactions with related parties during the year:

	Notes	2011	2010
		US\$	US\$
Commissions paid to the immediate holding company	(i)	<u>234,367</u>	143,321
Interest paid to the immediate holding company	(ii)	<u>32,446</u>	-

Notes:

- (i) The commissions paid were in relation to sourcing services received and were charged at terms mutually agreed between the Company and the immediate holding company.
- (ii) The interest was charged at 4.2% per annum on an amount due to the immediate holding company (note (b)),
- (b) The amount due to the immediate holding company is unsecured, interest-bearing at 4.2% (2010: Nil) per annum, and has no fixed terms of repayment.

PG Home Group Limited  
(Formerly Pearl GES Home Group Limited)

**18. FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

Financial assets - loans and receivables

	2011	2010
	US\$	US\$
Trade and bills receivables	876,094	914,509
Deposits	62,303	25,542
Cash and cash equivalents	202,813	41,380
	<u>1,141,210</u>	<u>981,431</u>

Group

Financial liabilities - financial liabilities at amortised cost

	2011	2010
	US\$	US\$
Trade payables	404,020	239,021
Financial liabilities included in other payables, accruals and receipts in advance	97,845	40,392
Due to the immediate holding company	857,168	1,034,444
	<u>1,359,033</u>	<u>1,313,857</u>

Company

Financial assets - loans and receivables

	2011	2010
	US\$	US\$
Trade and bills receivables	876,094	914,509
Deposits	40,952	16,155
Due from a subsidiary	254,001	261,552
Cash and cash equivalents	142,889	15,495
	<u>1,313,936</u>	<u>1,207,711</u>

Company

Financial liabilities - financial liabilities at amortised cost

	2011	2010
	US\$	US\$
Trade payables	404,020	239,021
Financial liabilities included in other payables, accruals and receipts in advance	52,573	16,507
Due to the immediate holding company	857,168	1,034,444
	<u>1,313,761</u>	<u>1,289,972</u>

As at the end of the reporting period, the carrying amounts of the Group's and the Company's financial assets and financial liabilities approximate to their fair values.

**19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's exposure to credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Group's financial management policies and practices described below:

*Credit risk*

The carrying amounts of cash and cash equivalents, trade receivables and deposits, represent the Group's maximum exposure to credit risk in relation to financial assets. The Group's cash and cash (equivalents are deposited with creditworthy banks with no recent history of default. The Group has policies in place to evaluate credit risk when accepting new business and to limit its credit exposure to individual customers. The maximum exposure for trade and bills receivables is the carrying amount as disclosed in note 13 to the financial statements. The directors consider that the Group does not have a significant concentration of credit risk.

*Liquidity risk*

In the management of liquidity risk, the Group monitors and maintains a level of working capital deemed adequate, and maintains a balance between continuity and flexibility of funding from group companies.

The Group's and the Company's trade payables, other payables and accruals are due on demand whereas the repayment terms of the amount due to the immediate holding company are disclosed in note 17(b).

*Capital management*

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2011 and 31 March 2010.

**20. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 12 May 2011.

Pearl GES Home Group S.P.A.

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
PEARL GES HOME GROUP S.P.A.

We have audited the accompanying balance sheets of PEARL GES HOME GROUP S.P.A. as of March 31st, 2011 and 2010 and the related statements of income, changes in Equity and cash flow for the period between April 1st 2010 to March 31st 2011 and April 1st, 2009 to March 31st, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of PEARL GES HOME S.P.A. as of March 31st, 2011 and 2010 and income of its operations, the changes in Equity and its cash flows for the period the period between for the period between April 1st 2010 to March 31st 2011 and April 1st, 2009 to March 31st, 2010, in conformity with and International Financial Reporting Standards.

LAROS Auditores Consultores Ltda.  
Santiago de Chile  
April 10, 2011

**PEARL GES HOME GROUP S.P.A BALANCE SHEETS AS OF MARCH 31<sup>ST</sup>:**

<b>Assets</b>	<b>2011 Ch\$</b>	<b>2010 Ch\$</b>
Non current		
Fixed assets		
Premises refitting	-	76,177,733
Equipment and Computers	7,859,779	7,468,301
Office furniture	1,459,595	1,459,595
Accumulated depreciation	(3,164,711)	(52,056,991)
<b>Total fixed assets</b>	<b>6,154,663</b>	<b>33,048,638</b>
Other assets		
Deferred taxes	3,203,227	18,927,674
Intangible	2,662,836	1,843,300
Other long term assets	2,911,938	419,768
<b>Total other assets</b>	<b>8,778,001</b>	<b>21,190,742</b>
<b>Current</b>		
Cash and Banks	28,888,221	13,623,162
Sundry debtors	6,318,716	2,853,254
Prepaid income tax	1,062,432	1,667,091
<b>Total Current Assets</b>	<b>36,269,369</b>	<b>18,143,507</b>
<b>Total Assets</b>	<b>51,202,033</b>	<b>72,382,887</b>
<b>Liabilities and equity</b>		
<b>Equity</b>		
Capital	3,000,000	3,000,000
Accumulated losses previous period	(73,972,880)	( 169,559,552)

<b>Assets</b>	<b>2011 Ch\$</b>	<b>2010 Ch\$</b>
Profit (loss) for the period	59,832,136	95,586,672
<b>Total Equity</b>	<b>(11,140,744)</b>	<b>(70,972,880)</b>
<b>Current Liabilities</b>		
Suppliers	1,233,277	4,756,525
Accounts payable to related companies	40,517,829	126,415,838
Sundry credits	16,758,616	3,866,629
Withholdings	3,833,055	3,947,353
Provisions	-	-
Deferred taxes	-	4,369,422
<b>Total Current Liabilities</b>	<b>62,342,777</b>	<b>143,355,767</b>
<b>Total Liabilities and Equity</b>	<b>51,202,033</b>	<b>72,382,887</b>

See accompanying notes to financial statements

**STATEMENTS OF INCOME FOR THE PERIOD BETWEEN APRIL 1<sup>ST</sup> 2010 TO MARCH 31<sup>ST</sup> 2011 AND FOR THE PERIOD BETWEEN APRIL 1<sup>ST</sup> 2009 TO MARCH 31<sup>ST</sup> 2010**

<b>Income</b>	<b>2011 Ch\$</b>	<b>2010 Ch\$</b>
<b>Operational income:</b>		
Advisories	78,601,401	166,708,996
Administrative expenses reimbursements	212,629,169	204,434,167
<b>Non operational income:</b>		
Exchange rate difference	76,005,970	21,528,717
<b>Total income</b>	<b>367,236,540</b>	<b>392,671,880</b>
<b>Expenses</b>		
Administrative expenses	(296,049,379)	( 276,483,780)
Other expenses	-	(430,085)
<b>Total expenses</b>	<b>(296,049,379)</b>	<b>( 276,913,865)</b>
<b>Net result before income tax</b>	<b>71,187,161</b>	<b>115,758,015</b>
Deferred taxes	(11,355,025)	(20,171,343)
<b>Profit (loss) for the period</b>	<b>59,832,136</b>	<b>95,586,672</b>
<b>Capital</b>		
Paid- in capital at the beginning of period	3,000,000	3,000,000
Capital increase during the period	-	-
<b>Total Capital at the end of the period</b>	<b>3,000,000</b>	<b>3,000,000</b>
	<b>2011 Ch\$</b>	<b>2010 Ch\$</b>
Accumulated losses at the beginning of period		
Loss for the previous period	(73,972,880)	(169,559,552)
Profit (loss) for the current period	59,832,136	95,586,672
<b>Total accumulated losses</b>	<b>(14,140,744)</b>	<b>(73,972,880)</b>
<b>Total Equity at the end of period</b>	<b>(11,140,744)</b>	<b>(70,972,880)</b>

See accompanying notes to financial statements



Pearl GES Home Group S.P.A.

**STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD BETWEEN APRIL 1<sup>st</sup> 2010 TO MARCH 31<sup>st</sup> 2011 AND FOR THE PERIOD BETWEEN APRIL 1<sup>st</sup> 2009 TO MARCH 31<sup>st</sup> 2010**

	2011 Ch\$	2010 Ch\$
<b>Cash flow from operating activities</b>		
Profit (Loss) for the period	59,832,136	95,586,672
Debits (credits) that do not represent cash flow		
Depreciation	27,285,453	39,379,897
Income tax	11,355,025	20,171,343
Exchange rate difference	(76,005,970)	(21,528,717)
Assets variations (increase)-decrease		
Sundry debtors and others	(2,961,015)	(7,322,370)
Liabilities variations (decrease)-increase		
Suppliers and others	6,862,473	5,095,191
<b>Total operational cash flow</b>	<b>26,368,102</b>	<b>131,382,016</b>
<b>Cash flow from investing activities</b>		
Investments in fixed assets	(1,211,014)	(1,535,206)
<b>Total cash flow from investing activities</b>	<b>(1,211,014)</b>	<b>(1,535,206)</b>
<b>Flow from Financing Activities</b>		
Loans from related parties	290,124,915	273,883,785
Payment to related parties	(300,016,944)	(407,786,046)
<b>Total flow from financing activities</b>	<b>(9,892,029)</b>	<b>(133,902,261)</b>
<b>Net cash flow for the period</b>	<b>15,265,059</b>	<b>(4,055,451)</b>
<b>Cash flow at beginning of period</b>	<b>13,623,162</b>	<b>17,678,613</b>
<b>Cash flow at the end of period</b>	<b>28,888,221</b>	<b>13,623,162</b>

See accompanying notes to financial statements

**NOTES TO FINANCIAL STATEMENTS**

**1. Company constitution**

PEARL GES HOME GROUP S.P.A. was constituted by public deed dated July 31st, 2008 as a commercial entity for consulting and market research. Its legal address is Avenida del Valle N° 869, N° 204 office, Huechuraba, Santiago. Its main operations are: developing advisory activities, related with market and design professional advisory services

**2. Summary of Significant Accounting Policies**

**a) General:**

The Financial Statements have been prepared in conformity International Financial Reporting Standards. The accounting periods comprise April 1st 2010 to March 31st 2011 and April 1st, 2009 to March 31st, 2010.

**b) Cash and cash equivalent definition:**

For purposes of the statement of cash flow, the Company considers all investments with a maturity of three months or less to be cash equivalents. In both periods, at the closing of the financial statements, there are no items to be considered cash equivalents.

**c) Bad debts:**

The Company has considered not necessary to constitute allowance for bad debts.

**d) Income Taxes and Deferred Taxes:**

In both periods, the company has accounted the deferred taxes, determined on basis in the accumulated tax losses and the differences between the accounting and taxable net income, in accordance to the income tax regulations in force in Chile. The effects of the changes in the income tax rate are accounted by these purposes in the period when the law modification enters in force.

**e) Fixed assets and equipment:**

Equipment, furniture and fixed assets in general have been accounted at their acquisition cost. The depreciation has been calculated using the straight-line method, according to the useful lives defined in the instructions from the parent company, taking into account the residual values equal to 10% of the initial purchase price, as applicable.

The premises refitting item comprises the costs related with the local office implementation, which is under operating lease. These costs are depreciated in accordance to the remaining lease contract periods.

**f) Vacation provision and other accrued costs:**

The Company has accounted a provision for the accrued cost of vacations and other employee benefits. Provisions have also been established for costs accrued at the close of the financial statements for which no invoice or supporting documentation had yet been received. These provisions are shown in the sundry credits item.

**g) Functional Currency:**

These financial statements are expressed in Chilean Pesos. This functional currency has been defined by the Company in accordance that the most significant flows and transactions in Chile are expressed in that Chilean Pesos.

**h) Recognition of operating income:**

The Company recognizes the operating income (services) in accordance to the completion percentage. Since 2010 the Company is developing advisory activities, related with market and design professional advisory services, to its parent company. These incomes are accounted in accordance to the previously explained criteria.

**i) Administrative expenses reimbursements:**

Since November 2010, the company has subscribed an agreement with its parent company in order to obtain the reimbursement of certain administrative expenses, paid during this year. The refund of those expenses obtained for this concept is shown as a part of the operational income.

**j) Compensation to personnel for years of service**

This provision was made for this concept due the Company has agreed this benefit with its main staff.

**k) Intangible**

This item comprises the trade brands that belong to the company and to its parent company, which are registered for that purpose in Chile. These assets are accounted to their cost which do not exceed their realizable value.

**3. Accounting Changes**

There were no accounting changes in both periods.

**4. Income Taxes and Deferred Taxes**

**a) As of March 31st, 2011**

In the period April 1st, 2010 to March 31st, 2011 the company determined a taxable profit of Ch.\$ 73,716,578.- As a result of applying the accumulated tax loss to March 31st, 2011 represents an accumulated tax loss Ch.\$ 16,016,133, which determines an accumulated net deferred tax for an amount of Ch.\$ 3,203,227 to that closing date.

For the current year (2011) the income tax rate has been increased from 17% to 20%. In 2012 the income tax rate will be decreased to 18.5% and from 2013 that rate will return to 17%, as the same as previous years. These are temporary increases, established by the Chilean Government as a way to increase the fiscal funds required to finance the earthquake that affected the country in 2010.

**b) Period 2010 to 2011**

In the period April 1st, 2009 to March 31st 2010, the company determined an accumulated taxable loss of Ch.\$ 111,339,257.- that determines a net asset by deferred taxes for Ch.\$ 18,927,369- Due to that decreasing in the taxable loss, and other variations in the deferred taxes, in this period the company has accrued a net debit to results for an amount of Ch.\$ 20,171,343.

**c) The accumulated assets and liabilities due to deferred taxes are the following in both periods:**

	2011 Ch\$	2010 Ch\$
Deferred taxes		
Assets		
Accumulated taxable loss	3,203,227	18,927,674
Total assets	3,203,227	18,927,674
Liabilities		
Accelerated depreciation premises refitting	-	4,369,422
Total liabilities	-	4,369,422

## Pearl GES Home Group S.P.A.

## d) Reconciliation between the nominal tax rate and the effective tax rate

## 1) For the period between April 1st 2009 to March 31st, 2010

	Ch \$
Net income before income tax	115,758,015
Income tax rate	17%
Income tax expense for the period	(19,678,862)
Decrease in deferred taxes for the period	(20,171,343)
Effective tax rate	17.42%

## 2) For the period between April 1st 2010 to March 31st, 2011

Net loss before income tax, for the period	71,187,161
Less	
Accelerated depreciation premises refitting	(4,325,510)
Income tax rate	20%
Income tax profit for the period	(11,355,025)
Effective tax rate	15.96%

## e) The accumulated tax losses in both periods are the following:

	2011	2010
	Ch\$	Ch\$
Total accumulated tax loss	16,016,133	111,339,257
Tax rate	20%	17%
<b>Total deferred tax accrued by accumulated tax loss</b>	<b>3,203,227</b>	<b>18,927,674</b>

## 5. Intercompany balances

## a) Balances

2011	Initial Balance	Administrative expenses reimbursements	Transfer of funds	Final Balance
	Ch\$	Ch\$	Ch\$	Ch\$
Pearl Ges Home Group Limited	126,415,838	(376,022,924)	290,124,915	40,517,829
<b>TOTAL</b>	<b>126,415,838</b>	<b>(376,022,924)</b>	<b>290,124,915</b>	<b>40,517,829</b>

2010	Initial Balance	Administrative expenses reimbursements	Transfer of funds	Exchange rate conversion	Final Balance
	Ch\$	Ch\$	Ch\$	Ch\$	Ch\$
Pearl Ges Home Group Limited	281,162,764	(407,786,046)	273,883,785	(20,844,665)	126,415,838
<b>TOTAL</b>	<b>281,162,764</b>	<b>(407,786,046)</b>	<b>273,883,785</b>	<b>(20,844,665)</b>	<b>126,415,838</b>

## b) Design professional advisory agreement

On 1st day of November 2010 the parent company PEARL GES HOME GROUP LIMITED, and Pearl Ges Home Group S.P.A. have subscribed a market and design professional advisory agreement. This document establishes the following:

- To assist the performance of each transaction that is made or could probably be made by PGHGL within the Chilean and South American market, in particular with respect to the determination of home décor products pursuant consumer's requirements.
- To provide specialized advisory services to implement and develop a local strategic planning for the relevant market.
- To provide assistance in furnishing and designing of catalogues for collections of home décor products to serve the regional market.
- To provide assistance with respect to sampling, publicity, promotion and introduction and marketing of new products in the market.
- To provide advisory services in the development and implementation of introduction and stay of new home decor products within the market.

- To provide advisory services relating to purchase techniques and procedures as well as the development of suppliers, inventory keeping, among others, taking into account for these purposes the production methods and techniques used by other companies within the same industry.

Furthermore, in accordance with that agreement PEARL GES HOME GROUP LIMITED, shall solely bear and reimburse to Pearl Ges Home Group S.P.A. the following costs:

- Employee costs
- Expenses relating to Travel
- Sampling and courier costs

On a monthly basis, Pearl Ges Home Group S.P.A. Chile shall deliver to its Parent Company a written statement itemizing above cost and expenses

Parties agree to fix the service fees as the resulting sum of costs and expenses (excluding costs referred above) incurred by PGHG Chile to support services provided herein with a 2% accrued margin.

## 6. Equity changes

The changes in the Equity occurred in both periods are the following:

For the period April 1st 2010 to March 31st 2011

	Capital	Accumulated losses	Profit (Loss) for the period	Total
	Ch\$	Ch\$	Ch\$	Ch\$
Balance at the beginning of period	3,000,000	(169,559,552)	95,586,672	(70,972,880)
Reclassification of result previous period	-	95,586,672	(95,586,672)	-
Profit for the period	-	-	59,832,136	59,832,136
<b>Balance at the end of period</b>	<b>3,000,000</b>	<b>(73,972,880)</b>	<b>59,832,136</b>	<b>(11,140,744)</b>

For the period April 1st 2009 to March 31st 2010

	Capital	Accumulated losses	Profit (Loss) for the period	Total
	Ch\$	Ch\$	Ch\$	Ch\$
Balance at the beginning of period	3,000,000	-	(169,559,552)	(166,559,552)
Reclassification of result previous period	-	(169,559,552)	169,559,552	-
Profit for the period	-	-	95,586,672	95,586,672
<b>Balance at the end of period</b>	<b>3,000,000</b>	<b>(169,559,552)</b>	<b>95,586,672</b>	<b>(70,972,880)</b>

The capital is comprised by 1,000 shares, fully paid.

There were not share transactions during both periods

## 7. Administrative Expenses

The details of the administrative expenses item for the periods April 1st 2010 to March 31st 2011, and April 1st 2009 to March 31st, 2010 are the following:

	2011	2010
	Ch\$	Ch\$
Salaries	164,171,265	114,837,298
Amortization premises refitting	25,702,484	38,088,869
Rent Office	18,061,538	33,485,395
Trips	14,521,751	13,105,601
Accounting Fees	7,891,239	12,163,318
Vacations	11,849,581	4,595,391
Gratifications	6,415,300	4,436,304
Hote	6,287,588	2,061,412
Professional advising	5,516,254	3,128,320
Community expenses (office)	3,069,679	3,331,408

Pearl GES Home Group S.P.A.

	2011	2010
	Ch\$	Ch\$
Pension Plan	3,607,234	2,541,458
Office Maintenance	2,867,915	3,891,337
Freights	3,238,346	6,728,644
Trip allowances	3,223,069	2,425,776
Telephone-Internet	2,035,911	2,083,952
Mobilization	3,142,297	1,083,048
Fees	1,639,241	2,661,153
Depreciation Expenses	1,582,969	1,291,029
Commissions rent office	1,263,040	-
Electric Power	1,064,367	2,822,173
Repair Offices	1,250,659	277,218
Attention consumptions	1,778,442	687,254
Bonus	1,002,075	7,815,632
Rent Parking	1,606,813	1,937,700
Sample expenses	790,640	1,073,149
Security	220,422	299,102
Commissions	228,763	195,027
Tax applicable to credits	114,180	-
Monetary adjustment	(310,569)	-
Insurance	603,598	165,268
Water	264,385	147,032
Subscriptions	143,082	15,000
License County	428,799	78,790
Others	54,240	743,184
Notaries expenses	722,782	39,100
Advertising and promotions	-	980,679
Courier	-	51,988
Legal Fees	-	5,768,861
Other Rent	-	61,808
Photocopies	-	4,200
Repair Equipments	-	236,012
Office comunity spendings	-	1,144,890
<b>Total</b>	<b>296,049,379</b>	<b>276,483,780</b>

**8. Commitments and Contingencies**

There are not judgments, contingencies or commitments, which could affect the company

**9. Lease contracts**

**a) 2011**

The main lease contract subscribed by the Company since July 2010 corresponds to the office where the commercial activities are performed, The summary of main clauses of that contract is the following:

- Location of premise: Avenida del Valle N° 4,980, offices N° 131 and 132, Huechuraba, Santiago de Chile
- Name of Landlord: Inversiones Los Sauzales Ltda
- Contract term: Three years, period from August 1st 2010 to July 31st, 2013,
- Monthly Rent: Period from August 1st 2010 to July 31st 2011: UF, 60 plus V,A,T, Approximately Th, Ch,\$ 1,287, Period from August 1st 2011 to July 31st 2013: UF 90, approximately Th, Ch,\$ 1,930,- The "unidades de fomento" is a local currency which value changes every day in accordance to the inflation rate, The annual inflation rate in 2010 was 2,5% and in 2009 was 8,9%, consequently Chile is a non-inflationary economy,

- Break clauses:

- Not paying the monthly rent on time
- Using the property to a use other than that set out in the lease,
- Do not keep the property in good condition,
- Late or not payment of the costs of property use (electricity, etc.)

**b) 2010**

The main lease contract subscribed by the Company corresponds to the office where the commercial activities are performed, The summary of main clauses of that contract is the following:

- Location of premise: Avenida del Valle N° 869, Huechuraba, Santiago de Chile
- Name of Landlord: Grupo Extremo Sur S,A, In this case is a sub-lease, considering that the premise is leased by "Grupo Extremo Sur S,A," to other company,
- Monthly Rent: UF, 111,98 plus V,A,T, Approximately Th, Ch,\$ 2,401 plus V,A,T, (This tax rate is 19%) The "unidades de fomento" is a local currency which value changes every day in accordance to the inflation rate The annual inflation rate in 2009 was 8,9%, consequently Chile is a non-inflationary economy,

- Break clauses:

- Not paying the monthly rent on time
- Using the property to a use other than that set out in the lease,
- Do not keep the property in good condition,
- Late or not payment of the costs of property use (electricity, etc.)
- Make changes or improvements in the physical property without the permission of the landlord.

The lease contract also establishes that improvements or changes in the physical structure of the property made by the lessee will be owned by the landlord,

**10. Compensation to personnel for years of service**

Due the Company has not agreed this benefit with its main staff, consequently no provision has been accounted a provision for this concept,

**11. Fixed assets and brands**

The composition of these items to March 31st, 2011 is the following:

Account	Leasehold Improvement	Furniture & Fixtures	Office Equipment	Brand	Total
	Ch\$	Ch\$	Ch\$	Ch\$	Ch\$
Cost					
Initial balance to 31,3,2010	76,177,733	1,459,595	7,468,301	1,843,300	86,948,929
Additions					
Write-off	(76,177,733)	-	-	-	(76,177,733)
Acquisitions for the period	-	-	391,478	819,536	1,211,014
Balance to 31,3,2011	-	1,459,595	7,859,779	2,662,836	11,982,210
Accumulated depreciation					
Initial balance to 31,3,2010	50,475,249	250,024	1,331,718	-	52,056,991
Net depreciation for the period	25,702,484	219,977	1,362,992	-	27,285,453
Write-off	(76,177,733)	-	-	-	(76,177,733)
Balance to 31,3,2011	-	470,001	2,694,710	-	3,164,711
Net book value to March 31, 2011	-	989,594	5,165,069	2,662,836	8,817,499

**12. Subsequent events**

No events had subsequently occurred by the date of these financial statements that might materially impact the content or presentation of the financial statements,

## Pacific Logistics Limited

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2011**

The directors present their annual report and the audited financial statements for the year ended 31 March 2011.

**Principal activities**

The principal activity of the company is the provision of logistics services to the clothing industry.

**Results and dividends**

The results for the year are set out on page 6.

The directors do not recommend the payment of a dividend for the year.

**Directors**

The following directors have held office since 1 April 2010:

Mrs. Payel Seth

Mr. Anuj Banaik

Mrs. Faiza Habeeb Seth (Appointed 1 February 2011)

**Directors' interests**

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	31 March 2011	1 April 2010
Mr. Anuj Banaik	-	-
Mrs. Payel Seth	-	-
Mrs. Faiza Habeeb Seth	-	-

**Auditor**

Montpelier Audit Limited was appointed auditor to the company and in accordance with Section 485 of the Companies Act 2006, a resolution proposing that it be reappointed as auditor will be put at a General Meeting.

**Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to :

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the financial information included on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

**Disclosure of information to auditor**

Each of the persons who is a director at the date of approval of this report confirms that :

- so far as the director is aware, there is no relevant information of which the company's auditor is unaware; and
- the director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006 .

**Responsibility statement**

Each of the persons who is a director at the date of approval of this report confirms that to the best of his or her knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and

- the directors' report includes a fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face .

By order of the board

Sd/-

Mr. Omprakash Makam

Secretary

6 May 2011

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PACIFIC LOGISTICS LIMITED FOR THE YEAR ENDED 31 MARCH 2011**

We have audited the financial statements of Pacific Logistics Limited for the year ended 31 March 2011 set out on pages 6 to 22 which comprise the income statement, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

**Respective responsibilities of the directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report .

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Separate opinion in relation to IFRSs as issued by the IASB**

As explained in the accounting policies, the company has prepared financial statements that comply with IFRSs as adopted by the EU, and with IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Sd/-

Howard Reuben FCA (Senior Statutory Auditor)

For and on behalf of Montpelier Audit Limited

Statutory Auditor

Chartered Accountants

6 May 2011

58-60 Berners Street

London

W1T 3JS

Pacific Logistics Limited

**INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2011**

	Notes	Year ended 31 March 2011 £	Year ended 31 March 2010 £
<b>Continuing operations</b>			
Revenue	4	1,479,842	1,975,881
Cost of revenue		(1,160,097)	(1,497,645)
<b>Gross Profit</b>		<b>319,745</b>	<b>478,236</b>
Operating expenses			
Administrative expenses		(396,028)	(596,941)
Other operating Income		3,903	5,671
<b>Operating loss</b>	5	<b>(72,380)</b>	<b>(113,034)</b>
Finance Income	7	300	4
Finance Costs	8	(1,787)	(1,622)
<b>Loss for the year before taxation</b>		<b>(73,867)</b>	<b>(114,652)</b>
Taxation	9	12,745	22,328
<b>Loss for the financial year</b>		<b>(61,122)</b>	<b>(92,324)</b>

None of the company's activities were discontinued in the year.

There are no other comprehensive income and expenses other than those passing through the income statement.

The notes on pages 10 to 22 form part of the financial statements.

**STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2011**

	Notes	2011 £	2010 £
<b>Non current assets</b>			
Property, plant and equipment	10	175,240	220,430
Deferred tax assets	16	9,734	6,044
Trade and other receivables	11	350,830	-
		<b>535,804</b>	<b>226,474</b>
<b>Current assets</b>			
Trade and other receivables	11	332,032	895,403
Cash and cash equivalents		1,115	1,498
		<b>333,147</b>	<b>896,901</b>
<b>Total assets</b>		<b>868,951</b>	<b>1,123,375</b>
<b>Current liabilities</b>			
Trade and other payables	12	(684,792)	(683,986)
Bank overdrafts	13	(11,431)	(57,960)
Obligations under hire purchase contracts	14	(3,087)	(3,087)
		<b>(699,310)</b>	<b>(745,033)</b>
<b>Net current (liabilities)/assets</b>		<b>(366,163)</b>	<b>151,868</b>
<b>Non current liabilities</b>			
Borrowings	15	(50,255)	(185,692)
Obligations under hire purchase contracts	14	(14,423)	(17,510)
Deferred tax liabilities	16	-	(9,055)
		<b>(64,678)</b>	<b>(212,257)</b>
<b>Total liabilities</b>		<b>(763,988)</b>	<b>(957,290)</b>
<b>Net assets</b>		<b>104,963</b>	<b>166,085</b>

	Notes	2011 £	2010 £
<b>Shareholders' equity</b>			
Share capital	17	10,000	10,000
Retained earnings	18	94,963	156,085
<b>Total equity</b>		<b>104,963</b>	<b>166,085</b>

The financial statements were approved by the board of directors and authorised for issue on 6 May 2011 and were signed on its behalf by:

Sd/-

Mr. Anuj Banaik

Director

Company registration no. 04944346

The notes on pages 10 to 22 form part of these financial statements.

**STATEMENT OF CHARGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2011**

	Share capital £	Retained earnings £	Total £
Balance at 1 April 2009	10,000	248,409	258,409
<b>Comprehensive income</b>			
Loss for the year	-	(92,324)	(92,324)
<b>Balance at 1 April 2010</b>	<b>10,000</b>	<b>156,085</b>	<b>166,085</b>
<b>Comprehensive income</b>			
Loss for the year	-	(61,122)	(61,122)
<b>Balance at 31 March 2011</b>	<b>10,000</b>	<b>94,963</b>	<b>104,963</b>

The notes on pages 10 to 22 form part of these financial statements.

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011**

	Notes	2011 £	2010 £
<b>Cash flows from operating activities</b>			
Cash generated by operations	20	174,264	40,417
Finance costs		(1,787)	(1,622)
Finance income		300	4
Refund of income taxes paid		33,797	-
<b>Net cash generated by operating activities</b>		<b>206,574</b>	<b>38,799</b>
<b>Cash flows from investing activities</b>			
Payments to acquire tangible assets		(23,704)	(4,913)
Receipts from sale of tangible assets		1,800	3,500
<b>Net cash used in investing activities</b>		<b>(21,904)</b>	<b>(1,413)</b>
<b>Cash flow from financing activities</b>			
Capital element of hire purchase contracts repayments		(3,087)	(10,051)
Repayments of loan from parent undertaking		(135,437)	(21,164)
<b>Net cash used in financing activities</b>		<b>(138,524)</b>	<b>(31,215)</b>
<b>Net increase in cash and cash equivalents</b>		<b>46,146</b>	<b>6,171</b>
Cash and cash equivalents at the start of the year		(56,462)	(62,633)
<b>Cash and cash equivalents at the end of the year</b>		<b>(10,316)</b>	<b>56,462</b>
<b>Cash and cash equivalents comprise:</b>			
Cash at bank and in hand		1,115	1,498
Bank overdrafts		(11,431)	(57,960)
		<b>(10,316)</b>	<b>56,462</b>

The notes on pages 10 to 22 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

### 1. General information

Pacific Logistics Limited is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 1. The principal activity of the company is disclosed in the directors' report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

### 2. Summary of significant accounting policies:

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (EU) (together IFRSs), and the Companies Act 2006 applicable to companies reporting under IFRSs.

#### Impact of standards and interpretations effective for the first time

##### Revisions to adopted IFRS:

All new, revised and amended standards and interpretations that have been published and are mandatory for the first time for the company's year ended 31 March 2011 have not been adopted by the company as they have no effect on these financial statements.

##### Revisions to IFRS in issue not yet effective:

At the date of approval of these financial statements the following new, revised and amended standards and interpretations, which are relevant to the company have not been applied and when adopted will have no material impact on the company:

IAS 24 (revised), 'Related Party Disclosures' (effective from 1 January 2011)

The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities.

#### 2.1 Going concern

The financial statements have been prepared on a going concern basis even though at the Balance Sheet date the company's current liabilities exceeded its current assets by £366,163 and it made a loss for the year of £61,122.

The directors consider the going concern basis to be appropriate because, in their opinion. The company will continue to obtain sufficient funding from its fellow group companies to enable it to pay its debts as they fall due. If the company were unable to obtain this funding. It would be unable to continue trading, and adjustments would have to be made to reduce the value of assets to their realisable amount and to provide for any further liabilities which might arise.

#### 2.2 Property, plant and equipment

Property, plant and equipment are stated at cost net of accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings leasehold	over the lease term
Plant and machinery	25% reducing balance
Fixtures, fittings and equipment	25%-33.33% reducing balance
Motor vehicles	25% reducing balance

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term.

#### 2.3 Impairment

The carrying values of the company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying value of an asset or its cash generating unit exceed its recoverable amount. Impairment losses are recognised in the income statement.

#### 2.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

#### - Rendering of logistic services

Revenue represents amounts receivable from the provision of logistics services net of discounts and value added tax. Revenue is recognised when the amount of revenue

can be measured reliably and the economic benefits associated with the transaction have been received by the company.

#### - Rental income

Rental income is earned at market value on part of the leasehold property which is occupied by entity not related to the company. Rental income under operating leases is credited to the income statement on a straight line basis over the term of the lease.

#### 2.5 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts are capitalised as tangible assets and depreciated over their useful lives. Obligations under such 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.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

#### 2.6 Taxation

Income tax expense represents the current tax payable and deferred tax provisions.

#### - Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profits as reported in the same income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

#### - Deferred tax

The company accounts for deferred tax using the liability method and as such recognises all timing differences between the company's profits chargeable to tax and its results as shown in the financial statements. These timing differences arise from the inclusion of gains and losses for tax purposes in different periods from those in which they are recognised in the financial statements. Deferred tax assets are only recognised to the extent it is probable that the future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured on a non-discounted basis at rates of tax expected to apply in the periods in which the timing differences are expected to reverse.

#### 2.7 Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Foreign exchange differences arising on translation are included in the income statement in the period in which they arise.

#### 2.8 Related parties

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly to control the other party or exercise significant influence over the other party in making financial and operating decisions.

#### 2.9 Financial instruments

The company does not use or trade derivative financial instruments. Financial instruments that the company uses are non-derivative and are recognised initially at fair value. Subject to initial recognition non-derivative financial instruments are measured as described as follows:

#### • Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less. They are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

#### • Trade and other payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as noncurrent liabilities. Trade and other payables are stated at their nominal value.

#### • Cash and cash equivalents

Cash for the purposes of the cash flow statement, comprises cash at bank and in hand. Cash equivalents are short term liquid investments convertible into cash and are subject to insignificant risk of changes in value. Bank overdrafts which form part of cash and cash equivalents for the purpose of the cash flow statements are shown under current liabilities.

Pacific Logistics Limited

• **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest method.

**3. Significant judgements and estimates**

The preparation of the company's financial statements in conforming with IFRSs require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances. Information about such judgements and estimates is contained in either the accounting policies or in the notes to the financial statements. There are no significant estimates in the current year.

**4. Revenue**

The total revenue of the company for the year has been derived from its principal activity excluding value added tax and is reportable as follows:

	2011	2010
	£	£
Analysis of revenues by geographical market and customer allocation are as follows:		
United Kingdom	1,461,734	1,925,881
Rest of the World	18,108	50,000
	<u>1,479,842</u>	<u>1,975,881</u>

**5. Operating loss**

	2011	2010
	£	£
Operating loss has been arrived at after charging:		
Staff costs (see note 6 below)	362,109	437,665
Depreciation of property, plant and equipment	65,937	77,525
Loss on disposal of tangible fixed assets	1,157	1,448
Loss/(profit) on foreign currency	<u>52</u>	<u>(163)</u>

**Auditor remuneration**

During the year the company obtained the following services from the company's auditor and its associates:

Fees payable to the company's auditor:

Audit of annual financial statements	4,500	11,150
Fees payable to the company's auditor and its associates for other services		
Review of the interim financial statements	6,800	7,600
Taxation and other services	<u>3,855</u>	<u>2,190</u>

**6. Staff numbers and costs**

	2011	2010
	£	£
Employee costs include:		
Staff wages and salaries including restructuring costs	326,800	385,408
Social security costs	35,309	52,257
	<u>362,109</u>	<u>437,665</u>

The average number of employees (including directors) during the year was :

	2011	2010
	Number	Number
Management and administration	5	14
Warehouse staff	8	11
	<u>13</u>	<u>25</u>

	2011	2010
	£	£
<b>7. Finance income</b>		
Interest on bank deposits	2	4
Other interest	298	-
	<u>300</u>	<u>4</u>

	2011	2010
	£	£
<b>8. Finance costs</b>		
Interest on bank overdrafts	242	256
Interest on obligations under hire purchase contracts	870	1,366
Other interest	675	-
	<u>1,787</u>	<u>1,622</u>

	2011	2010
	£	£
<b>9. Taxation for the period</b>		

**Income tax expense**

**Current tax expense:**

UK corporation tax	-	(14,999)
<b>Total current tax</b>	<u>-</u>	<u>(14,999)</u>

	2011	2010
	£	£
<b>Deferred tax:</b>		

Origination and reversal of temporary differences	(12,745)	(7,329)
<b>Total deferred tax (note 16)</b>	<u>(12,745)</u>	<u>(7,329)</u>
<b>Income tax expenses</b>	<u>(12,745)</u>	<u>22,328</u>

**Reconciliation of current tax expense to accounting loss:**

Loss before taxation	(73,867)	(114,652)
National taxation charge at the UK corporation tax rate of 28% (2010: 28%)	(20,683)	(32,103)
Tax effects of:		
Expenses not deductible for tax purposes	2,033	1,062
Depreciation in excess of capital allowances	6,566	9,393
Other tax adjustments	-	(999)
Tax losses surrendered to group companies	11,446	1,604
Losses available to be carried forward	638	6,044
<b>Total current tax charge for the year</b>	<u>-</u>	<u>(14,999)</u>

No liability to UK corporation tax arose during the year.

The company had unused tax losses of £2,415 (2010: £26,139) at 31 March 2011 available to carry forward against future trading profits. Deferred tax asset on those losses has been recognised during the year (see note 16).

**10. Property plant and equipment**

	Land and buildings leasehold	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
<b>At 1 April 2010</b>	29,442	460,663	117,180	62,827	670,112
Additions	-	20,956	2,748	-	23,704
Disposals	-	-	-	(9,545)	(9,545)
<b>At 31 March 2011</b>	<u>29,442</u>	<u>481,619</u>	<u>119,928</u>	<u>53,282</u>	<u>684,271</u>

## Pacific Logistics Limited

	Land and buildings leasehold	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Accumulated depreciation</b>					
At 1 April 2010	23,552	316,066	85,347	24,717	449,682
Charge for the year	5,890	39,793	10,726	9,528	65,937
Eliminated on disposal	-	-	-	(6,588)	(6,588)
At 31 March 2011	29,442	355,859	96,073	27,657	509,031
<b>Carrying amount</b>					
At 31 March 2011	-	125,760	23,855	25,625	175,240
At 31 March 2010	5,890	144,597	31,833	38,110	220,430
<b>Cost</b>					
At 1 April 2009	29,442	457,463	115,467	49,379	651,751
Additions	-	3,200	1,713	25,898	30,811
Disposals	-	-	-	(12,450)	(12,450)
At 31 March 2010	29,442	460,663	117,180	62,827	670,112
<b>Accumulated depreciation</b>					
At 1 April 2009	17,664	268,518	70,813	22,663	379,658
Charge for the year	5,888	47,548	14,534	9,556	77,526
Eliminated on disposal	-	-	-	(7,502)	(7,502)
At 31 March 2010	23,552	316,066	85,347	24,717	449,682
<b>Carrying amount</b>					
At 31 March 2010	5,890	144,597	31,833	38,110	220,430
At 31 March 2009	11,778	188,945	44,654	26,716	272,093

Assets held under hire purchase contracts have the following carrying amount :

	Motor vehicles	
	2011	2010
	£	£
Cost	25,898	25,898
Accumulated depreciation	(9,307)	(3,777)
Carrying amount	16,591	22,121

## 11. Trade and other receivables

	2011	2010
	£	£
<b>Current assets</b>		
Trade receivables	154,068	590,725
Other receivables	4,982	50,889
Receivables from parent and fellow subsidiary companies (note 22)	67,115	66,514
Receivables from fellow group companies (note 22)	3,873	9,457
Prepayments	101,994	177,818
	332,032	895,403

All amounts are due to be recovered within 12 months of the balance sheet date. The fair value of trade and other receivables is the same as the carrying value shown above.

	2011	2010
	£	£
<b>Non-current assets</b>		
Trade receivables	350,830	-
	350,830	-

The average credit period given for trade receivables at the end of the year is 125 days (2010: 109 days).

At 31 March 2011, the ageing analysis of trade receivables is as follows:

	Overdue but not impaired		
	Total	<3 Months	>3 Months
	£	£	£
2011	504,898	71,602	433,296
2010	590,725	57,792	532,933

The maximum exposure to credit risk for trade and other receivables is represented by their carrying amount. The company does not have a significant concentration of credit risk for its trade receivables because its customer base is large.

	2011	2010
	£	£
<b>12. Trade and other payables</b>		
Trade payables	139,621	146,333
Payables to parent company (note 22)	482,739	489,659
Social security and other taxes	26,426	12,840
Accrued expenses	36,006	35,154
	684,792	683,986
<b>13. Bank overdrafts and borrowings</b>		
Bank overdrafts	11,431	57,960
The borrowings are repayable as follows :		
On demand or within one year	11,431	57,960

The weighted average of interest rates paid was as follows:

Bank overdraft	2.5%	2.5%
----------------	------	------

The other principal features of the company's borrowings are as follows:

Bank overdrafts are repayable on demand. Overdrafts of £ 11,431 (2010: £57,960) have been secured by fixed and floating charges over the company's assets. The weighted average of interest rates on bank overdrafts is determined based on 2% plus the average bank base rate.

	2011	2010
	£	£
<b>14. Obligations under hire purchase contracts</b>		
Amounts payable under hire purchase contracts:		
Within one year	3,957	3,957
In the second to fifth years	15,655	19,612
Less: Future finance charges	19,612	23,569
	(2,102)	(2,972)
Present value of hire purchase obligations	17,510	20,597
Less: Amount due for settlement within 12 months (shown under current liabilities)	(3,087)	(3,087)
Amount due for settlement after 12 months	14,423	17,510

The fair value of the hire purchase contracts is approximately equal to the carrying amount. The company's obligations under hire purchase contracts are secured by charges over the relevant assets.

	2011	2010
	£	£
<b>15. Borrowings</b>		
Loan from related party (note 22)	50,255	185,692
This represents an unpaid interest free loan from Poetigem Limited, the parent company.		
The carrying value of all the company's long-term borrowings approximate to their fair value as at the balance sheet date.		



Pacific Logistics Limited

16. Deferred tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2011	2010
	£	£
Deferred tax assets	9,734	6,044
Deferred tax liabilities	-	(9,055)
Deferred tax assets/(liabilities) (net)	9,734	(3,011)

The gross movement on the deferred tax account is as follows :

	2011	2010
	£	£
At the start of the year	(3,011)	(10,340)
Credited to income statement during the year	12,745	7,329
At the end of the year	9,734	(3,011)

The movement in deferred income tax assets and liabilities during the year is as follows :

	Decelerated/ (accelerated) tax depreciation	Tax losses	Total
	£	£	£
At 1 April 2009	(10,340)	-	(10,340)
Tax credit to income statement	1,285	6,044	7,329
At 31 March 2010	(9,055)	6,044	(3,011)
Tax credit to income statement	10,833	1,912	12,745
At 31 March 2011	1,778	7,956	9,734

17. Share capital

	2011	2010
	£	£
Issued and fully paid		
10,000 Ordinary shares of £1 each	10,000	10,000

18. Retained earnings

	2011	2010
	£	£
Balance at the start of the year	156,085	248,409
Net loss for the year	(61,122)	(92,324)
Balance at the end of the year	94,963	156,085

19. Operating lease arrangements

	2011	2010
	£	£
Minimum lease payments under operating leases recognised in the income statement for the year	101,928	230,040

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:

	2011	2010
	£	£
Within one year	101,928	230,040
In the second to fifth years inclusive	305,784	690,120
	407,712	920,160

Operating lease payments represent rentals payable by the company.

20. Notes to the cash flow statement

	2011	2010
	£	£
<b>Cash flows from operating activities</b>		
Loss from operations	(72,380)	(113,034)
Adjustments for:		
Depreciation of property, plant and equipment	65,937	77,525
Loss on disposal of tangible assets	1,157	1,448
<b>Operating cash outflow before working capital</b>	<b>(5,286)</b>	<b>(34,061)</b>
Decrease/(increase) in receivables	178,744	(154,110)
Increase in payables	806	228,588
<b>Cash generated from operations</b>	<b>174,264</b>	<b>40,417</b>

21. Contingent liabilities

At the balance sheet date, the company's bankers, Royal Bank of Scotland plc, have provided a guarantee on behalf of the company to H M Revenue and Customs amounting to £75,000. The company's maximum contingent liability under this guarantee as at 31 March 2011 is £75,000.

The company has extended an unlimited guarantee on the banking facilities of its parent company Poeticgem Limited. This guarantee is supported by a debenture dated 17 August 2005. The company's maximum contingent liability under the guarantee as at 31 March 2011 is £7,929,072.

22. Related party transactions

During the year, the company entered into the following transactions with related parties:

	Revenue		Purchases/ expenses		Amounts owed by Related parties		Amounts owed to Related parties	
	2011	2010	2011	2010	2011	2010	2011	2010
	£	£	£	£	£	£	£	£
Poeticgem Limited. UK	1,168,697	1,489,226	54,330	230,040	-	-	532,993*	675,351*
Pacific Supply Chain Limited. UK	-	-	-	-	7,531*	4,905*	-	-
House of Pearl Fashions Limited. India	-	-	-	4,730	59,584	61,609	-	-
FX Import Company Limited. UK	14,666	29,884	-	-	2,471	9,457	-	-
Simple Approach Limited. Hong Kong	-	17,230	-	-	-	-	-	-
Norwest Industries Limited. Hong Kong	1,402	80,403	-	-	1,402	-	-	-

The immediate parent company of Pacific Logistics Limited, Pacific Supply Chain Limited and FX Import Company Limited is Poeticgem Limited.

The ultimate parent company of Poetic gem Limited is House of Pearl Fashions Limited.

Norwest Industries Limited, Hong Kong and Simple Approach Limited. Hong Kong are fellow subsidiaries of Global Textile Group Limited, parent company of Poeticgem Limited.

\* These loans are interest free and repayable on demand.

• This includes £50,255 (2010: £185,692) interest free loan and is repayable on demand.

23. Control

The immediate parent company is Poeticgem Limited, a company registered in England and Wales, and the ultimate parent company is House of Pearl Fashions Limited, a company registered in India. House of Pearl Fashions Limited prepares group financial statements and copies can be obtained from Corporate Office: 446, Udyog Vihar. Phase-V, Gurgaon 122016 (Haryana), India.

House of Pearl Fashions Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India.

## Pacific Supply Chain Limited

**DIRECTORS' REPORT**

FOR THE YEAR ENDED 31 MARCH 2011

The directors present their report and the audited financial statements for the year ended 31 March 2011.

**Principal activities and review of the business**

The company has not traded but made losses during the year arising from pre-trading expenditure. The company intends to trade in the near future as a transport agency.

**Results and dividends**

The results for the year are set out on page 6.

**Directors**

The following directors have held office since 1 April 2010:

Mrs. Payel Seth

Mr. Anuj Banaik

Mrs. Faiza Seth (Appointed 1 February 2011)

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 March 2011	1 April 2010
Mrs. Payel Seth	–	–
Mr. Anuj Banaik	–	–
Mrs. Faiza Seth	–	–

**Auditors**

Montpelier Audit Limited was appointed auditor to the company and in accordance with Section 485 of the Companies Act 2006, a resolution proposing that it be re-appointed as auditor will be put at a General Meeting.

**Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the financial information included on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

**Disclosure of information to auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant information of which the company's auditor is unaware; and
- the director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

**Responsibility statement**

Each of the persons who is a director at the date of approval of this report confirms that to the best of his or her knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the directors' report includes a fair view of the development and performance of the

business and the position of the company, together with a description of the principal risks and uncertainties that they face.

**By order of the board**

Omprakesh Makam

Secretary

6 May 2011

**INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of PACIFIC SUPPLY CHAIN LIMITED for the year Ended 31 March 2011

We have audited the financial statements of Pacific Supply Chain Limited for the year ended 31 March 2011 set out on pages 6 to 13 which comprise the income statement, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

**Respective responsibilities of the directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Separate opinion in relation to IFRSs as issued by the IASB**

As explained in the accounting policies, the company has prepared financial statements that comply with IFRSs as adopted by the EU, and with IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Sd/-

Howard Reuben FCA (Senior Statutory Auditor)

For and on behalf of Montpelier Audit Limited

Statutory Auditor

Chartered Accounts

6 May 2011

58-60 Berners Street

London

WIT 3JS

Pacific Supply Chain Limited

**INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2011**

		2011	2010	2011	2010
	Notes	£	£	£	£
<b>Continuing operations</b>					
<b>Operating expenses</b>					
Administrative expenses		(1,401)	(5,317)		
<b>Loss for the year before taxation</b>	3	<b>(1,401)</b>	<b>(5,317)</b>		
Taxation	5	-	-		
<b>Loss for the financial year</b>	9	<b>(1,401)</b>	<b>(5,317)</b>		
				<b>234</b>	<b>676</b>
				<b>160</b>	<b>234</b>
				<b>160</b>	<b>234</b>

None of the company's activities were discontinued in the year.

There are no other comprehensive income and expenses other than those passing through the income statement.

**STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2011**

		2011	2010
	Notes	£	£
<b>Current assets</b>			
Other receivables	6	-	201
Cash and cash equivalents		160	234
<b>Total assets</b>		<b>160</b>	<b>435</b>
<b>Current liabilities</b>			
Trade and other payables	7	(10,102)	(8,976)
<b>Net liabilities</b>		<b>(9,942)</b>	<b>(8,541)</b>
<b>Shareholders' equity</b>			
Share capital	8	1,000	1,000
Retained earnings	9	(10,942)	(9,541)
<b>Total equity</b>		<b>(9,942)</b>	<b>(8,541)</b>

The financial statements were approved by the board of directors and authorised for issue on 6 May 2011 and were signed on its behalf by:

Mr. Anuj Banaik

Director

Company Registration No. 06214417

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2011**

	Share capital	Retained earnings	Total
	£	£	£
<b>Balance at 1 April 2009</b>	1,000	(4,224)	(3,224)
<b>Comprehensive income</b>			
Loss for the year	-	(5,317)	(5,317)
<b>Balance at 1 April 2010</b>	1,000	(9,541)	(8,541)
<b>Comprehensive income</b>			
Loss for the year	-	(1,401)	(1,401)
<b>Balance at 31 March 2011</b>	<b>1,000</b>	<b>(10,942)</b>	<b>(9,942)</b>

**STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2011**

	2011	2010
	£	£
<b>Cash flows from operating activities</b>		
Loss for the year	(1,401)	(5,317)
Decrease/(increase) in receivables	201	(201)
Increase in payables	1,126	5,076
Net cash used in operating activities	(74)	(442)
<b>Cash flows from investing activities</b>		
Finance income	-	-
<b>Net cash used in investing activities</b>	<b>(74)</b>	<b>(442)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(74)</b>	<b>(442)</b>

Cash and cash equivalents at the start of the year	234	676
<b>Cash and cash equivalents at the end of the year</b>	<b>160</b>	<b>234</b>
<b>Cash and cash equivalents comprise:</b>		
Cash at bank and in hand	160	234

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 31 MARCH 2011

**1. General information**

Pacific Supply Chain Limited is a company incorporated in England and Wales. The address of the registered office and principal activity of the company is given on pages 1 and 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

**2. Summary of significant accounting policies:**

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (EU) (together IFRSs), and the Companies Act 2006 applicable to companies reporting under IFRSs.

**Impact of standards and interpretations effective for the first time**

*Revisions to adopted IFRS:*

All new, revised and amended standards and interpretations that have been published and are mandatory for the first time for the company's year ended 31 March 2011 have not been adopted by the company as they have no effect on these financial statements.

*Revisions to IFRS in issue not yet effective:*

At the date of approval of these financial statements the following new, revised and amended standards and interpretations, which are relevant to the company have not been applied and when adopted will have no material impact on the company:

IAS 24 (revised), 'Related Party Disclosures' (effective from 1 January 2011)

The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities.

**2.1 Going concern**

The financial statements have been prepared on a going concern basis even though at the Balance Sheet date the company's current liabilities exceeded its current assets by £9,942 and it made a loss for the year of £1,401.

The directors consider the going concern basis to be appropriate because, in their opinion, the company will continue to obtain sufficient funding from its fellow group companies to enable it to pay its debts as they fall due, and the directors believe that the company will be able to maintain positive cash flows for the foreseeable future once it starts trading. If the company were unable to obtain this funding, it would be unable to continue trading, and adjustments would have to be made to reduce the value of assets to their realisable amount and to provide for any further liabilities which might arise.

**2.2 Trade and other receivables**

Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

**2.3 Trade and other payables**

Trade and other payables are stated at their nominal value.

**2.4 Cash and cash equivalents**

Cash, for the purposes of the cash flow statement, comprises cash at bank and in hand. Cash equivalents are short term liquid investments convertible into cash and are subject to insignificant risk of changes in value.

**2.5 Current and deferred taxation**

Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or substantively enacted at the reporting date together with any adjustment to tax payable in respect of prior periods.

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are only recognised to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

## Pacific Supply Chain Limited

**3. Operating loss**

Operating loss is stated after charging:

**Auditors' remuneration**

During the year the Company obtained the following services from the Company's auditor and its associates:

	2011	2010
	£	£
Fees payable to the company's auditor; Audit of annual financial statements	950	2,125
Fees payable to the company's auditor and its associates for other services:		
Review of the interim financial statements	-	2,750
Tax services	375	300
Other services	15	75
	<u>1,340</u>	<u>5,250</u>

**4. Employees**

There were no employees during the year apart from the directors.

**5. Taxation for the year**

	2011	2010
	£	£
<b>Income tax expense</b>		
Current tax expense:	-	-
UK corporation tax	-	-
<b>Total current tax</b>	-	-
<b>Total deferred tax</b>	-	-
<b>Income tax expense in income statement</b>	-	-
<b>Reconciliation of current tax expense to accounting loss:</b>		
Loss before taxation	<u>(1,401)</u>	<u>(5,317)</u>
Notional taxation charge at the UK corporation tax rate of 28% (2010: 28%)	(392)	(1,489)
Tax effects of:		
Unutilised tax losses not recognised as a deferred tax asset	392	1,489
<b>Total current tax charge for the year</b>	<u>-</u>	<u>-</u>

The Company has unused tax losses of £10,942 (2010: £9,541) available for carry forward against future trading profits. On the basis of these financial statements no provision has been made for corporation tax.

No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely.

**6. Other receivables**

	2011	2010
	£	£
Value Added Tax receivable	<u>-</u>	<u>201</u>

**7. Other payables**

	2011	2010
	£	£
Other payable	500	2,000
Payables to parent company (note 10)	2,071	2,071
Payables to fellow subsidiary company (note 10)	7,531	4,905
	<u>10,102</u>	<u>8,976</u>

**8. Share Capital**

	2011	2010
	£	£
Issued and fully paid 1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

**9. Retained earnings**

	2011	2010
	£	£
Balance at the start of the year	(9,541)	(4,224)
Loss for the year	(1,401)	(5,317)
Balance at the end of the year	<u>(10,942)</u>	<u>(9,541)</u>

**10. Related party transactions**

At the balance sheet date, the company owed £2,071 (2010: £2,071) to Poeticgem Limited, the immediate parent company. This amount is interest free and repayable on demand.

At the balance sheet date, the company owed £7,531 (2010: £4,905) to Pacific Logistics Limited, a fellow subsidiary company. This amount is interest free and repayable on demand.

**11. Control**

The immediate parent company is Poeticgem Limited, a company registered in England and Wales, and the ultimate parent company is House of Pearl Fashions Limited, a company registered in India. House of Pearl Fashions Limited prepares group financial statements and copies can be obtained from Corporate Office: 446, Udyog Vihar, Phase-V, Gurgaon 122016 (Haryana), India.

House of Pearl Fashions Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India.

FX Import Hong Kong Limited

**REPORT OF THE DIRECTORS**

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2011.

**Principal activity**

The principal activity of the Company is the trading of garments. There was no significant change in the nature of the Company's principal activity during the year.

**Results and dividends**

The Company's profit for the year ended 31 March 2011 and its state of affairs at the date are set out in the financial statements on page 4 to 16.

The directors do not recommend the payment of any dividend in respect for the year.

**Directors**

The directors of the Company during the year were:

Christopher Francis Fox

Christopher Robert Servers

Deepak Kumar Seth

Pallak Seth

Pulkit Seth (resigned on 7 February 2011)

Payal Seth (appointed on 7 February 2011)

In accordance with the Company's articles of association, all remaining directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

**Directors' interests**

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies of fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

**Directors' interest in contracts**

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Company to which the Company or any of its holding companies or fellow subsidiaries was a party during the year.

**Auditor**

Ernst & Young retire and a resolution for their reappointments as auditors of the Company will be proposed at the forthcoming general meeting.

On behalf of the Board

Sd/-

Chairman

Hong Kong

12 May 2011

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF FX IMPORT HONG KONG LIMITED**

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of FX Import Hong Kong Limited set out on pages 4 to 16, which comprise the statement of financial position as at 31 March 2011, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Directors' responsibility for the financial statements**

The directors of the Company are responsible for the preparation of these financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or

error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2011, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Sd/-

Certified Public Accountants

Hong Kong

12 May 2011

**STATEMENT OF COMPREHENSIVE INCOME**

Year ended 31 March, 2011

Notes	Period from 4 May 2009 (date of incorporation) to 31 March 2010		
	Year ended 31 March 2011	to 31 March 2010	
	HK\$	HK\$	
REVENUE	3	16,291,569	2,332,993
Cost of sales		(13,026,977)	(1,575,725)
Gross profit		3,264,592	757,268
Other income	3	101,421	-
Selling and distribution costs		(2,680,555)	(642,437)
Administrative expenses		(116,367)	(33,661)
PROFIT BEFORE TAX	4	569,091	81,170
Income tax expense	6	(93,900)	(13,569)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		475,191	67,601

**STATEMENT OF FINANCIAL POSITION**

31 March, 2011

Notes	2011 2010		
	HK\$	HK\$	
<b>CURRENT ASSETS</b>			
Trade receivable	7	5,409,668	678,108
Cash and cash equivalents		333,247	1,060,174
Total current assets		5,742,915	1,738,282
<b>CURRENT LIABILITIES</b>			
Trade payables		2,647,106	417,013
Accrual		30,000	30,000
Due to the immediate holding company	9	475,660	13,340
Due to a fellow subsidiary	9	1,929,888	1,186,759
Tax payable		107,469	13,569
Total current liabilities		5,190,123	1,660,681
Net assets		552,792	77,601

## FX Import Hong Kong Limited

	Notes	2011 HK\$	2010 HK\$
<b>EQUITY</b>	8		
Issued capital		10,000	10,000
Retained profit		542,792	67,601
Total equity		552,792	77,601

**STATEMENT OF CHANGES IN EQUITY**

Year ended 31 March, 2011

	Note	Issued capital HK\$	Retained profits HK\$	Total equity HK\$
Issue of shares on incorporation	8	10,000	-	10,000
Total comprehensive income for the period		-	67,601	67,601
At 31 March 2010 and at 1 April 2010		10,000	67,601	77,601
Total comprehensive income for the year		-	475,191	475,191
At 31 March 2011		10,000	542,792	552,792

**STATEMENT OF CASH FLOWS**

Year ended 31 March, 2011

	Notes	Year ended 31 March 2011 HK\$	Period from 4 May 2009 (date of incorporation) to 31 March 2010 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		569,091	81,170
Adjustment for an interest income	3	(1,173)	-
		567,918	81,170
Increase in trade receivables		(4,731,560)	(678,108)
Increase in trade payables		2,230,093	417,013
Increase in an accrual		-	30,000
Increase in an amount due to the immediate holding company		462,320	13,340
Increase in an amount due to a fellow subsidiary		743,129	1,186,759
Cash generated from/(used in) operations		(728,100)	1,050,174
Interest received		1,173	-
Net cash flows from/(used in) operating activities		(726,927)	1,050,174
<b>CASH FLOW FROM A FINANCING ACTIVITY</b>			
Proceeds from issue of shares	8	-	10,000
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		(726,927)	1,060,174
Cash and cash equivalents at beginning of year/period		1,060,174	-
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR/ PERIOD</b>		333,247	1,060,174
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		333,247	1,060,174

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**1. Corporate Information**

FX Import Hong Kong Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 7/F, Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan.

During the year, the Company was engaged in the trading of garments.

The Company is a wholly-owned subsidiary of FX Import Co. Ltd, a company incorporated in the United Kingdom. In the opinion of the directors, the Company's ultimate holding company is House of Pearl Fashions Limited, a company incorporated in India and whose shares are listed on The National Stock Exchange of India Limited.

**2.1 Basis of Preparation**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention and are presented in Hong Kong dollars ("HK\$").

**2.2 Changes in Accounting Policies and Disclosures**

Certain new and revised HKFRSs are effective for the first time during the current financial year but are not applicable to the Company, and accordingly, they have had no impact on the Company's financial statements for the year ended 31 March 2011.

**2.3 Issued but not yet effective Kong Kong Financial Reporting Standards**

The Company has not early applied any new and revised HKFRSs, that have been issued but are not yet effective for the year ended 31 March 2011, in these financial statements. The Company is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

**2.4 Summary of significant accounting policies****Related parties**

A party is considered to be related to the Company if:

- the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Company; (ii) has an interest in the Company that gives it significant influence over the Company; or (iii) has joint control over the Company;
- the party is an associate;
- the party is a joint venture in which the entity is a venturer;
- the party is a member of the key management personnel of the Company or its parent;
- the party is a close member of the family of any individual referred to in (a) or (d);
- the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

**Financial instruments****Financial assets**

The Company's financial assets are classified and accounted for as loans and receivables. Financial assets are recognised on the trade date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Any changes in their value are recognised in profit or loss.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

An assessment for impairment is undertaken at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment loss on loans and receivables is recognised when there is objective evidence that the Company will not be able to collect all the amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

FX Import Hong Kong Limited

Financial liabilities

The Company's financial liabilities are classified and accounted for as financial liabilities at amortised cost. Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or expires.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

- (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; and
- (b) interest income, on an accrual basis using the effective interest method.

Foreign currency transactions

These financial statements are presented in HK\$, which is the Company's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

3. **Revenue and other income**

Revenue, which is also the Company's turnover, represents the net invoiced value of goods sold.

An analysis of other income is as follows:

	Year ended 31 March 2011	Period from 4 May 2009 (date of incorporation) to 31 March 2010
	HK\$	HK\$
Foreign exchange gains, net	100,248	-
Interest income	1,173	-
	<b>101,421</b>	<b>-</b>

4. **Profit before tax**

The Company's profit before tax is arrived at after charging/(crediting):

	Year ended 31 March 2011	Period from 4 May 2009 (date of incorporation) to 31 March 2010
	HK\$	HK\$
Cost of inventories sold	13,026,977	1,575,725
Auditors' remuneration	90,000	30,000
Foreign exchange differences, net	(100,248)	1,066

5. **Directors' remuneration**

None of the directors received any fees or emoluments in respect of their services rendered to the Company during the year (Period ended 31 March 2010: Nil).

6. **Income tax**

Hong Kong profits tax has been provided at the rate of 16.5% (Period ended 31 March 2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	Year ended 31 March 2011	Period from 4 May 2009 (date of incorporation) to 31 March 2010
	HK\$	HK\$
Provision for the year	93,900	13,569

A reconciliation of the tax charge applicable to profit before tax using the Hong Kong statutory rate of 16.5% (Period ended 31 March 2010: 16.5%) 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:

## FX Import Hong Kong Limited

	Year ended 31 March 2011		Period from 4 May 2009 (date of incorporation) to 31 March 2010	
	HK\$	%	HK\$	%
Profit before tax	569,091		81,170	
Tax at the statutory tax rate	93,900	16.5	13,393	16.5
Expenses not deductible for tax	-	-	176	0.2
Tax at the effective tax rate	93,900	16.5	13,569	16.7

There was no material unprovided deferred tax in respect of the year and as at the end of the reporting period (Period ended 31 March 2010: Nil).

#### 7. Trade receivables

The Company's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to 90 days for major customers. The Company seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Company's trade receivables relate to a number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The aged analysis of trade receivables as at the end of the reporting period, based on payment due date, that are neither individually nor collectively considered to be impaired, is as follows:

	2011 HK\$	2010 HK\$
Neither past due nor impaired	5,209,047	678,108
Past due but not impaired - less than one month	200,621	-
	<u>5,409,668</u>	<u>678,108</u>

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Company. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Company does not hold any collateral or other credit enhancements over these balances.

#### 8. Share capital

	2011 HK\$	2010 HK\$
Authorised, issued and fully paid:		
10,000 ordinary shares of HK\$ 1 each	10,000	10,000

In the prior period, on incorporation on 4 May 2009, 10,000 ordinary shares of HK\$ 1 each were issued at par for cash as subscriber's shares.

#### 9. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Company had the following material transactions with related parties during the year/period:

- The Company paid commissions of HK\$ 679,499 (Period ended 31 March 2010: HK\$ 137,558) and HK\$ 1,947,933 (Period ended 31 March 2010: HK\$ 441,959) to a fellow subsidiary and the immediate holding company, respectively. The commissions paid were in relation to sourcing services rendered by the fellow subsidiary and the immediate holding company and were charged at rates agreed between the Company and the fellow subsidiary or the immediate holding company.
- The balances with a fellow subsidiary and the immediate holding company are unsecured, interest-free, and have no fixed terms of repayment.

#### 10. Fair value of financial instruments

As at the end of the reporting period, the carrying amounts of the Company's financial assets and liabilities approximate to their fair values.

#### 11. Financial risk management objectives and policies

The Company's exposure to credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Company's financial management policies and practices described below:

##### *Credit risk*

The carrying amounts of cash and cash equivalents and trade receivables represent the Company's maximum exposure to credit risk in relation to financial assets. The Company's cash and cash equivalents are deposited with creditworthy banks with no recent history of default. The Company has policies in place to evaluate credit risk when accepting new business and to limit its credit exposure to individual customers. The maximum exposure for trade receivables is the carrying amount as disclosed in note 7 to the financial statements. The directors consider that the Company does not have a significant concentration of credit risk.

##### *Liquidity risk*

In the management of liquidity risk, the Company monitors and maintains a level of working capital deemed adequate, and maintains a balance between continuity and flexibility of funding from group companies.

The Company's trade payables and an accrual are due on demand whereas the repayment terms of its amounts due to the immediate holding company and a fellow subsidiary are disclosed in note 9.

##### *Capital management*

The primary objectives of the Company's capital management are 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's value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholder, return capital to shareholder or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 March 2011 and period ended 31 March 2010.

#### 12. Approval of financial statements

The financial statements were approved and authorised for issue by the board of directors on 12 May 2011.



FX Import Company Limited

**DIRECTORS' REPORT**

FOR THE YEAR ENDED 31 MARCH 2011

The directors present their annual report and the audited financial statements for the year ended 31 March 2011.

**Principal activities**

The principal activity of the company is the importing and distribution of garments.

**Results and dividends**

The results for the year are set out on page 6.

**Directors**

The following directors have held office since 1 April 2010:

Mr. Christopher R Severs

Mr. Christopher Fox

Mr. Deepak Seth

Mr. Pallak Seth

Mr. Pulkit Seth (Resigned 1 February 2011)

Mrs. Payel Seth (Appointed 1 February 2011)

**Directors' interests**

The directors' interests in the shares of the company were as stated below:

	Ordinary 'A' shares of £1 each	
	31 March 2011	1 April 2010
Mr. Christopher R Severs	6,300	6,300
Mr. Christopher Fox	6,300	6,300
Mr. Deepak Seth	-	-
Mr. Pallak Seth	-	-
Mrs. Payel Seth	-	-
	Ordinary 'B' shares of £1 each	
	31 March 2011	1 April 2010
Mr. Christopher R Severs	-	-
Mr. Christopher Fox	-	-
Mr. Deepak Seth	-	-
Mr. Pallak Seth	-	-
Mrs. Payel Seth	-	-

**Auditor**

Montpelier Audit Limited was appointed auditor to the company and in accordance with Section 485 of the Companies Act 2006, a resolution proposing that it be re-appointed as auditor will be put at a General Meeting.

**Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the financial information included on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

**Disclosure of information to auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant information of which the company's auditor is unaware; and
- the director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

**Responsibility statement**

Each of the persons who is a director at the date of approval of this report confirms that to the best of his or her knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the directors' report includes a fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face.

By order of the board

Sd/-

Mr. Christopher Severs

Director

6 May 2011

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FX IMPORT COMPANY LIMITED FOR THE YEAR ENDED 31 MARCH 2011**

We have audited the financial statements of FX Import company Limited for the year ended 31 March 2011 set out on pages 6 to 24 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

**Respective responsibilities of the directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and - have been prepared in accordance with the requirements of the Companies Act 2006.

**Separate opinion in relation to IFRSs as issued by the IASB**

As explained in the accounting policies, the company has prepared financial statements that comply with IFRSs as adopted by the EU, and with IFRSs as issued by the International Accounting Standards Board (IASB).

## FX Import Company Limited

In our opinion the financial statements comply with IFRSs as issued by the IASB.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Sd/-

**Howard Reuben FCA (Senior Statutory Auditor)**

**For and on behalf of Montpelier Audit Limited**

**Statutory Auditor**

**Chartered Accountants**

6 May 2011

58-60 Berners Steet

London

WIT 3JS

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 £	2010 £
<b>Continuing operations</b>			
Revenue	4	4,174,210	4,757,014
Cost of revenue		(3,138,517)	(3,430,477)
<b>Gross profit</b>		<b>1,035,693</b>	<b>1,326,537</b>
Distribution costs		(168,411)	(198,479)
Administrative expenses		(1,016,349)	(1,230,813)
<b>Operating loss</b>	5	<b>(149,067)</b>	<b>(102,755)</b>
Finance income	7	58	-
Finance costs	8	(7,440)	(12,196)
<b>Loss for the year before taxation</b>		<b>(156,449)</b>	<b>(114,951)</b>
Taxation	9	-	-
<b>Loss for the financial year</b>	20	<b>(156,449)</b>	<b>(114,951)</b>

None of the company's activities were discontinued in the year.

There are no other comprehensive income and expenses other than those passing through the statement of comprehensive income.

## STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2011

	Notes	2011 £	2010 £
<b>Non current assets</b>			
Property, plant and equipment	10	48,919	55,706
Intangible assets	11	5,266	680
Investment in subsidiary	12	865	865
		<b>55,050</b>	<b>57,251</b>
<b>Current assets</b>			
Inventories	13	13,902	64,510
Trade and other receivables	14	349,324	654,485
Cash and cash equivalents		5,348	261,380
		<b>368,574</b>	<b>980,375</b>
<b>Total assets</b>		<b>423,624</b>	<b>1,037,626</b>
<b>Current liabilities</b>			
Trade payables and other payables	15	(786,819)	(1,253,424)
Hire purchase contracts and finance leases	16	(3,454)	-
		<b>(790,273)</b>	<b>1,253,424</b>
<b>Net current liabilities</b>		<b>(421,699)</b>	<b>(273,049)</b>
<b>Non current liabilities</b>			
Borrowings	17	(505,500)	(505,500)

	Notes	2011 £	2010 £
Hire purchase contracts and finance leases	16	(5,598)	-
		<b>511,098</b>	<b>505,500</b>
<b>Total liabilities</b>		<b>(1,301,371)</b>	<b>(1,758,924)</b>
<b>Net liabilities</b>		<b>877,747</b>	<b>721,298</b>
<b>Shareholder's equity</b>			
Share capital	19	25,200	25,200
Retained earnings	20	902,947	746,498
<b>Total equity</b>		<b>877,747</b>	<b>721,298</b>

The financial statements were approved by the board of directors and authorised for issue on 6 May 2011 and were signed on its behalf by:

Sd/-

Mr. Christopher Severs

**Director**

**Company registration no. 03170332**

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 £	2010 £
<b>Cash flows from operating activities</b>			
Cash used in operations	22	(246,037)	(31,552)
Finance cost paid		(7,440)	(12,196)
<b>Net cash used in operating activities</b>		<b>(253,477)</b>	<b>(43,748)</b>
<b>Cash flows from investing activities</b>			
Payments to acquire trade marks		(5,495)	-
Payments to acquire property, plant and equipment		(3,350)	(20,096)
Proceeds from sale of property, plant and equipment		7,600	-
Acquisition of subsidiary, net of cash acquired		-	(865)
<b>Net cash used in investing activities</b>		<b>(1,245)</b>	<b>(20,961)</b>
<b>Cash flows from financing activities</b>			
Proceeds of loan from parent undertaking		-	247,500
Proceeds of loans from related parties		-	30,000
Capital element of hire purchase contracts repayments		(1,310)	-
<b>Net cash (used in)/generated by financing activities</b>		<b>(1,310)</b>	<b>277,500</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(256,032)</b>	<b>212,791</b>
Cash and cash equivalents at the start of the year		261,380	48,589
<b>Cash and cash equivalents at the end of the year</b>		<b>5,348</b>	<b>261,380</b>
<b>Cash and cash equivalents comprise:</b>			
Cash at bank and in hand		5,348	261,380

### 1. General information

FX Import Company Limited is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 1. The principal activity of the company is disclosed in the directors' report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

### 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (EU) (together IFRSs), and the Companies Act 2006 applicable to companies reporting under IFRSs.

FX Import Company Limited

**Impact of standards and interpretations effective for the first time**

*Revisions to adopted IFRS:*

The company has adopted new, revised and amended standards and interpretations which are relevant to the company during the year ended 31 March 2011, but which have no material impact on these financial statements:

IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the statement of comprehensive income.

IAS 28 (revised), 'Investments in associates', (effective from 1 July 2009). The principle adopted under IAS 27 (revised) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendment to IAS 28. Therefore, when significant influence is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in the statement of comprehensive income.

IAS 36 (amendment), 'Impairment of assets' (effective from 1 January 2010).

The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating Segments'

*Revisions to IFRS in issue not yet effective:*

At the date of approval of these financial statements the following new, revised and amended standards and interpretations, which are relevant to the company have not been applied and when adopted will have no material impact on the company:

IAS 24 (revised), 'Related Party Disclosures' (effective from 1 January 2011)

The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities.

**2.1 Going concern**

The financial statements have been prepared on a going concern basis even though at the Balance Sheet date the company's current liabilities exceeded its current assets by £421,699 and it made a loss for the year of £156,449.

The directors consider the going concern basis to be appropriate because, in their opinion, the company's trading performance will improve in the coming year with the development of new customers despite continuing difficult market conditions. The company will also continue to obtain sufficient funding to enable it to pay its debts as they fall due. If the company were unable to obtain this funding, it would be unable to continue trading and adjustments would have to be made to reduce the value of assets to their realisable amount and to provide for any further liabilities which might arise.

**2.2 Group accounts**

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertaking comprise a small-sized group. The company has therefore taken advantage of the exemptions provided by Section 399 of the Companies Act 2006 not to prepare group accounts.

**2.3 Intangible assets**

Trademarks are stated at cost less accumulated amortisation and impairment losses, and are amortised over a period of 5 years, which in the opinion of the directors is the estimated useful economic life.

**2.4 Property, plant and equipment**

Property, plant and equipment are stated at cost net of accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings leasehold	5% straight line
Fixtures, fittings and equipment	25% reducing balance
Motor vehicles	2.5 Impairment

**2.5 Impairment**

The carrying values of the company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying value of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

**2.6 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the distribution of garments net of discounts and value added tax is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Revenue from commission receivable is recognised when the economic benefits associated with the transaction will be received by the company and that the stage of completion can be measured reliably at the balance sheet date.

**2.7 Leasing**

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease term.

**2.8 Investments**

Investments in subsidiary undertakings are stated at cost less provision for impairment.

**2.9 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises purchase price and other costs incurred in bringing the inventories to their present location and condition. Cost is measured using the FIFO method. Net realisable value represents the estimated selling price.

**2.10 Employee benefits**

Obligations for contributions to the defined contribution pension scheme are charged to the income statement in the period to which they relate.

**2.11 Taxation**

Income tax expense represents the current tax payable and deferred tax provisions.

- **Current tax**

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profits as reported in the same income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

- **Deferred tax**

The company accounts for deferred tax using the liability method and as such recognises all timing differences between the company's profits chargeable to tax and its results as shown in the financial statements. These timing differences arise from the inclusion of gains and losses for tax purposes in different periods from those in which they are recognised in the financial statements. Deferred tax assets are only recognised to the extent it is probable that the future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured on a non discounted basis at rates of tax expected to apply in the periods in which the timing differences are expected to reverse.

**2.12 Foreign currencies** Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Foreign exchange differences arising on translation are included in the income statement in the period in which they arise.

**2.13 Factored debts**

Factored debts are shown as gross assets within trade receivables and a corresponding liability is shown in respect of proceeds received within payables. The interest and factoring charges are recognised in the income statement during the period to which they relate using the effective interest method.

**2.14 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 operation decisions.

**2.15 Financial instruments**

The company does not use or trade derivative financial instruments. Financial instruments that the company uses are non-derivative and are recognised initially at fair value. Subject to initial recognition non-derivative financial instruments are measured as described as follows:

## FX Import Company Limited

- **Trade and other receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. This also includes factored debts as described in note 2.13.

- **Trade and other payables**

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade and other payable are stated at their nominal value.

- **Cash and cash equivalents**

Cash for the purposes of the statement of cash flows, comprises cash at bank and in hand. Cash equivalents are short term liquid investments convertible into cash and are subject to insignificant risk of changes in value. Bank overdrafts which form part of cash and cash equivalents for the purpose of the cash flow statements are shown under current liabilities.

### 3. Significant judgements and estimates

The preparation of the company's financial statements in conforming with IFRSs require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances. Information about such judgements and estimates is contained in either the accounting policies or in the notes to the financial statements. These are listed below:

No deferred tax liability has been recognised in respect of timing differences because the company has made losses, and in the directors' opinion the company will not pay UK corporation tax in the near future.

No deferred tax asset has been recognised in respect of unutilised losses, because in the directors' opinion there is no certainty that the losses will be fully utilised in the near future.

### 4. Revenue

#### a. Company activities

The company's activity is in a single business segment, being the importing and distribution of garments.

#### b. Revenues by geographical market customer location

The company's operations are located primarily in UK reportable as follows:

	2011	2010
	£	£
<b>Analysis of revenue by category:</b>		
Sale of garments	3,506,031	3,842,564
Commission receivable	668,179	914,450
	<u>4,174,210</u>	<u>4,757,014</u>

Analysis of revenues by geographical market and customer location are as follows:

	2011	2010
	£	£
UK	3,948,511	4,418,249
Rest of the World	225,699	338,765
	<u>4,174,210</u>	<u>4,757,014</u>

### 5. Operating loss

	2011	2010
	£	£
Operating loss is stated after charging:		
Amortisation of intangible assets	909	480
Depreciation of property, plant and equipment	12,624	16,312
Loss on disposal of property, plant and equipment	275	3,009
Staff costs (see note 6 below)	378,479	504,886
Directors' emoluments (excluding pension costs)	166,251	171,200
Pension costs (see note 6 below)	<u>2,840</u>	<u>2,840</u>

### Auditor remuneration

During the year the company obtained the following services from the company's auditor and its associates:

	2011	2010
	£	£
Fees payable to the company's auditor:		
Audit of the annual financial statements	5,000	15,125
Fees payable to the company's auditor and its associates for other services:		
Review of the interim financial statements	8,500	12,500
Tax services	-	550

### 6. Staff numbers and costs

	2011	2010
	£	£
Employee costs include:		
Staff wages and salaries including restructuring costs	322,371	434,752
Social security costs	56,108	70,134
Staff pension costs-defined contribution plans	1,200	1,200
Directors' pension costs-defined contribution plans	1,640	1,640
	<u>381,319</u>	<u>507,726</u>

The average number of employees (including directors) during the year was:

	2011	2010
	Number	Number
Management and administration	<u>16</u>	<u>16</u>

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

	2011	2010
	£	£
<b>7. Finance income</b>		
Other interest	<u>58</u>	-

	2011	2010
	£	£
<b>8. Finance costs</b>		
Bank and factoring interest paid	7,225	12,196
Hire purchase interest paid	215	-
	<u>7,440</u>	<u>12,196</u>

	2011	2010
	£	£
<b>9. Taxation for the year</b>		
<b>Income tax expense</b>		
<b>Current tax expense:</b>		
UK corporation tax	-	-
<b>Total current tax</b>	<u>-</u>	<u>-</u>

#### Deferred tax:

Origination and reversal of temporary differences

#### Total deferred tax

#### Income tax expense

#### Reconciliation of current tax expense to accounting loss:

Loss before taxation	(156,449)	(114,951)
Notional taxation charge at the UK corporation tax rate of 28% (2010: 28%)	<u>(43,806)</u>	<u>(32,186)</u>

FX Import Company Limited

	2011	2010
	£	£
Tax effects of:		
Expenses not deductible for tax purposes	5,633	2,688
Capital allowances in excess of depreciation	(3,701)	(208)
Unutilised tax losses not recognised as a deferred tax asset	41,874	29,706
	<u>-</u>	<u>-</u>

**Total current tax charge for the year**

The company has unused tax losses of £914,214 (2010: £764,664) available to carry forward against future trading profits. On the basis of these financial statements no provision has been made for corporation tax.

No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely.

**10. Property, plant and equipment**

	Land and buildings leasehold	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£
<b>Cost</b>				
At 1 April 2010	11,095	79,143	30,000	120,238
Additions	-	350	13,362	13,712
Disposals	-	-	(16,000)	(16,000)
At 31 March 2011	<u>11,095</u>	<u>79,493</u>	<u>27,362</u>	<u>117,950</u>
<b>Accumulated depreciation</b>				
At 1 April 2010	1,457	49,949	13,126	64,532
Charge for the year	555	7,305	4,764	12,624
Disposals	-	-	(8,125)	(8,125)
At 31 March 2011	<u>2,012</u>	<u>57,254</u>	<u>9,765</u>	<u>69,031</u>
<b>Carrying amount</b>				
At 31 March 2011	<u>9,083</u>	<u>22,239</u>	<u>17,597</u>	<u>48,919</u>
At 31 March 2010	<u>9,638</u>	<u>29,194</u>	<u>16,874</u>	<u>55,706</u>

	Land and buildings leasehold	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£
<b>Cost</b>				
At 1 April 2009	11,095	68,447	40,999	12,541
Additions	-	10,696	9,400	20,096
Disposals	-	-	(20,399)	(20,399)
At 31 March 2010	<u>11,095</u>	<u>79,143</u>	<u>30,000</u>	<u>120,238</u>
<b>Accumulated depreciation</b>				
At 1 April 2009	902	42,387	12,921	56,210
Charge for the year	555	7,562	8,195	16,312
Disposals	-	-	(7,990)	(7,990)
At 31 March 2011	<u>1,457</u>	<u>49,949</u>	<u>13,126</u>	<u>64,532</u>
<b>Carrying amount</b>				
At 31 March 2010	<u>9,638</u>	<u>29,194</u>	<u>16,874</u>	<u>55,706</u>
At 31 March 2009	<u>10,193</u>	<u>26,060</u>	<u>28,078</u>	<u>64,331</u>

Included in the above are assets held under hire purchase contracts as follows:

2010	£
13,362	13,362
(1,670)	(1,670)
11,692	11,692

**Motor vehicles**

Cost	13,362
Aggregate depreciation	(1,670)
Carrying amount	<u>11,692</u>

**11. Intangible assets**

	Trademarks	
	2011	2010
	£	£
<b>Cost</b>		
At the start of the year	3,300	3,300
Additions	5,495	-
At the end of the year	<u>8,795</u>	<u>3,300</u>
<b>Amortisation</b>		
At the start of the year	2,620	2,140
Charge for the year	909	480
At the end of the year	<u>3,529</u>	<u>2,620</u>
<b>Net book value</b>		
At the end of the year	<u>5,266</u>	<u>680</u>
At the start of the year	<u>680</u>	<u>1,160</u>

**12. Investment in subsidiary**

	Shares in Subsidiary undertaking	
	2011	2010
	£	£
At the beginning of the year	865	-
Additions during the year	-	865
At the end of the year	<u>865</u>	<u>865</u>

Investment in group undertakings are recorded at cost, which is the fair value of the consideration paid.

**Holdings of more than 20%**

The company holds more than 20% of the share capital of the following company:

Company	Country of registration or incorporation	Shares held	
		Class	%
<b>Subsidiary undertakings</b>			
FX Import Hong Kong Limited	Hong Kong	Ordinary	100

The aggregate amount of capital and reserves and the results of the undertakings at 31 March 2011 were as follows:

	Principal activity	Capital and Reserves	Profit for the year
		£	£
FX Import Hong Kong Limited	Importing and distribution of garments	<u>44,273</u>	<u>39,332</u>

**13. Inventories**

	2011	2010
	£	£
Finished goods and goods for resale	<u>13,902</u>	<u>64,510</u>

**14. Trade and other receivables**

	2011	2010
	£	£
Trade receivables	216,458	519,114
Other receivables	11,364	11,610
Prepayments	70,328	88,499
Receivables from fellow group companies (note 23)	13,038	34,058
Receivables from subsidiary companies (note 23)	38,136	1,204
	<u>349,324</u>	<u>654,485</u>

The average credit period given for trade receivables at the end of the year is 40 days (2010: 40 days).

## FX Import Company Limited

All amounts are due to be recovered within 12 months of the balance sheet date. The fair value of trade and other receivables is the same as the carrying value shown above.

The maximum exposure to credit risk for trade and other receivables is represented by their carrying amount. The company does not have a significant concentration of credit risk for its trade receivables because they are all factored and its customer base is large and unrelated.

**15. Trade and other payables**

	2011	2010
	£	£
Trade Payables	447,514	944,894
Payables to parent undertaking (note 23)	116,132	64,721
Payables to fellow subsidiary undertakings (note 23)	2,471	9,457
Payables to related parties (note 23)	34,561	29,451
Social security and other taxes	34,294	48,493
Accrued expenses	151,847	156,408
	<u>786,819</u>	<u>1,253,424</u>

Trade payables and accrued expenses mainly comprise of amounts owed for trading purchases and associated costs.

Included within trade payables are gross loans secured against trade receivable balances. These amounted to £28,623 (2010: £221,242). Included in trade payables is an amount of £ nil (2010: £131,235) which is secured by a fixed and floating charge over the company's assets.

All trade and other payables are due to be paid within 12 months of the balance sheet date. The fair value of trade and other payables are the same as the carrying value shown above.

**16. Hire purchase contracts and finance leases**

	2011	2010
	£	£
Amounts payable are as follows:		
Within one year	3,971	-
In the second to fifth years	6,416	-
Less: Future interest charges	(1,335)	-
Present value of the obligations	9,052	-
Less: Amount due for settlement within 12 months (shown under current liabilities)	(3,454)	-
Amount due for settlement after 12 months	<u>5,598</u>	<u>-</u>

The Company's obligations under hire purchase contracts are secured by charges over the relevant assets.

**17. Borrowings**

	2011	2010
	£	£
Loan from parent undertaking (note 23)	351,500	351,500
Loans from related parties (note 23)	154,000	154,000
	<u>505,500</u>	<u>505,500</u>

The carrying value of all the company's long-term borrowings approximate to their fair value as at the balance sheet date.

**18. Deferred tax**

Unrecognised deferred tax assets and liabilities

Deferred tax assets have not been recognised in respect of the following items:

	2011	2010
	£	£
Tax losses	<u>255,980</u>	<u>214,469</u>

Deferred tax liabilities have not been recognised in respect of the following items:

	2011	2010
	£	£
Original and reversal of temporary differences	<u>1,139</u>	<u>797</u>

The net deferred tax assets have not been recognised in respect of the losses due to uncertainty of full and immediate utilisation of these losses.

**19. Share capital**

	2011	2010
	£	£
<b>Issued and fully paid</b>		
25,200 Ordinary 'A' shares of £1 each	<u>25,200</u>	<u>25,200</u>

**20. Retained earnings**

	2011	2010
	£	£
Balance at the start of the year	(746,498)	(631,547)
Net loss for the year	(156,449)	(114,951)
Balance at the end of the year	<u>(902,947)</u>	<u>(746,498)</u>

**21. Operating lease arrangements**

	2011	2010
	£	£
Minimum lease payments under operating leases recognised in income for the year	<u>50,000</u>	<u>50,000</u>

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2011	2010
	£	£
Within one year	50,000	50,000
In the second to fifth years inclusive	150,000	200,000
	<u>200,000</u>	<u>250,000</u>

Operating lease payments represent rentals payable by the company.

**22. Notes to the cash flow statement**

	2011	2010
	£	£
<b>Cash flows from operating activities</b>		
Loss from operations	(149,067)	(102,755)
(Adjustments for:		
Depreciation of property, plant and equipment	12,624	16,312
Amortisation of intangible assets	909	480
Loss on disposal of property, plant and equipment	275	3,009
<b>Operating cash flows before working capital</b>	<u>(135,259)</u>	<u>(82,954)</u>
Decrease in stock	50,608	139,541
Decrease in receivables	305,219	127,664
Decrease in payables	(466,605)	(215,803)
<b>Cash used in operations</b>	<u>(246,037)</u>	<u>(31,552)</u>

**23. Related party transactions**

During the year the following transactions were carried out with Mr. C R Severs and Mr. C Fox:

	2011	2010
	£	£
• Services provided to the company		
Rent of building	<u>50,000</u>	<u>50,000</u>
All transactions were at arms length and on normal commercial terms.		
• Year end balances arising from services provided		
Payable to Chris Design (note 15)	<u>25,147</u>	<u>26,125</u>

Chris Design is a partnership in which the above directors are partners.

## FX Import Company Limited

	2011	2010
	£	£
• Loans from directors		
Short term loan (note 15)	9,414	3,326
Long term loan (note 17)	154,000	154,000
	<b>163,414</b>	<b>157,326</b>

	2011	2010
	£	£
The above directors have given personal guarantees:		
- In respect of bank facilities	200,000	200,000

During the year, the company entered into the following transactions with related parties:

	Sales/ FOB transfers/ Rent/ Commission received		Management charges Commission paid/ Purchases/ expenses		Amounts owed to/ (by) related party	
	2011	2010	2011	2010	2011	2010
	£	£	£	£	£	£
<b>Poeticgem Limited, UK</b>	-	18,221	66,000	60,000	467,632*	416,222*
Pacific Logistics Limited, UK	-	-	14,666	29,884	2,471	9,457
Norwest Industries Limited Hong Kong	63,040	338,765	29,458	44,198	(13,038)	(9,668)
Poetic Knitwear Limited, UK	-	21,213	-	-	-	(21,213)
Magic Global Fashions Limited, UK	-	3,177	-	-	-	(3,177)
FX Import Hong Kong Limited, Hong Kong	156,173	39,177	-	-	(38,136)	(1,204)

The above companies are related as follows:

Poeticgem Limited is the parent company of FX Import Company Limited.

Pacific Logistics Limited and Poetic Knitwear Limited are fellow subsidiary companies.

Norwest Industries Limited, Hong Kong and Magic Global Fashions Limited UK are fellow subsidiaries of Global Textile Group Limited, parent company of Poeticgem Limited.

FX Import Hong Kong Limited is a wholly owned subsidiary of FX Import Company Limited.

The above balances are interest free and repayable on demand.

Poeticgem Limited has given an unlimited guarantee on certain of the banking facilities of FX Import Company Limited. At the balance sheet date, no exposure arises on this guarantee.

\* This balance includes a long-term loan of £351,500.

### 24. Capital commitments

The company has no significant capital commitments at 31 March 2011.

### 25. Contingent liabilities

At the balance sheet date, the company's bankers, Royal Bank of Scotland plc, have provided a guarantee on behalf of the company to H M Revenue and Customs amounting to £150,000. The company's maximum contingent liability under this guarantee as at 31 March 2011 is £150,000.

### 26. Control

The controlling party of the company is Poeticgem Limited by virtue of its 50% ownership of the ordinary share capital and overall board control.

The ultimate parent company of Poeticgem Limited is House of Pearl Fashions Limited, a company registered in India.

House of Pearl Fashions Limited prepares group financial statements and copies can be obtained from Corporate Office: 446, Udyog Vihar, Phase-V, Gurgaon-122 016 (Haryana) India.

House of Pearl Fashion Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India.

## Poetic Knitwear Limited

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2011**

The directors present their annual report and the audited financial statements for the year ended 31 March 2011.

**Principal activities and review of the business**

The principal activity of the company is that of import and distribution of knitwear clothing. The company did not trade during the year.

**Results and dividends**

The results for the year are set out on page 6.

**Directors**

The following directors have held office since 1 April 2010:

Mr Gary M Isaacs

Mr Pallak Seth

Dr Mahesh K Seth (Resigned 1 February 2011)

Mr Deepak K Seth (Appointed 1 February 2011)

**Directors' interests**

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	31 March 2011	31 March 2010
Mr Gary M Isaacs	33	33
Mr Pallak Seth	–	–
Mr Deepak K Seth	–	–

**Auditor**

Montpelier Audit Limited was appointed auditor to the company and in accordance with Section 485 of the Companies Act 2006, a resolution proposing that it be re-appointed as auditor will be put at a General Meeting.

**Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the financial information included on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

**Disclosure of information to auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant information of which the company's auditor is unaware; and
- the director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

**Responsibility statement**

Each of the persons who is a director at the date of approval of this report confirms that to the best of his or her knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the directors' report includes a fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face.

By order of the board

Sd/  
Mr Omprakash Makam  
Secretary  
6 May 2011

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF POETIC KNITWEAR LIMITED FOR THE YEAR ENDED 31 MARCH 2011**

We have audited the financial statements of Poetic Knitwear Limited for the year ended 31 March 2011 set out on pages 6 to 17 which comprise the income statement, balance sheet, the cash flow statement, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

**Respective responsibilities of the directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any, apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Separate opinion in relation to IFRSs as issued by the IASB**

As explained in the accounting policies, the company has prepared financial statements that comply with IFRSs as adopted by the EU, and with IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.



Poetic Knitwear Limited

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us: or
- the financial statements are not in agreement with the accounting records and returns: or
- certain disclosures of directors' remuneration specified by law are not made: or
- we have not received all the information and explanations we require for our audit.

Sd/-

**Howard Reuben FCA (Senior Statutory Auditor)** 6 May 2011  
**For and on behalf of Montpelier Audit Limited** 58- 60 Berners Street  
**Statutory Auditor** London  
**Chartered Accountants** WIT 3JS

**INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2011**

	Notes	Year ended 31 March 2011 £	Period ended 31 March 2010 £
<b>Continuing operations</b>			
Revenue	4	-	-
Cost of revenue		-	(300)
<b>Gross loss</b>			(300)
<b>Operating expenses</b>			
Distribution costs		-	(40,829)
Administrative expenses		(289,230)	(542,907)
<b>Loss for the year/period before taxation</b>	5	(289,230)	(584,036)
Taxation	7	(163,530)	163,530
<b>Loss for the financial year/period</b>		<u>(452,760)</u>	<u>(420,506)</u>

None of the company's activities were discontinued in the year.

There are no other comprehensive income and expenses other than those passing through the income statement.

The notes on pages 10 to 17 form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2011**

	Notes	Year ended 31 March 2011 £	Period ended 31 March 2010 £
<b>Non-current assets</b>			
Property, plant and equipment	8	-	19,439
Deferred tax asset	9	-	164,758
		-	184,197
<b>Current assets</b>			
Trade and other receivables	10	28	2,542
Cash and cash equivalents		1,569	206
<b>Total assets</b>		<u>1,597</u>	<u>2,748</u>
<b>Current liabilities</b>			
Trade and other payables	11	(874,763)	(606,123)

<b>Net current liabilities</b>		<u>(873,166)</u>	<u>(603,375)</u>
<b>Non current liabilities</b>	9	-	(1,228)
Deferred tax liabilities		(874,763)	(607,351)
<b>Total liabilities</b>		<u>(873,166)</u>	<u>(420,406)</u>
<b>Net assets</b>			
<b>Shareholders' equity</b>			
Share capital	12	100	100
Retained earnings	13	(873,266)	(420,506)
<b>Total equity</b>		<u>(873,166)</u>	<u>(420,406)</u>

The financial statements were approved by the board of directors and authorised for issue on 6 May 2011 and were signed on its behalf by:

Sd/-

Mr Pallak Seth

**Director**

**Company registration no. 06863593**

The notes on pages 10 to 17 form part of the se financial statements.

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2011**

	Share capital £	Retained earnings £	Total £
<b>Balance at 31 March 2009</b>	100	-	100
<b>Comprehensive income</b>			
Loss for the period	-	(420,506)	(420,506)
<b>Balance at 1 April 2010</b>	100	(420,506)	(420,406)
<b>Comprehensive income</b>			
Loss for the year	-	(452,760)	(452,760)
<b>Balance at 31 March 2011</b>	<u>100</u>	<u>(873,266)</u>	<u>(873,166)</u>

The notes on pages 10 to 17 form part of these financial statements.

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011**

	Year ended 31 March 2011 £	Period ended 31 March 2010 £
<b>Cash flows from operating activities</b>		
Loss for the year/period	(289,230)	(584,036)
Adjustment for:		
Depreciation of property, plant and equipment	4,236	5,648
<b>Operating cash flows before movements in working capital</b>	<u>(284,994)</u>	<u>(578,388)</u>
Decrease/(increase) in receivables	2,514	(2,542)
Increase in payables	283,843	606,123
<b>Net cash generated by operating activities</b>	<u>1,363</u>	<u>25,193</u>
<b>Cash flows from operating activities</b>	<u>1,363</u>	<u>25,193</u>
<b>Cash flows from investing activities</b>		
Payments to acquire plant and equipment	-	(25,087)
<b>Net cash used in investing activities</b>	<u>-</u>	<u>(25,087)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of ordinary shares	-	100
<b>Net cash generated in financing activities</b>	<u>-</u>	<u>100</u>
<b>Net increase in cash and cash equivalents</b>	<u>1,363</u>	<u>206</u>

## Poetic Knitwear Limited

	Year ended 31 March 2011	Period ended 31 March 2010
	£	£
Cash and cash equivalents at the start of the year/period	206	–
<b>Cash and cash equivalents at the end of the year /period</b>	<b>1,569</b>	<b>206</b>
<b>Cash and cash equivalents comprise:</b>		
Cash at bank and in hand	1,569	206

The notes on pages 10 to 17 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

### 1. General information

Poetic Knitwear Limited is a company incorporated in England and Wales. The address of the registered office and principal activity of the company is given on pages 1 and 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

### 2. Summary of significant accounting policies:

The principal accounting policies applied in the preparation of the financial statements are set out below.

#### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (EU) (together IFRSs), and the Companies Act 2006 applicable to companies reporting under IFRSs.

#### Impact of standards and interpretations effective for the first time

*Revisions to adopted IFRS:*

All new, revised and amended standards and interpretations that have been published and are mandatory for the first time for the company's year ended 31 March 2011 have not been adopted by the company as they have no effect on these financial statements.

*Revisions to IFRS in issue not yet effective:*

At the date of approval of these financial statements the following new, revised and amended standards and interpretations, which are relevant to the company have not been applied and when adopted will have no material impact on the company:

IAS 24 (revised), 'Related Party Disclosures' (effective from 1 January 2011)

The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities.

### 2.1 Going concern

The financial statements have been prepared on a going concern basis even though at the Balance Sheet date the company's current liabilities exceeded its current assets by £873,166 and it made a loss for the year of £452,760.

The directors consider the going concern basis to be appropriate because, in their opinion, the company will continue to obtain sufficient funding from its fellow group companies to enable it to pay its debts as they fall due, and the directors believe that the company will be able to maintain positive cash flows for the foreseeable future once it starts trading. If the company were unable to obtain this funding, it would be unable to continue trading, and adjustments would have to be made to reduce the value of assets to their realisable amount and to provide for any further liabilities which might arise.

### 2.2 Property, plant and equipment

Property, plant and equipment are stated at cost net of accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings leasehold	-	over lease term for short lease
Fixtures, fittings and equipment	-	25% reducing balance

All tangible fixed assets are reviewed for impairment in accordance with IAS 36 'Impairment of Assets' when there are indications that the carrying value may not be recoverable.

### 2.3 Taxation

Income tax expense represents the current tax payable and deferred tax provisions.

#### – Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profits as reported in the same income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

#### – Deferred tax

The company accounts for deferred tax using the liability method and as such recognises all timing differences between the company's profits chargeable to tax and its results as shown in the financial statements. These timing differences arise from the inclusion of gains and losses for tax purposes in different periods from those in which they are recognised in the financial statements. Deferred tax assets are only recognised to the extent it is probable that the future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured on a non-discounted basis at rates of tax expected to apply in the periods in which the timing differences are expected to reverse.

### 2.4 Foreign currencies

Transactions in currencies other than pound s sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Foreign exchange differences arising on translation are included in the income statement in the period in which they arise.

### 2.5 Related parties

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

### 2.6 Financial instruments

The company does not use or trade derivative financial instruments. Financial instruments that the company uses are non-derivative and are recognised initially at fair value. Subject to initial recognition non-derivative financial instruments are measured as described as follows:

#### – Other receivables

Other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

#### – Trade and other payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade and other payables are stated at their nominal value.

#### – Cash and cash equivalents

Cash for the purposes of the statement of cash flows, comprises cash at bank and in hand. Cash equivalents are short term liquid investments convertible into cash and are subject to insignificant risk of changes in value. Bank overdrafts which form part of cash and cash equivalents for the purpose of the statement of cash flows are shown under current liabilities.

### 3. Significant judgements and estimates

The preparation of the company's financial statements in conforming to IFRSs require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances. Information about such judgements and estimates is contained in either the accounting policies or in the notes to the financial statements. There are no significant estimates in the current year.

### 4. Revenue

The company intends to trade in the near future and its principal activity will be the import and distribution of knitwear clothing.

Poetic Knitwear Limited

5. Operating loss

Operating loss is stated after charging:	Year ended 31 March 2011	Period ended 31 March 2010
	£	£
Depreciation of property, plant and equipment	4,236	5,648

**Auditor remuneration**

During the year the company obtained the following services from the company's auditor and its associates:

Fees payable to the company's auditor:

Audit of annual financial statements	2,850	4,000
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Fees payable to the company's auditor and its associates for other services:

Review of the interim financial statements	-	3,725
Tax and other services	505	233
	<u>3,355</u>	<u>7,958</u>

6. Staff numbers and costs

	Year ended 31 March 2011	Period ended 31 March 2010
	£	£
Employee costs include:	76,469	154,449
Staff wages and salaries	175,000	175,000
Directors' remuneration	30,082	38,636
Social security costs	281,551	368,085

The average number of employees (including directors) during the year was:

	No.	No.
Designers	1	2
Sales	1	2
Technicians	1	1
Management and administration	3	3
	<u>6</u>	<u>8</u>

7. Taxation for the year

	Year ended 31 March 2011	Period ended 31 March 2010
	£	£

**Income tax expense**

**Current tax expense:**

UK corporation tax	-	-
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<b>Total current tax</b> (see below)	<u>-</u>	<u>-</u>
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**Deferred tax:**

Reversal and origination of temporary differences	(163,530)	(163,530)
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<b>Total deferred tax</b> (note 9)	<u>(163,530)</u>	<u>(163,530)</u>
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<b>Income tax expense in income statement</b>	<u>(163,530)</u>	<u>(163,530)</u>
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**Reconciliation of current tax expense to accounting loss**

Loss before taxation	(289,230)	(584,036)
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Notional taxation charge at the UK corporation tax rate of 28% (2010: 28%)	(80,984)	(163,530)
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Tax effects of:

Excess of capital allowances over depreciation	1,228	(1,228)
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Losses available to be carried forward	-	164,758
--	---	---------

Year ended  
31 March 2011

Period ended  
31 March 2010

Tax losses not recognised as a deferred tax asset	79,756	-
<b>Total current tax charge for the year/period</b>	<u>-</u>	<u>-</u>

The company has unused tax losses of £873,266 (2010: £588,423) available for carry forward against future trading profits. On the basis of these financial statements no provision has been made for corporation tax.

No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely.

8. Property, plant and equipment

	Land and buildings leasehold	Fixtures, fittings and equipment	Total
	£	£	£
<b>Cost</b>			
At the start of the year	12,485	12,602	25,087
Disposals	(12,485)	(12,602)	(25,087)
At 31 March 2011	<u>-</u>	<u>-</u>	<u>-</u>
<b>Accumulated depreciation</b>			
At the start of the year	2,497	3,151	5,648
On disposals	(4,370)	(5,514)	(9,884)
Charge for the year	1,873	2,363	4,236
At 31 March 2011	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net book value</b>			
At 31 March 2011	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2010	<u>9,988</u>	<u>9,451</u>	<u>19,439</u>

9. Deferred tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Year ended 31 March 2011	Period ended 31 March 2010
	£	£
Deferred tax assets	-	164,758
Deferred tax liabilities	-	(1,228)
Deferred tax asset (net)	<u>-</u>	<u>163,530</u>

The gross movement on the deferred tax account is as follows:

	Year ended 31 March 2011	Period ended 31 March 2010
	£	£
At the start of the year/period	163,530	-
Tax (charge)/credit to income statement during the year/period	(163,530)	163,530
At the end of the year/period	<u>-</u>	<u>163,530</u>

The movement in deferred income tax assets and liabilities during the year is as follows:

	Decelerated/ (accelerated) tax depreciation	Tax losses	Total
	£	£	£
<b>At 31 March 2009</b>	-	-	-
Tax (charge)/credit to income statement	(1,228)	164,758	163,530
<b>At 31 March 2010</b>	<u>(1,228)</u>	<u>164,758</u>	<u>163,530</u>

## Poetic Knitwear Limited

	Decelerated/ (accelerated) tax depreciation	Tax losses	Total
	£	£	£
Tax credit/(charge) to income statement	1,228	(164,758)	(163,530)
<b>At 31 March 2011</b>	<b>–</b>	<b>–</b>	<b>–</b>

**10. Trade and other receivables**

	Year ended 31 March 2011	Period ended 31 March 2010
	£	£
Other receivables	28	2,542
	<b>28</b>	<b>2,542</b>

All amounts are due to be recovered within 12 months of the balance sheet date. The fair value of other receivables is the same as the carrying value shown above.

**11. Trade and other payables**

	Year ended 31 March 2011	Period ended 31 March 2010
	£	£
Trade payables	105	–
Payables to group companies	–	21,213
Payables to parent company (note 14)	865,497	56,039
Social security and other taxes	7,661	13,871
Accrued expenses	1,500	4,000
	<b>874,763</b>	<b>606,123</b>

Trade payables and accrued expenses mainly comprise of amounts owed for administrative costs.

All trade and other payables are due to be paid within 12 months of the balance sheet date. The fair value of all trade and other payables is the same as the carrying value shown above.

**12. Share capital**

	Year ended 31 March 2011	Period ended 31 March 2010
	£	£
<b>Issued and fully paid</b>		
100 Ordinary shares of £1 each	<b>100</b>	<b>100</b>

**13. Retained earnings**

	Year ended 31 March 2011	Period ended 31 March 2010
	£	£
Balance at the start of the year/period	(420,506)	–
Net loss for the year/period	(452,760)	(420,506)
Balance at the end of the year/period	<b>(873,266)</b>	<b>(420,506)</b>

**14. Related party transactions**

During the year, the company entered into the following transactions with related parties:

	Corporate and management expenses		Amounts owed to related party	
	2011	2010	2011	2010
	£	£	£	£
Poeticgem Limited, UK	–	103,552	865,497	567,039
FX Import Company Limited	–	21,213	–	21,213

The above companies are related as follows:

Poetic Knitwear Limited is 67% owned by Poeticgem Limited.

FX Import Company Limited is 50% owned and controlled by Poeticgem Limited.

The above balances are interest free and repayable on demand.

**15. Control**

The immediate parent company is Poeticgem Limited, a wholly owned subsidiary of Global Textile Group Limited, a company registered in Mauritius.

The ultimate parent company of Global Textile Group Limited is House of Pearl Fashions Limited, a company registered in India. House of Pearl Fashions Limited prepares group financial statements and copies can be obtained from Corporate Office: 446, Udyog Vihar, Phase-V, Gurgaon - 122016 (Haryana), India.

House of Pearl Fashions Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India .

Magic Global Fashions Limited

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2011**

The directors present their annual report and the audited financial statements for the year ended 31 March 2011.

**Principal activities and review of the business**

The principal activity of the company is that of import and distribution of denim clothing. The company did not trade during the year.

**Results and dividends**

The results for the year are set out on page 6.

**Directors**

The following directors have held office since 1 April 2010:

Mr. Pallak Seth

Mr. Deepak Seth (Appointed 1 February 2011)

**Directors' interest**

The directors' interest in the shares of the company were as stated below

	Ordinary shares of £1 each	
	31 March 2011	1 April 2010
Mr. Pallak Seth	-	-
Mr. Deepak Seth	-	-

**Auditors**

Montpelier Audit Limited was appointed auditor to the company and in accordance with Section 485 of the Companies Act 2006, a resolution proposing that it be re-appointed as auditor will be put at a General Meeting.

**Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the financial information included on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

**Disclosure of information to auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant information of which the company's auditor is unaware; and
- the director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

**Responsibility statement**

Each of the persons who is a director at the date of approval of this report confirms that to the best of his or her knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and

- the directors' report includes a fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Sd/-

Mr. Omprakash Makam

Secretary

6 May 2011

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MAGIC GLOBAL FASHIONS LIMITED FOR THE YEAR ENDED 31 MARCH 2011**

We have audited the financial statements of Magic Global Fashions Limited for the year ended 31 March 2011 set out on pages 6 to 15 which comprise the income statement, statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

**Respective responsibilities of the directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Separate opinion in relation to IFRSs as issued by the IASB**

As explained in the accounting policies, the company has prepared financial statements that comply with IFRSs as adopted by the EU, and with IFRSs as issued by the International Accounting Standards Board (IASB). In our opinion the financial statements comply with IFRSs as issued by the IASB.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Sd/-

Howard Reuben FCA (Senior Statutory Auditor)

For and on behalf of Montpelier Audit Limited

Statutory Auditor

Chartered Accountants

6 May 2011

58-60 Berners Street

London

W1T 3JS

Magic Global Fashions Limited

**INCOME STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011**

	Notes	Year ended	Period ended	Year ended	Period ended
		31 March 2011	31 March 2010	31 March 2011	31 March 2010
		£	£	£	£
<b>Continuing operations</b>					
Revenue	4	-	472,754	-	100
Cost of revenue		(5,184)	(435,060)	-	100
<b>Gross profit</b>		<b>(5,184)</b>	<b>37,694</b>		
Distribution costs		-	(19,278)		
Administrative expenses		(54,162)	(48,247)		
<b>Loss for the year/period before taxation</b>	5	<b>(59,346)</b>	<b>(29,831)</b>		
Taxation	7	-	-		
<b>Loss for the financial year/period</b>	11	<b>(59,346)</b>	<b>(29,831)</b>		

None of the company's activities were discontinued in the year.

There are no other comprehensive income and expenses other than those passing through the income statement.

**STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2011**

	Notes	2011	2010
		£	£
<b>Current assets</b>			
Trade and other receivables	8	100	551,470
Cash and cash equivalents		1,156	-
<b>Total assets</b>		<b>1,256</b>	<b>551,470</b>
<b>Current liabilities</b>			
Trade and other payables	9	(90,333)	(581,201)
<b>Net liabilities</b>		<b>(89,077)</b>	<b>(29,731)</b>
<b>Shareholders' equity</b>			
Share capital	10	100	100
Retained earnings	11	(89,177)	(29,831)
<b>Total equity</b>		<b>(89,077)</b>	<b>(29,731)</b>

The financial statements were approved by the board of directors and authorised for issue on 6 May 2011 and were signed on its behalf by:

Sd/-

Mr. Pallak Seth

Director

Company registration no. 06799997

**STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED 31 MARCH 2011**

	Share Capital	Retained earnings	Total
	£	£	£
Balance at 23 January 2009	100	-	100
<b>Comprehensive income</b>			
Loss for the period	-	(29,831)	(29,831)
Balance at 1 April 2010	100	(29,831)	(29,731)
<b>Comprehensive income</b>			
Loss for the year	-	(59,346)	(59,346)
Balance at 31 March 2011	100	(89,177)	(89,077)

**STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011**

	Year ended	Period ended
	31 March 2011	31 March 2010
	£	£
<b>Cash flows from operating activities</b>		
Loss for the year/period	(59,346)	(29,831)
Decrease/(increase) in receivables	551,370	(551,470)
(Decrease)/increase in payables	(490,868)	581,201
<b>Net cash used in operating activities</b>	<b>1,156</b>	<b>(100)</b>

	Year ended	Period ended
	31 March 2011	31 March 2010
	£	£
<b>Cash flows from financing activities</b>		
Proceeds from issue of ordinary shares	-	100
<b>Net cash generated by financing activities</b>	<b>-</b>	<b>100</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,156</b>	<b>-</b>
Cash and cash equivalents at the start of the year	-	-
<b>Cash and cash equivalents at the end of the year/period</b>	<b>1,156</b>	<b>-</b>
<b>Cash and cash equivalents comprise:</b>		
Cash at bank and in hand	1,156	-

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011****1. General information**

Magic Global Fashions Limited is a company incorporated in England and Wales. The address of the registered office and principal activity of the company is given on pages 1 and 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

**2. Summary of significant accounting policies:**

The principal accounting policies applied in the preparation of the financial statements are set out below:

**Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (EU) (together IFRSs), and the Companies Act 2006 applicable to companies reporting under IFRSs.

**Impact of standards and interpretations effective for the first time***Revisions to adopted IFRS:*

All new, revised and amended standards and interpretations that have been published and are mandatory for the first time for the company's year ended 31 March 2011 have not been adopted by the company as they have no effect on these financial statements.

*Revisions to IFRS in issue not yet effective:*

At the date of approval of these financial statements the following new, revised and amended standards and interpretations, which are relevant to the company have not been applied and when adopted will have no material impact on the company:

IAS 24 (revised). "Related Party Disclosures" (effective from 1 January 2011)

The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities.

**2.1 Going concern**

The financial statements have been prepared on a going concern basis even though at the Balance Sheet date the company's current liabilities exceeded its current assets by £89,077 and it made a loss for the year of £59,346.

The Directors consider the going concern basis to be appropriate because in their opinion, the company will continue to obtain sufficient funding from its fellow group companies to enable it to pay its debts as they fall due, and the directors believe that the company will be able to maintain positive cash flows for the foreseeable future once it starts trading. If the company were unable to obtain this funding, it would be unable to continue trading, and adjustments would have to be made to reduce the value of assets to their realisable amount and to provide for any further liabilities which might arise.

**2.2 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue from distribution of denim garments net of discounts and value added tax is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

**2.3 Taxation**

Income tax expense represents the current tax payable and deferred tax provisions.

Magic Global Fashions Limited

**- Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profits as reported in the same income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

**- Deferred tax**

The company accounts for deferred tax using the liability method and as such recognises all timing differences between the company's profits chargeable to tax and its results as shown in the financial statements. These timing differences arise from the inclusion of gains and losses for tax purposes in different periods from those in which they are recognised in the financial statements. Deferred tax assets are only recognised to the extent it is probable that the future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured on a non-discounted basis at rates of tax expected to apply in the periods in which the timing differences are expected to reverse.

**2.4 Foreign currencies**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Foreign exchange differences arising on translation are included in the income statement in the year in which they arise.

**2.5 Related parties**

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

**2.6 Financial instruments**

The company does not use or trade derivative financial instruments. Financial instruments that the company uses are non-derivative and are recognised initially at fair value. Subject to initial recognition non-derivative financial instruments are measured as described as follows:

**• Trade and other receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not they are presented as non-current assets. Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

**• Trade and other payables**

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade and other payable are stated at their nominal value.

**• Cash and cash equivalents**

Cash for the purposes of the statement of cash flows comprises cash at bank and in hand. Cash equivalents are short term liquid investments convertible into cash and are subject to insignificant risk of changes in value. Bank overdrafts which form part of cash and cash equivalents for the purpose of the cash flow statements are shown under current liabilities.

**3. Significant judgements and estimates**

The preparation of the company's financial statements in conforming with IFRSs require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances. Information about such judgements and estimation is contained in either the accounting policies or in the notes to the financial statements. There are no significant judgements and estimates in the current year.

**4. Revenue**

The total revenue of the company for the year has been derived from the principal activity of the company excluding value added tax and is reportable as follows:

	Year ended 31 March 2011	Period ended 31 March 2010
	£	£

Analysis of revenue by geographical market:		
Europe	-	472,754

**5. Operating loss**

	Year ended 31 March 2011	Period ended 31 March 2010
	£	£

Operating loss is stated after charging:

**Auditor remuneration**

During the year the company obtained the following services from the company's auditor and its associates:

Fees payable to the company's auditor:

Audit of the annual financial statements	2,425	3,000
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Fees payable to the company's auditor and its associates for other services:

Tax services	200	1,400
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Other services	90	90
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	<u>2,715</u>	<u>4,490</u>
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**6. Employees**

There were no employees during the year apart from the directors.

**7. Taxation for the year**

	Year ended 31 March 2011	Period ended 31 March 2010
	£	£

**Income tax expense**

Current tax expense:

UK corporation tax	-	-
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<b>Total current tax</b>	-	-
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<b>Total deferred tax</b>	-	-
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<b>Income tax expense in income statement</b>	-	-
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**Reconciliation of current tax expense to accounting loss:**

Loss before taxation	(59,346)	(29,831)
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Notional taxation charge at the UK corporation tax rate of 28% (2010: 28%)	(16,617)	(8,353)
--	----------	---------

Tax effects of:

Expenses not deductible for tax purposes	-	9,957
--	---	-------

Tax losses surrendered to/(from) group company	16,617	(1,604)
--	--------	---------

<b>Total current tax charge for the year/period</b>	-	-
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The company has surrendered tax losses of £59,346 to its fellow group company which has resulted in a nil corporation tax charge for the year.

On the basis of these financial statements, no deferred tax asset has been recognised during the year.

**8. Trade and other receivables**

	Year ended 31 March 2011	Period ended 31 March 2010
	£	£

Trade receivables	-	551,147
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Other receivables	-	223
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Receivables from parent company (note 12)	100	100
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	<u>100</u>	<u>551,470</u>
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All amounts are due to be recovered within 12 months of the balance sheet date. The fair value of trade and other receivables is the same as the carrying value shown above.

## Magic Global Fashions Limited

**9. Trade and other payables**

	Year ended 31 March 2011	Period ended 31 March 2010
	£	£
Trade payables	105	1,713
Payables to group companies (note 12)	88,520	491,032
Social security and other taxes	208	-
Accrued expenses	1,500	88,456
	<u>90,333</u>	<u>581,201</u>

Trade payables and accrued expenses mainly comprise of amounts owed for trading purchases and associated costs .

All trade and other payables are due to be paid within 12 months of the balance sheet date  
The fair value of trade and other payables is the same as the carrying value shown above.

**10. Share capital**

	Year ended 31 March 2011	Period ended 31 March 2010
	£	£
<b>Issued and fully paid</b>		
100 Ordinary shares of £ 1 each	<u>100</u>	<u>100</u>

**11. Retained earnings**

	Year ended 31 March 2011	Period ended 31 March 2010
	£	£
Balance at the start of the year/period	(29,831)	-
Net loss for the year/period	(59,346)	(29,831)
Balance at the end of the year/period	<u>(89,177)</u>	<u>(29,831)</u>

**12. Related party transactions**

During the year, the company entered into the following transactions with related parties:

	Sales/ FOB transfers/ rent/ commission received		Commission paid/purchases / expenses		Amounts owed to/ (by) related party	
	2011 £	2010 £	2011 £	2010 £	2011 £	2010 £
Poeticgem Limited, UK	-	-	-	4,800	70,377	469,712
FX Import Company Limited, UK	-	-	-	3,177	-	3,177
Norwest Industries Limited, Hong Kong	-	-	-	18,143	18,143	18,143
Magic Global Fashions Limited, Hong Kong	-	-	-	-	(100)	(100)

The above companies are related as follows:

Poeticgem Limited owns a 50% share in FX Import Company Limited.

Poeticgem Limited is a wholly owned subsidiary of Global Textile Group Limited, a company registered in Mauritius.

Norwest Industries Limited, Magic Global Fashions Limited, Hong Kong and Global Textile Group Limited are fellow subsidiaries of Multinational Textile Group Limited, a company registered in Mauritius.

The above balances are interest free and repayable on demand.

**13. Control**

The immediate parent company is Magic Global Fashions Limited, Hong Kong a company registered in Hong Kong.

The ultimate parent company of Magic Global Fashions Limited, Hong Kong 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 01 6 (Haryana), India.

House of Pearl Fashions Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India.



Nor Lanka Manufacturing Limited  
(Formerly Mark Rainbow Limited and Poetic Hongkong Limited)

## REPORT OF THE DIRECTORS

The directors present their first report and the audited financial statements of the Company for the period from 22 October 2008 (date of incorporation) to 31 March 2010 and the year ended 31 March 2011.

### Principal activity

The principal activity of the Company is the trading of garments.

### Results and dividends

The Company's results for the period from 22 October 2008 (date of incorporation) to 31 March 2010 and the year ended 31 March 2011, and the state of affairs of the Company at 31 March 2010 and 2011 are set out in the financial statements on pages 4 to 29.

The directors do not recommend the payment of any dividend in respect of the year.

### Directors

The directors of the Company during the year/period were:

GNL08 Limited (appointed on 22 October 2008 and resigned on 12 December 2008)  
Deepak Kumar Seth (appointed on 12 December 2008)  
Pallak Seth (appointed on 12 December 2008)

In accordance with the Company's articles of association, all remaining directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

### Directors' interests

At no time during the year/period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### Directors' interests in contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Company to which the Company or any of its holding companies or fellow subsidiaries was a party during the year/period.

### Auditors

Ernst & Young were appointed by the directors as the Company's first 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  
12 May 2011

## INDEPENDENT AUDITORS' REPORT

### To the shareholder of Nor Lanka Manufacturing Limited

(formerly Mark Rainbow Limited and Poetic Hongkong Limited)

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Nor Lanka Manufacturing Limited (formerly Mark Rainbow Limited and Poetic Hongkong Limited) set out on pages 4 to 29, which comprise the statement of financial position as at 31 March 2010 and 2011, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 22 October 2008 (date of incorporation) to 31 March 2010 and the year ended 31 March 2011, and a summary of significant accounting policies and other explanatory information.

### Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of these financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2010 and 2011, and of its results and cash flows for the period from 22 October 2008 (date of incorporation) to 31 March 2010 and the year ended 31 March 2011, in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Sd/-  
Certified Public Accountants  
Hong Kong  
12 May 2011

Nor Lanka Manufacturing Limited  
(Formerly Mark Rainbow Limited and Poetic Hongkong Limited)

**INCOME STATEMENT**

Period from 22 October 2008 (date of incorporation) to 31 March 2010 and year ended 31 March 2011

	Notes	Year ended 31 March 2011	Period from 22 October 2008 (date of incorporation) to 31 March 2010
		HK\$	HK\$
REVENUE	4	93,522,614	–
Cost of sales		(81,764,776)	–
Gross profit		11,757,838	–
Other income	4	4,217,004	–
Selling and distribution costs		(3,182,689)	–
Administrative expenses		(9,209,736)	–
Other operating expenses		(292,963)	–
Finance costs	6	(452,105)	–
PROFIT BEFORE TAX	5	2,837,349	–
Income tax expense	8	(760,888)	–
PROFIT FOR THE YEAR/PERIOD		2,076,461	–

**STATEMENT OF COMPREHENSIVE INCOME**

Period from 22 October 2008 (date of incorporation) to 31 March 2010 and year ended 31 March 2011

	Notes	Year ended 31 March 2011	Period from 22 October 2008 (date of incorporation) to 31 March 2010
		HK\$	HK\$
PROFIT FOR THE YEAR/PERIOD		2,076,461	–
OTHER COMPREHENSIVE LOSS:			
Cash flow hedges		(334,410)	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR/PERIOD, NET OF TAX		(334,410)	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD		1,742,051	–

**STATEMENT OF FINANCIAL POSITION**

31 March 2010 and 2011

	Notes	2011	2010
		HK\$	HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,619,268	–
CURRENT ASSETS			
Inventories	10	51,979,998	–
Trade and bills receivables	11	47,815,962	–
Prepayments, deposits and other receivables		4,892,700	–
Due from the then immediate holding company	17(b)	–	2,220
Cash and cash equivalents		4,116,369	7,780
Total current assets		108,805,029	10,000
CURRENT LIABILITIES			
Trade and bills payables		9,051,786	–
Other payables and accruals		736,466	–
Due to an intermediate holding company	17(b)	806,900	–
Due to the immediate holding company	17(b)	62,509,796	–
Due to a fellow subsidiary	17(b)	2,533,742	–
Derivative financial instruments	12	400,491	–

	Notes	2011	2010
		HK\$	HK\$
Interest-bearing bank borrowings	13	32,938,258	–
Tax payable		463,254	–
Total current liabilities		109,440,693	–
NET CURRENT ASSETS/(LIABILITIES)		(635,664)	10,000
TOTAL ASSETS LESS CURRENT LIABILITIES		1,983,604	10,000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	14	(231,553)	–
Net assets		1,752,051	10,000
EQUITY			
Issued capital	15	10,000	10,000
Reserves		1,742,051	–
Total equity		1,752,051	10,000
Sd/- Director			Sd/- Director

**STATEMENT OF CHANGES IN EQUITY**

Period from 22 October 2008 (date of incorporation) to 31 March 2010 and year ended 31 March 2011

	Note	Issued capital	Hedging reserve	Retained profits	Total equity
		HK\$	HK\$	HK\$	HK\$
Issue of shares on incorporation	15	10,000	–	–	10,000
At 31 March 2010 and at 1 April 2010		10,000	–	–	10,000
Profit for the year		–	–	2,076,461	2,076,461
Other comprehensive loss for the year:					
Cash flow hedges, net of tax		–	(334,410)	–	(334,410)
Total comprehensive income for the year		10,000	(334,410)	2,076,461	1,752,051
<b>At 31 March 2011</b>		<b>10,000</b>	<b>(334,410)*</b>	<b>2,076,461*</b>	<b>1,752,051</b>

\* These reserve accounts comprise the reserves of HK\$1,742,051 (2010: Nil) in the statement of financial position.

**STATEMENT OF CASH FLOWS**

Period from 22 October 2008 (date of incorporation) to 31 March 2010 and year ended 31 March 2011

	Notes	Year ended 31 March 2011	Period from 22 October 2008 (date of incorporation) to 31 March 2010
		HK\$	HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,837,349	–
Adjustments for:			
Interest income	4	(165)	–
Finance costs	6	452,105	–
Depreciation	5	292,962	–
		3,582,251	–
Increase in inventories		(51,979,998)	–
Increase in trade and bills receivables		(47,815,962)	–
Increase in prepayments, deposits and other receivables		(4,892,700)	–

Nor Lanka Manufacturing Limited  
(Formerly Mark Rainbow Limited and Poetic Hongkong Limited)

Notes	Year ended	Period from
	31 March 2011	22 October 2008 (date of incorporation) to 31 March 2010
	HKS	HKS
Decrease/(increase) in an amount due from the then immediate holding company	2,200	(2,220)
Increase in trade and bills payables	9,051,786	–
Increase in other payables and accruals	736,466	–
Increase in an amount due to an intermediate holding company	806,900	–
Increase in an amount due to the immediate holding company	62,509,796	–
Increase in an amount due to a fellow subsidiary	2,533,742	–
Cash used in operations	(25,465,519)	(2,220)
Interest received	165	–
Finance costs paid	(452,105)	–
Net cash flows used in operating activities	(25,917,459)	–
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	(2,912,230)	–
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	–	10,000
Proceeds from new bank loans, net	32,938,258	–
Net cash flows from financing activities	32,938,258	10,000
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>4,108,569</b>	<b>7,780</b>
Cash and cash equivalents at beginning of year/period	7,780	–
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD</b>	<b>4,116,349</b>	<b>–</b>
<b>ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	4,116,349	7,780

## NOTES TO FINANCIAL STATEMENTS

31 March 2010 and 2011

### 1. CORPORATE INFORMATION

Nor Lanka Manufacturing Limited (formerly Mark Rainbow Limited and Poetic Hongkong Limited) is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 7/F, Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan.

During the year/period, the Company was engaged in the trading of garments.

Pursuant to resolutions of shareholder on 25 March 2009 and 18 June 2010, the name of the Company was changed from Mark Rainbow Limited to Poetic Hongkong Limited and from Poetic Hongkong Limited to Nor Lanka Manufacturing Limited, respectively.

The Company is a wholly-owned subsidiary of Norwest Industries Limited, a company incorporated in Hong Kong. In the opinion of the directors, the Company's ultimate holding company is House of Pearl Fashions Limited, a company incorporated in India and whose shares are listed on The National Stock Exchange of India Limited.

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These financial statements are presented in Hong Kong dollars ("HK\$") and have been prepared under the historical cost convention, except for the derivative financial instruments which have been measured at fair value.

### 2.2 FINANCIAL SUPPORT

The ultimate holding company of the Company has confirmed its intention to provide continuing financial support to the Company, directly or through other group companies, so as to enable the Company to meet its liabilities as and when they fall due and to enable the Company to continue operating for the foreseeable future. Accordingly, the directors have prepared the financial statements on a going concern basis.

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not early applied any new and revised HKFRSs, that have been issued but are not yet effective for the year ended 31 March 2011, in these financial statements. The Company is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Related parties

A party is considered to be related to the Company if:

- the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Company; (ii) has an interest in the Company that gives it significant influence over the Company; Or (iii) has joint control over the Company;
- the party is an associate;
- the party is a joint venture in which the entity is a venturer;
- the party is a member of the key management personnel of the Company or its parent;
- the party is a close member of the family of any individual referred to in (a) or (d);
- the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

#### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

#### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation.

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Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture and fixtures 25%

Office equipment 33<sup>1/3</sup>%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, include all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any estimated costs necessary to make the sale.

### Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash at banks, including term deposits, which are not restricted as to use.

### Financial instruments

#### *Financial assets*

The Company's financial assets are classified and accounted for as loans and receivables. Financial assets are recognised on the trade date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Any changes in their value are recognised in the income statement.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

An assessment for impairment is undertaken at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment loss on loans and receivables is recognised when there is objective evidence that the Company will not be able to collect all the amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

#### *Financial liabilities*

The Company's financial liabilities are classified and accounted for as financial liabilities at amortised cost or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or expires.

### Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship with which the Company wishes apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the Company will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value 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.

The effective portion of the gain or loss on the hedging instrument for cash flow hedges is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the income statement in other expenses.

Amounts recognised in other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income 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 cumulative gain or loss previously recognised in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

#### *Current versus non-current classification*

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current or non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Company will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside the income statement is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

- from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- commission income, when the services are rendered; and
- interest income, on an accrual basis using the effective interest method.

Employee benefits

Pension schemes

The Company operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Company's employer voluntary contributions, which are refunded to the Company when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Company who are based in Sri Lanka are required to participate in a central pension scheme operated by the local municipal government. The Company is required to contribute certain percentages of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Foreign currency transactions

These financial statements are presented in HK\$, which is the Company's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

Management has made judgements on the classification of financial assets and financial liabilities in the process of applying the Company's accounting policies, which have significant effect on the amounts recognised in the financial statements. The Company determines the classification of certain assets and liabilities as financial assets and financial liabilities by judging whether they meet the definition of financial assets and financial liabilities set out in HKAS 39 Financial Instruments: Recognition and Measurement ("HKAS 39").

HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 require that the Company carries certain of its financial assets at fair value, which require extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Company utilises different valuation methodologies. Any such changes in the fair values of these financial assets would affect directly the Company's financial position and equity.

**4. REVENUE AND OTHER INCOME**

Revenue, which is also the Company's turnover, represents the net invoiced value of goods sold. An analysis of other income is as follows:

	Year ended 31 March 2011	Period from 22 October 2008 (date of incorporation) to 31 March 2010
	HK\$	HK\$
Interest income	165	-
Commission income	137,994	-
Marketing fee income	569,348	-
Foreign exchange differences, net	3,509,497	-
	<u>4,217,004</u>	<u>-</u>

**5. PROFIT BEFORE TAX**

The Company's profit before tax is arrived at after charging/(crediting):

	Year ended 31 March 2011	Period from 22 October 2008 (date of incorporation) to 31 March 2010
	HK\$	HK\$
Cost of inventories sold	81,764,776	-
Auditors' remuneration	50,000	-
Depreciation	292,962	-
Staff costs (excluding directors' remuneration (note 7)):		
Salaries and allowances	2,595,089	-
Pension scheme contributions (defined contribution scheme)	492,830	-
	<u>3,087,919</u>	<u>-</u>
Minimum lease payments under operating leases of land and buildings	205,763	-
Foreign exchange differences, net	( 3,509,497)	-

**6. FINANCE COSTS**

	Year ended 31 March 2011	Period from 22 October 2008 (date of incorporation) to 31 March 2010
	HK\$	HK\$
Interest on bank loans and overdrafts	452,105	-

**7. DIRECTORS' REMUNERATION**

No director received any fees or emoluments in respect of their services rendered to the Company during the year/period.

**8. INCOME TAX**

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year/period.

	Year ended 31 March 2011	Period from 22 October 2008 (date of incorporation) to 31 March 2010
	HK\$	HK\$
Charge for the year	463,254	-
Deferred tax (note 14)	297,634	-
Tax charge for the year/period	<u>760,888</u>	<u>-</u>

A reconciliation of the tax charge applicable to profit before tax using the Hong Kong statutory rate of 16.5% 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:

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	Year ended 31 March 2011		Period from 22 October 2008 (date of incorporation) to 31 March 2010	
	HK\$	%	HK\$	%
Profit before tax	2,837,349	-	-	-
Tax at the statutory tax rate	468,163	16.5	-	-
Income not subject to tax	(33,547)	(1.2)	-	-
Expenses not deductible for tax	326,272	11.5	-	-
Tax at the effective tax rate	760,888	26.8	-	-

There was no material unprovided deferred tax in respect of the year/period and as at the end of the reporting period.

#### 9. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures	Office equipment	Total
	HK\$	HK\$	HK\$
<b>31 March 2011</b>			
At 22 October 2008 (date of incorporation), 31 March 2010 and 1 April 2010	-	-	-
Additions	1,116,175	1,796,055	2,912,230
Depreciation	(71,296)	(221,666)	(292,962)
At 31 March 2011, net of accumulated depreciation	1,044,879	1,574,389	2,619,268
At 31 March 2011:			
Cost	1,116,175	1,796,055	2,912,230
Accumulated depreciation	(71,296)	(221,666)	(292,962)
Net carrying amount	1,044,879	1,574,389	2,619,268

#### 10. INVENTORIES

The Company's inventories represented fabrics sourced for supplies to manufacturers for their production of garments for the Company.

#### 11. TRADE AND BILLS RECEIVABLES

The Company's trading terms with its customers are mainly on credit. The credit period is generally one month. The Company seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

The aged analysis of trade receivables as at the end of the reporting period, based on payment due date, that are neither individually nor collectively considered to be impaired, is as follows:

	2011	2010
	HK\$	HK\$
Neither past due nor impaired	33,262,474	-
Past due but not impaired - less than one month	14,553,488	-
	47,815,962	-

Receivables that were neither past due nor impaired relate to a customer for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a customer that has a good track record with the Company. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Company does not hold any collateral or other credit enhancements over these balances.

As at the end of the reporting period, the Company had transferred certain bills of exchange amounting to HK\$17,820,686 (2010: HK\$Nil) to banks with recourse in exchange for cash. The proceeds from transferring the bills receivable of HK\$17,820,686 (2010: HK\$Nil) have been accounted for as collateralised bank advances and have been included in interest-bearing bank borrowings until the bills are collected or the Company makes good of any losses incurred by the banks (note 13).

#### 12. DERIVATIVE FINANCIAL INSTRUMENTS

	2011 HK\$
<i>Liabilities</i>	
Foreign currency contracts	400,491
<i>Cash flow hedges</i>	

At 31 March 2011, the Company held ten forward currency contracts (2010: Nil) designated as hedges in respect of expected future sales to customers in the United Kingdom for which the Company has firm commitments.

The terms of the forward currency contracts have been negotiated to match the terms of the commitments. The cash flow hedges relating to expected future sales between June 2011 and December 2011 were assessed to be highly effective and a net loss of HK\$400,491 was included in the hedging reserve.

#### 13. INTEREST-BEARING BANK BORROWINGS

	Effective contractual interest rate (%)	Maturity	2011	2010
			HK\$	HK\$
Trust receipts loan	LIBOR plus 2.5% or cost of funding plus 2%	April- June 2011	15,117,572	-
Collateralised bank advances	LIBOR plus 2.5%	April 2011	17,820,686	-
			32,938,258	-

#### Notes:

- (a) The Company's bank borrowings are all guaranteed by a joint corporate guarantee from its ultimate holding company and its immediate holding company as at the end of the reporting period.
- (b) The Company's trust receipts loan are all denominated in United States dollar whereas the collateralised bank advances are all denominated in Pound Sterling.

#### 14. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year/period are as follows:

	Depreciation allowance in excess of related depreciation	Cash flow hedge	Total
	HK\$	HK\$	HK\$
At 22 October 2008 (date of incorporation), at 31 March 2010 and at 1 April 2010	-	-	-
Deferred tax charged to the income statement during the year (note 8)	297,634	-	297,634
Deferred tax credited to equity during the year	-	(66,081)	(66,081)
At 31 March 2011	297,634	(66,081)	231,553

#### 15. SHARE CAPITAL

	2011 HK\$	2010 HK\$
Authorised, issued and fully paid:		
10,000 ordinary shares of HK\$1 each	10,000	10,000

On incorporation, the Company's authorised share capital was HK\$10,000 divided into 10,000 ordinary shares of HK\$1 each and 10,000 ordinary shares were issued at par for cash as subscriber's shares.

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**16. OPERATING LEASE ARRANGEMENTS**

The Company leases its office property under an operating lease arrangement. The lease of its office property is negotiated for a term of two years.

At 31 March 2010 and 2011, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2011	2010
	HK\$	HK\$
Within one year	597,543	–
In the second to fifth years, inclusive	448,158	–
	<u>1,045,701</u>	<u>–</u>

**17. RELATED PARTY TRANSACTIONS**

(a) In addition to the transactions detailed elsewhere in these financial statements, the Company had the following material transactions with the immediate holding company during the year/period:

	Notes	Year ended 31 March 2011	Period from 22 October 2008 (date of incorporation) to 31 March 2010
		HK\$	HK\$
Management fees	(i)	1,966,138	–
Marketing service fees	(i)	2,810,194	–
Commission income	(ii)	(137,994)	–

**Notes:**

- (i) The management fees and marketing service fees paid were based on terms mutually agreed between the Company and the immediate holding company.
- (ii) The commission income received was based on terms mutually agreed between the Company and the immediate holding company.
- (b) Outstanding balances with related parties;  
The balances with an intermediate holding company, the immediate holding company and a fellow subsidiary are unsecured, interest-free, and have no fixed terms of repayment.

**18. FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments as at the end of the reporting periods are as follows:

**2011**

Financial assets

	Loans and receivables
	HK\$
Trade and bills receivables	47,815,962
Financial assets included in prepayments, deposits and other receivables	4,892,700
Cash and cash equivalents	4,116,369
	<u>56,825,031</u>

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	HK\$	HK\$	HK\$
Trade and bills payables	–	9,051,786	9,051,786
Other payables and accruals	–	736,466	736,466
Due to an intermediate holding company	–	806,900	806,900
Due to the immediate holding company	–	62,509,796	62,509,796
Due to a fellow subsidiary	–	2,533,742	2,533,742

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	HK\$	HK\$	HK\$
Derivative financial instruments	400,491	–	400,491
Interest-bearing bank borrowings	–	32,938,258	32,938,258
	<u>400,491</u>	<u>108,576,948</u>	<u>108,977,439</u>

2010

Financial assets

	Loans and receivables
	HK\$
Due from the then immediate holding company	2,220
Cash and cash equivalents	7,780
	<u>10,000</u>

As at the end of the reporting period, the carrying amounts of the Company's financial assets and financial liabilities approximate to their fair values.

**20. FAIR VALUE HIERARCHY**

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 March 2011, the Company's derivative financial instruments were measured at Level 2 fair value.

During the year ended 31 March 2011 and the period ended 31 March 2010, there were no transfers of fair value measurements between Level 1 and Level 2, and no transfer into or out of Level 3.

**21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company's exposure to interest rate risk, foreign currency risk, credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Company's financial management policies and practices described below:

*Interest rate risk*

The Company's interest rate risk arises from bank borrowings which bear interest at variable rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's before tax (through the impact on floating rate borrowings) and the Company's equity.

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit before tax	(Decrease)/ increase in equity
		HK\$	HK\$
<b>2011</b>			
Hong Kong dollar	50	(165,000)	(165,000)
Hong Kong dollar	(50)	165,000	165,000
<b>2010</b>			
Hong Kong dollar	50	–	–
Hong Kong dollar	(50)	–	–

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*Foreign currency risk*

The Company has transactional currency exposures. Such exposures arise from sales or purchases by the Company in currencies other than the Company's functional currency. The Company mitigates the risk of foreign currency exposure by contracting with customers and suppliers primarily in the Company's functional currency, whenever possible.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the GBP exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in GBP exchange rate	Decrease/ (increase) in profit before tax
	%	HK\$
<b>31 March 2011</b>		
If Hong Kong dollar weakens against GBP	10.0	(4,781,596)
If Hong Kong dollar strengthens against GBP	(10.0)	4,781,596
<b>31 March 2010</b>		
If Hong Kong dollar weakens against GBP	10.0	–
If Hong Kong dollar strengthens against GBP	(10.0)	–

*Credit risk*

The carrying amounts of cash and cash equivalents, trade and bills receivables, and deposits and other receivables represent the Company's maximum exposure to credit risk in relation to financial assets. The Company's cash and cash equivalents are deposited with creditworthy banks with no recent history of default. The Company has policies in place to evaluate credit risk when accepting new business and to limit its credit exposure to individual customers. The maximum exposure for trade receivables is the carrying amount as disclosed in note II to the financial statements.

*Liquidity risk*

The Company has minimal risk of shortage of funds as its ultimate holding company has agreed to provide adequate funds for the Company to meet its liabilities as and when they fall due. In the management of liquidity risk, the Company monitors and maintains level of working capital deemed adequate, and maintains a balance between continuity and flexibility of funding from its ultimate holding company.

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	2011		Total HK\$
	Within one month, on demand or without fixed terms HK\$	Over one month HK\$	
Trade and bills payables	9,051,786	–	9,051,786
Other payables and accruals	736,466	–	736,466
Due to an intermediate holding company	806,900	–	806,900
Due to the immediate holding company	62,509,796	–	62,509,796
Due to a fellow subsidiary	2,533,742	–	2,533,742
Derivative financial instruments	–	400,491	400,491
Interest-bearing bank borrowings	31,958,417	2,329,897	34,288,314
	<u>107,597,107</u>	<u>2,730,388</u>	<u>110,327,495</u>

*Capital management*

The primary objectives of the Company's capital management are 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's value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholder, return capital to shareholder or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 March 2011 and the period ended 31 March 2010.

**22. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 12 May 2011.



## Razamtazz Limited

### DIRECTORS' REPORT

The directors are pleased to present their report together with the audited financial statements of the Company for the period from 23 March 2011 to 31 March 2011.

#### Principal activity

The principal activity of the Company is investing in properties.

#### Results and dividend

The results for the year are shown on page 5.

The directors do not recommend the payment of a dividend for the period under review.

#### Statement of Directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial period giving a true and fair view of the state of affairs of the Company and of the profit or loss of the Company. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe that the business will not be a going concern on the year ahead.

By order of the Board of Directors

Sd/-

Director (City Executives Limited)

Date : 19 MAY 2011

### Auditors' report to the shareholders of Razamtazz Limited

#### Report on the Financial Statements

We have audited the financial statements of Razamtazz Limited, which comprise of the statement of financial position at 31 March 2011, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

#### Other Matter

This report, including the opinion, has been prepared for and only for the Company's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements on pages 5 to 21 give a true and fair view of the financial position of the Company at 31 March 2011 and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

#### Sd/-

**Lancasters,**  
Chartered Accountants  
14, Lancaster Court  
Lavoquer Street  
Port Louis  
Mauritius  
Date: 19 MAY 2011

### Statement of comprehensive income

For the period from 23 March 2011 to 31 March 2011

	Note	23.03.11- 31.03.11 GBP	01.04.10- 22.03.11 GBP
Revenue	6	-	214,500
Administrative expenses		(6,126)	(377,012)
Loss from operating activities		(6,126)	(162,512)
Finance costs	7	-	(105,002)
Creditors written off		-	6,833,114
<b>(Loss)/profit before taxation</b>		<b>(6,126)</b>	<b>6,565,600</b>
Taxation	8	-	-
<b>(Loss)/profit for the period</b>		<b>(6,126)</b>	<b>6,565,600</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>(6,126)</b>	<b>6,565,600</b>

### Statement of financial position

at 31 March 2011

	Note	31.03.11 GBP	22.03.11 GBP
<b>Assets</b>			
<b>Non-current assets</b>			
Investment Property	9	6,128,461	6,134,587
<b>Current assets</b>			
Trade receivables	10	5,000	5,000
Cash and cash equivalents		3,563	3,563
<b>Total current assets</b>		<b>8,563</b>	<b>8,563</b>
<b>Total assets</b>		<b>6,137,024</b>	<b>6,143,150</b>
<b>Equity</b>			
Share capital	11	1	1
Revenue reserve		6,137,023	6,143,149
<b>Total equity</b>		<b>6,137,024</b>	<b>6,143,150</b>

Approved by the Board on 19 MAY 2011

Sd/-

Director (City Executives Limited)

### Statement of changes in equity

For the period from 23 March 2011 to 31 March 2011

	Share capital GBP	Revenue reserve GBP	Total GBP
Balance at 01 April 2010	1	(422,451)	(422,450)
<b>Total comprehensive income for the period</b>			
Profit for the period	-	6,565,600	6,565,600
Balance at 22 March 2011	1	6,143,149	6,143,150
<b>Total comprehensive income for the period</b>			
Loss for the period	-	(6,126)	(6,126)
Balance at 31 March 2011	1	6,137,023	6,137,024

## Razamtazz Limited

**Statement of cash flows**

For the period from 23 March 2011 to 31 March 2011

	23.03.11- 31.03.11 GBP	01.04.10- 22.03.11 GBP
Cash flows from operating activities		
(Loss )/profit for the period	(6,126)	6,565,600
	(6,126)	6,565,600
Adjustments for:		
Creditors written off	-	(6,833,114)
Depreciation	6,126	132,278
Change in receivables	-	-
Change in other payables	-	54,360
<b>Net cash used in operating activities</b>	-	80,876
<b>Cash flows from investing activities</b>		
Acquisition of investment property	-	(546,071)
<b>Net cash used in investing activities</b>	-	(546,071)
<b>Cash flows from financing activities</b>		
Receipt from deposit	-	11,698
Loan received	-	610,449
<b>Net cash from financing activities</b>	-	622,147
Net movement in cash and cash equivalents	-	(4,800)
Cash and cash equivalents at 22 March 2011/01 April 2010	3,563	8,363
<b>Cash and cash equivalents at 23 March/31 March</b>	<b>3,563</b>	<b>3,563</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period from 23 March 2011 to 31 March 2011

**1. General information**

The Company was incorporated as a private limited company on 30 May 2007 and was granted a Category 2 Global Business Licence on 31 May 2007. The principal activity of the Company is investing in properties.

The Company, as a holder of a Category 2 Global Business Licence under the Companies Act 2001 and the Financial Services Act 2007 is required to carry on its business in a currency other than the Mauritian rupee. Since the Company operates in an international environment and conducts most of its transactions in foreign currencies the Company has chosen to retain the Great Britain Pounds (GBP) as its reporting currency.

**2. Basis of preparation***(a) Statement of compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

*(b) Basis of measurement*

The financial statements have been prepared on a historical cost basis except that financial assets and financial liabilities are fair valued.

*(c) Functional currency and presentation currency*

The financial statements are presented in Great Britain Pounds (GBP) which is the Company's functional currency and presentation currency.

*(d) Use of estimates and judgement*

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

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

There were no critical judgements made in applying accounting policies that may have significant effect on the amount recognised in the financial statements.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements.

**3. Significant accounting policies**

The accounting policies set out below have been applied consistently in the financial statements.

*(a) Revenue recognition*

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

- Interest Income: as it accrues (taking into account the effective yield on the assets).
- Rental income: arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms.

*(b) Foreign currency transactions*

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Great Britain Pounds (GBP) at the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional at the exchange rate at the date the fair value was determined. 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 retranslation are recognised in the statement of comprehensive income.

*(c) Impairment of assets*

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

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

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

*(d) Investment properties*

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. The Directors have elected to recognise the investment property using the cost model. Such properties are measured initially at costs, including transaction costs and any direct attributable expenditure, and subsequently at cost less accumulated depreciation and any impairment.

Any gain or loss on disposal recognised in the statement of comprehensive income in the year the investment property is derecognised is the difference between the net sales proceeds and the carrying amount of the property.

*(e) Depreciation*

Depreciation is recognised in statement of comprehensive income on a straight line basis over the estimated useful life of each part of an item of investment property. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	2% straight line basis
Fixtures, fittings and equipment	25% straight line basis

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.

*(f) Financial instruments**Non-derivative financial assets*

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

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

*Non-derivative financial assets*

The Company classifies non-derivative financial assets, where applicable, into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

*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 receivables*

Other receivables are stated at cost less impairment.

*Non-derivative financial liabilities*

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

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

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

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

*Loan from holding company*

Loan from holding company is recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortised cost.

*Other payables*

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

(g) *Share capital*

*Ordinary shares*

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

(h) *Related parties*

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

(i) *Provisions*

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

(j) *New standards, interpretations not yet adopted*

At the date of authorisation of the financial statements of the Company for the period ended 31 March 2011, the following Standards and Interpretations were in issue but not yet effective:

Standard / Interpretation		Effective date
IAS 24 (revised)	Related Party Disclosures	Annual periods beginning on or after 1 January 2011 *
IAS 32 amendment	IAS 32 Financial Instruments: Presentation: Classification of Rights Issues	Annual periods beginning on or after 1 February 2010*
11 individual amendments to 6 standards	Improvements to International Financial Reporting Standards 2010	Amendments are effective for annual periods beginning on or after 1 July 2010 or for annual periods beginning on or after 1 January 2011
IFRS 1 amendment	First-time adoption of International Financial Reporting Standards	Annual periods beginning on or after 1 July 2011*

Standard / Interpretation		Effective date
IFRS 7 amendment	Disclosures - Transfers of Financial Assets	Annual period beginning on or after 1 July 2010*
IFRS 9	Financial Instruments	Annual periods beginning on or after 1 January 2013*
IFRS 9	Additions to IFRS 9 Financial Instruments	Annual periods beginning on or after 1 January 2013*
IFRIC 14 amendment	Prepayments of a Minimum Funding Requirement	Annual periods beginning on or after 1 January 2011*
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Annual periods beginning on or after 1 January 2010*

\* All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

(k) *New standards, interpretations not yet adopted (continued)*

IAS 32 Financial Instruments: Presentation: Classification of Rights Issues, Improvements to International Financial Reporting Standards 2010, IFRS 1 amendment, IFRIC 14 amendment, and IFRIC 19 are not applicable to the business of the entity and will therefore have no impact on future financial statements. The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

*IAS 24 (revised)*

IAS 24 (revised) will be adopted by the Company for the first time for its financial reporting period ending 31 March 2012. The standard will be applied retrospectively.

IAS 24 (revised) addresses the disclosure requirements in respect of related parties, with the main changes relating to the definition of a related party and disclosure requirements by government-related entities.

The change in the definition of a related party has resulted in a number of new related party relationships being identified.

*IFRS 7 amendment*

The amendments to IFRS 7 will be adopted by the Company for the first time for its financial reporting period ending 31 March 2013.

In terms of the amendments additional disclosure will be provided regarding transfers of financial assets that are:

- Not derecognised in their entirety and
- Derecognised in their entirety but for which the Company retains continuing involvement.

*IFRS 9*

IFRS 9 will be adopted by the Company for the first time for its financial reporting period ending 31 March 2014. The standard will be applied retrospectively, subject to transitional provisions.

IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host.

(l) *New standards, interpretations not yet adopted (continued)*

The impact on the financial statements for the Company has not yet been estimated.

*Additions to IFRS 9*

The additions to IFRS 9 will be adopted by the Company for the first time for its financial reporting period ending 31 March 2012. The standard will be applied retrospectively, subject to transitional provisions.

Under IFRS 9 (2010), the classification and measurement requirements of financial liabilities are the same as per IAS 39, barring the following two aspects:

Fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, attributable to the changes in the credit risk of the liability will be presented in other comprehensive

## Razamtazz Limited

income (OCI). The remaining change is recognised in profit or loss. However, if the requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.

Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

IFRS 9 (2010) incorporates, the guidance in IAS 39 dealing with fair value measurement, derivatives embedded in host contracts that are not financial assets, and the requirements of IFRIC 9 Reassessment of Embedded Derivatives.

The impact on the financial statements for the Company has not yet been estimated.

#### 4. Financial risk management

##### Introduction and preview

Financial instruments carried on the statement of financial position include cash and cash equivalents, loan from holding company and other payables. The recognition method adopted is disclosed in the individual policy statement associated with each item. The most important types of risk are market risk, credit risk and liquidity risk.

The Company's activities expose them to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Company's aims are therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews their risk management policies and systems to reflect changes in markets and emerging best practice.

##### (a) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates will affect the Company's income or the fair value of its holdings of financial instruments.

##### (i.) Interest rate risk

The Company is not significantly exposed to interest rate risk. The income and operating cash flows are substantially independent of changes in market interest rates. The Company's only significant interest-bearing financial asset is cash and cash equivalents which are on a call account.

##### (ii.) Currency risk

All of the Company's financial liabilities are denominated in Great Britain Pounds. Consequently, the Company is not exposed to the risk of foreign currency exchange rates.

##### (iii.) Price risk

The Company is not exposed to commodity price risk.

##### (b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet contractual obligations, and arises from the Company's cash and cash equivalents.

The Company also limits its exposure to credit risk by dealing only with counter parties that has a good credit rating and management does not expect counter party to fail to meet its obligations.

##### (c) 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 managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they become due without incurring unacceptable losses or risking damage to the Company's reputation.

#### 5. Capital management

The Company actively and regularly reviews and manages its capital position to maintain a balance between its liability and equity level. The Company is mainly financed by advances from its holding company.

The management of the Company's capital position is undertaken by the management team of the Company. The management team ensures that the Company is adequately capitalised to meet economic and regulatory requirements. Capital injections and repatriations are executed in a timely fashion, working closely with the business and infrastructure groups. The management team meets on a regular basis and manages capital by taking into account

key considerations which may include business developments, regulatory requirements, profitability and market movements such as foreign exchange and interest rate.

#### 6. Revenue

Revenue represents :

23.03.11-	01.04.10-
31.03.11	22.03.11
<b>GBP</b>	<b>GBP</b>

Rental fee income	-	214,500
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#### 7. Net Finance costs

23.03.11-	01.04.10-
31.03.11	22.03.11
<b>GBP</b>	<b>GBP</b>

Interest on Borrowings	-	105,002
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#### 8. Taxation

The company holds a Category 2 Global Business Licence and is exempt from Income Tax under the Mauritian laws.

#### 9. Investment property

	Building GBP	Furniture and fittings GBP	Total GBP
Cost			
At 01 April 2010	5,837,872	-	5,837,872
Additions	21,039	525,032	546,071
At 22 March 2011	5,858,911	525,032	6,383,943
<b>At 31 March 2011</b>	<b>5,858,911</b>	<b>525,032</b>	<b>6,383,943</b>
Depreciation			
At 01 April 2010	117,078	-	117,078
Charge for the period	113,938	18,340	132,278
At 22 March 2011	231,016	18,340	249,356
Charge for the period	2,890	3,236	6,126
At 31 March 2011	233,906	21,576	255,482
Net book value			
<b>Balance at 31 March 2011</b>	<b>5,625,005</b>	<b>503,456</b>	<b>6,128,461</b>
Balance at 22 March 2011	5,627,895	506,692	6,134,587

The fair value of the investment property has been estimated at GBP 7,500,000. The Valuation of the investment property was carried out by Savills Commercial Limited of 20 Grosvenor Hill London W1K3HQ on the 16th November 2010. Savill Commercial Limited provided their opinions on the value of the investment property based on the following:

- The current Market Value of the leasehold interest, with the benefit of full vacant possession ("Vacant Possession Value")
- The projected Market Value of leasehold interest
- The potential or estimated Rental Value
- Reinstatement Cost Assessment, where appropriate

The current Market and Projected Market Value of the leasehold interest on the special assumption of full vacant possession is estimated to GBP 7,500,000 (Seven Million Five Hundred Thousands Pounds).

#### 10. Trade Receivables

31.03.11	22.03.11
<b>GBP</b>	<b>GBP</b>

Deposit to Knight Frank	5,000	5,000
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#### 11. Share Capital

31.03.11	22.03.11
<b>GBP</b>	<b>GBP</b>

Stated capital		
1 Ordinary shares of GBP 1 each	1	1

Razamtazz Limited

12. Financial Instruments

**Fair values versus carrying amounts**

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

	Carrying amount 31.03.11	Fair value 31.03.11	Carrying amount 22.03.11	Fair value 22.03.11
	GBP	GBP	GBP	GBP
<b>Financial Assets</b>				
Trade receivables	5,000	5,000	5,000	5,000
Cash and cash equivalents	3,563	3,563	3,563	3,563

**Overview**

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyses the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

**Credit risk**

Credit risk represents the potential loss that the Company would incur if counter parties fail to perform pursuant to the terms of their obligations to the Company. The Company limits its credit risk by carrying out transactions through companies within the group. At the statement of financial position date, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

*Exposure to credit risk*

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

	31.03.11	22.03.11
	GBP	GBP
Trade receivables	5,000	5,000
Cash and cash equivalents	3,563	3,563
	<b>8,563</b>	<b>8,563</b>

**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 of the market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

13. Holding and ultimate holding company

The immediate parent company of Razamtazz Limited is Poetigem Limited, a company registered in England and Wales, and the ultimate parent company is House of Pearl Fashions Limited, a company registered in India.

	23.03.11- 31.03.11	01.04.10- 22.03.11
	GBP	GBP
<b>Revenue</b>		
Rental income	-	214,500
<b>Expenses</b>		
Exchange loss	-	143,271
Depreciation	6,126	132,278
Letting commission	-	61,718
Management fees	-	15,210
Service charges	-	13,902
Administration fee	-	7,263
Maintenance and repairs	-	2,701
Tenancy agreement	-	235
Heat, light and water	-	194
Professional fees	-	118
Bank charges	-	73
Rates	-	49
	<b>6,126</b>	<b>377,012</b>
<b>Loss from operating activities</b>	<b>(6,126)</b>	<b>(162,512)</b>
Finance costs	-	(105,002)
Creditors written off	-	6,833,114
<b>(Loss)/profit before taxation</b>	<b>(6,126)</b>	<b>65,65,600</b>

Pearl Global Fareast Limited

## REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2011.

### Principal activity

The principal activity of the Company is the trading of garments. There was no significant change in the nature of the Company's principal activity during the year.

### Results

The Company's loss for the year ended 31 March 2011 and its state of affairs out that date are set out in the financial statements on pages 4 to 19.

### Property, plant and equipment

Details of movements in the Company's property, plant and equipment during the year are set out in note 7 to the financial statements.

### Directors

The directors of the Company during the year were:

Deepak Kumar Seth

Pulkit Seth

In accordance with Article 7 of the Company's articles of association, both directors will retire and, being eligible, will offer themselves for re-election.

### Directors' interests

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### Directors' interests in contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Company to which the Company or any of its holding companies or fellow subsidiaries was a party during the year.

### Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Sd/-

Chairman

Hong Kong

12 May 2011

## INDEPENDENT AUDITORS' REPORT

### To the shareholder of Pearl Global Fareast Limited

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Pearl Global Fareast Limited set out on pages 4 to 19, which comprise the statement of financial position as at 31 March 2011, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of these financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2011, and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Sd/-

Certified Public Accountants

Hong Kong

12 May 2011



## Pearl Global Fareast Limited

**2.1 BASIS OF PREPARATION**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention and are presented in Hong Kong dollars ("HK\$").

**2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

Certain new and revised HKFRSs are effective for the first time during the current financial year but are not applicable to the Company, and accordingly, they have had no impact on the Company's financial statements for the year ended 31 March 2011.

**2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS**

The Company has not early applied any new and revised HKFRSs, that have been issued but are not yet effective for the year ended 31 March 2011, in these financial statements. The Company is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Related parties

A party is considered to be related to the Company if:

- the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Company; (ii) has an interest in the Company that gives it significant influence over the Company; or (iii) has joint control over the Company;
- the party is an associate;
- the party is a joint venture in which the entity is a venturer;
- the party is a member of the key management personnel of the Company or its parent;
- the party is a close member of the family of any individual referred to in (a) or (d);
- the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied,

the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture and fixtures 25%

Office equipment 33.3%

Computer equipment 33.3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash at banks, including term deposits, which are not restricted as to use.

Financial instrumentsFinancial assets

The Company's financial assets are classified and accounted for as loans and receivables. Financial assets are recognised on the trade date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Any changes in their value are recognised in profit or loss.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

An assessment for impairment is undertaken at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment loss on loans and receivables is recognised when there is objective evidence that the Company will not be able to collect all the amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Financial liabilities

The Company's financial liabilities are classified and accounted for as financial liabilities at amortised cost. Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or expires.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.



Pearl Global Fareast Limited

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

- (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) management fee income, when the relevant services have been rendered; and
- (c) interest income, on an accrual basis using the effective interest method.

Foreign currency transactions

These financial statements are presented in HK\$, which is the Company's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

**3. REVENUE AND OTHER INCOME**

Revenue, which is also the Company's turnover, represents the net invoiced value of goods sold.

An analysis of other income is as follows:

	Year ended 31 March 2011	Period from 16 March 2009 (date of incorporation) to 31 March 2010
	HK\$	HK\$
Interest income	110	-
Management fee income	-	27,230
	<u>110</u>	<u>27,230</u>

**4. LOSS FOR THE YEAR**

The Company's loss for the year is arrived at after charging:

	Year ended 31 March 2011	Period from 16 March 2009 (date of incorporation) to 31 March 2010
	HK\$	HK\$
Auditors' remuneration	90,000	90,000
Depreciation	45,025	31,641
Staff costs (excluding directors' remuneration (note 5)):		
Salaries and allowances	261,082	628,474
Pension scheme contributions (defined contribution scheme)	28,093	46,847
	<u>289,175</u>	<u>675,321</u>
Write-off of an amount due from a fellow subsidiary	2,960	-
Foreign exchange differences, net	1,344	13,061

**5. DIRECTORS' REMUNERATION**

None of the directors received any fees or emoluments in respect of their services rendered to the Company during the year (Period ended 31 March 2010: Nil).

**6. INCOME TAX**

No provision for Hong Kong profits tax has been made as the Company did not generate any assessable profits arising in Hong Kong during the year (2010: Nil).

A reconciliation of the tax credit applicable to loss for the year using the Hong Kong statutory rate of 16.5% to the tax amount 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:

	Year ended 31 March 2011	%	Period from 16 March 2009 (date of incorporation) to 31 March 2010	%
	HK\$		HK\$	
Loss for the year	(534,306)		(1,398,134)	
Tax at the statutory tax rate	(88,160)	(16.5)	(230,692)	(16.5)
Expenses not deductible for tax	488	0.1	-	-
Tax loss not recognised	79,171	14.8	247,771	17.7
Temporary differences not recognised	8,501	1.6	-	-
Others	-	-	(17,079)	(1.2)
Tax at the effective tax rate	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

As at the end of the reporting period, the Company had unused tax losses arising in Hong Kong of HK\$1,981,464 (2010: HK\$1,501,641), subject to the agreement of the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the Company.

Deferred tax assets have not been recognised in respect of these losses as the directors consider it uncertain that future taxable profits will be available to utilise the unused tax losses.

**7. PROPERTY, PLANT AND EQUIPMENT**

	Furniture and fixtures	Office equipment	Computer equipment	Total
	HK\$	HK\$	HK\$	HK\$
<b>31 March 2011</b>				
At 31 March 2010 and at 1 April 2010:				
Cost	95,661	23,311	57,400	176,372
Accumulated depreciation	(15,071)	(5,141)	(11,429)	(31,641)

## Pearl Global Fareast Limited

	Furniture and fixtures	Office equipment	Computer equipment	Total
	HK\$	HK\$	HK\$	HK\$
Net carrying amount	<u>80,590</u>	<u>18,170</u>	<u>45,971</u>	<u>144,731</u>
At 1 April 2010, net of accumulated depreciation	80,590	18,170	45,971	144,731
Disposal	-	-	(14,747)	(14,747)
Depreciation provided during the year	(23,915)	(7,770)	(13,340)	(45,025)
At 31 March 2011, net of accumulated depreciation	<u>56,675</u>	<u>10,400</u>	<u>17,884</u>	<u>84,959</u>
At 31 March 2011:				
Cost	95,661	23,311	38,440	157,412
Accumulated depreciation	(38,986)	(12,911)	(20,556)	(72,453)
Net carrying amount	<u>56,675</u>	<u>10,400</u>	<u>17,884</u>	<u>84,959</u>
<b>31 March 2010</b>				
On incorporation	-	-	-	-
Additions	95,661	23,311	57,400	176,372
Depreciation provided during the period	(15,071)	(5,141)	(11,429)	(31,641)
At 31 March 2010, net of accumulated depreciation	<u>80,590</u>	<u>18,170</u>	<u>45,971</u>	<u>144,731</u>
At 31 March 2010:				
Cost	95,661	23,311	57,400	176,372
Accumulated depreciation	(15,071)	(5,141)	(11,429)	(31,641)
Net carrying amount	<u>80,590</u>	<u>18,170</u>	<u>45,971</u>	<u>144,731</u>

**8. TRADE RECEIVABLES**

The Company's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to 90 days for major customers. The Company seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Company's trade receivables relate to a number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

As at the end of the reporting period, all of the Company's trade receivables are current and are neither individually nor collectively considered to be impaired, and these receivables are related to a number of diversified customers for whom there was no recent history of default.

**9. SHARE CAPITAL**

	2011	2010
	HK\$	HK\$
Authorised:		
500,000 ordinary shares of US\$1 each	<u>3,890,000</u>	<u>3,890,000</u>
Issued and fully paid:		
413,000 ordinary shares of US\$1 each	<u>3,213,140</u>	<u>3,213,140</u>

In the prior period, on incorporation on 16 March 2009, 10,000 ordinary shares of US\$1 each were issued at par for cash as subscriber's shares.

Pursuant to an ordinary resolution passed in the prior period on 15 March 2010, the authorised share capital of the Company was increased from US\$250,000 to US\$500,000 by the creation of 250,000 additional shares of US\$1 each, ranking pari passu in all respects with the existing share capital of the Company. On the same date, 403,000 ordinary shares of US\$1 each were issued at par to existing shareholders of the Company, which resulted in proceeds of HK\$3,135,340. The purpose of the issue was to provide additional working capital.

**10. RELATED PARTY TRANSACTIONS**

In addition to the transactions and balances detailed elsewhere in these financial statements, the Company had the following material transactions with related parties during the year/period:

- The Company paid rents of HK\$186,720 (Period ended 31 March 2010: HK\$163,380) to a fellow subsidiary for the lease of office premises during the year. The rents paid to the fellow subsidiary were determined with reference to the prevailing property rental market prices.
- The Company paid management fees of HK\$36,000 (Period ended 31 March 2010: HK\$22,844) to a fellow subsidiary in respect of the use of shared office facilities during the year. The management fees paid to the fellow subsidiary were determined based on terms mutually agreed between the Company and the fellow subsidiary.
- The balances with fellow subsidiaries and the immediate holding company are unsecured, interest-free, and have no fixed terms of repayment.

**11. FAIR VALUE OF FINANCIAL INSTRUMENTS**

As at the end of the reporting period, the carrying amounts of the Company's financial assets and liabilities approximate to their fair values.

**12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company's exposure to credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Company's financial management policies and practices described below:

*Credit risk*

The carrying amounts of cash and cash equivalents and trade receivables, represent the Company's maximum exposure to credit risk in relation to financial assets. The Company's cash and cash equivalents are deposited with creditworthy banks with no recent history of default. The Company has policies in place to evaluate credit risk when accepting new business and to limit its credit exposure to individual customers. The maximum exposure for trade receivables is the carrying amount as disclosed in note 8 to the financial statements. The directors consider that the Company does not have a significant concentration of credit risk.

The board of directors considers credit risk are only relevant to the Company's amounts due from the immediate holding company and fellow subsidiaries, and are minimal as the immediate holding company and fellow subsidiaries have sufficient assets to settle the amounts due.

*Liquidity risk*

In the management of liquidity risk, the Company monitors and maintains a level of working capital deemed adequate, and maintains a balance between continuity and flexibility of funding from group companies.

The Company's other payables and accruals are due on demand whereas the repayment terms of its amounts due to fellow subsidiaries are disclosed in note 10.

*Capital management*

The primary objectives of the Company's capital management are 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 shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholder, return capital to shareholder or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 March 2011 and period ended 31 March 2010.

**13. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 12 May 2011.

SACB Holdings Limited

## Directors' Report

The directors are pleased to present their report together with the audited financial statements of the Company for the year ended 31 March 2011.

### Principal activity

The principal activity of the Company is that of investment holding.

### Results and dividends

The results for the year ended are shown on page 6.

The directors do not recommend the payment of a dividend for the year under review (2010: NIL).

### Statement of Directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial period giving a true and fair view of the state of affairs of the Company and of the profit or loss of the Company. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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: 27 May 2011

## SECRETARY'S CERTIFICATE

(For the year ended 31 March 2011)

### Secretary's certificate under Section 166 (d) of the Companies Act 2001

In accordance with section 166 (d) of the Companies Act 2001, we certify that to the best of our knowledge and belief, the Company has filed with the Registrar of Companies, all such returns as are required of the Company under the Companies Act 2001.

Sd/-

For and on behalf of **KROSS BORDER TRUST SERVICES LIMITED**  
Company secretary

Date: 27 May 2011

## Auditors' Report to the Shareholders of SACB Holdings Limited

### Report on the Financial Statements

We have audited the financial statements of SACB Holdings limited, which comprise the statement of financial position at 31 March 2011, and the statement of comprehensive income, the statement of changes in equity and statement cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

### Other matter

This report, including the opinion, has been prepared for and only for the Company's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements on pages 6 to 23 give a true and fair view of the financial position of the Company at 31 March 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritius Companies Act 2001.

### Report on Other legal and Regulatory Requirements

#### Companies Act 2001

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

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

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

Sd/-  
lancasters  
Chartered Accountants  
14, Lancaster Court  
Lavoquer street  
Port Louis  
Mauritius

Date: 27 May 2011

## SACB Holdings Limited

**Statement of comprehensive income**

(For the year ended 31 March 2011)

	Note	2011 USD	2010 USD
Revenue	5	-	-
Expenses		(8,940)	(7,562)
<b>Loss Before Taxation</b>		<b>(8,940)</b>	<b>(7,562)</b>
Taxation	6	-	-
<b>Loss For The Year</b>		<b>(8,940)</b>	<b>(7,562)</b>
Other Comprehensive Income		-	-
<b>Total Comprehensive Loss For The Year</b>		<b>(8,940)</b>	<b>(7,562)</b>

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

**Statement of financial position**

(at 31 March 2011)

	Note	2011 USD	2010 USD
<b>Assets</b>			
Investments	7	800,069	2
<b>Total non-current assets</b>		<b>800,069</b>	<b>2</b>
<b>Current assets</b>			
Receivables	8	75,941	77,991
Other receivables	9	563	375
Cash and cash equivalents		2,710	1,782
<b>Total current assets</b>		<b>79,214</b>	<b>80,148</b>
<b>Total assets</b>		<b>879,283</b>	<b>80,150</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Stated capital	10	50,000	50,000
Revenue reserve		(929)	8,011
<b>Total capital and reserves</b>		<b>49,071</b>	<b>58,011</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loan from holding company	11	414,754	-
Loan from related party	12	398,488	6,475
<b>Total non-current liabilities</b>		<b>813,242</b>	<b>6,475</b>
<b>Current liabilities</b>			
Other payables	13	16,970	15,664
<b>Total liabilities</b>		<b>830,212</b>	<b>22,139</b>
<b>Total equity and liabilities</b>		<b>879,283</b>	<b>80,150</b>

Approved by the Board on  
Date: 27 May 2011Sd/-  
DirectorSd/-  
Director

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

**Statement of changes in equity**

(For the year ended 31 March 2011)

	Stated capital USD	Revenue reserve USD	Total USD
Balance at 01 April 2009	50,000	15,573	65,573
Total comprehensive loss for the year	-	(7,562)	(7,562)
Balance at 31 March 2010	50,000	8,011	58,011
Total comprehensive loss for the year	-	(8,940)	(8,940)
<b>Balance at 31 March 2011</b>	<b>50,000</b>	<b>(929)</b>	<b>49,071</b>

**Statement of cash flows**

(For the year ended 31 March 2011)

	2011 USD	2010 USD
<b>Cash flows from operating activities</b>		
Loss for the year	(8,940)	(7,562)
Change in receivables	2,050	5,923
Change in other receivables	(188)	125
Change in other payables	1,306	1,514
<b>Net cash used in operating activities</b>	<b>(5,772)</b>	<b>-</b>
<b>Cash flows from investing activities</b>		
Acquisition of investments	(800,069)	-
<b>Net cash used in investing activities</b>	<b>(800,069)</b>	<b>-</b>
<b>Cash flows from financing activities</b>		
Transfer of investment	2	-
Loan received from related party/shareholder	395,316	1,782
Loan received from Multinational Textiles Group Limited	411,451	-
<b>Net cash from financing activities</b>	<b>806,769</b>	<b>1,782</b>
Net movement in cash and cash equivalents	928	1,782
Cash and cash equivalents at beginning of year	1,782	-
Cash and cash equivalents at end of year	2,710	1,782

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

(For the year ended 31 March 2011)

**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 and Financial Services Act 2007 is required to carry on its business in a currency other than the Mauritian rupee. Since the Company operates in an international environment and conducts most of its transactions in foreign currencies the Company has chosen to retain the United States Dollar (USD) as its reporting currency.

**2. Basis of preparation***(a) Statement of compliance*

The financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards ("IFRS").

*(b) Basis of measurement*

The financial statements have been prepared on a historical cost basis, except that financial assets and financial liabilities are carried at fair value.

*(c) Functional and presentation currency*

The financial statements are presented in United States Dollar (USD) which is the company's functional currency.

*(d) Use of estimates and judgement*

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

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

There were no critical judgements made in applying accounting policies that may have significant effect on the amount recognised in the financial statements.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

SACB Holdings Limited

**3. Significant accounting policies**

The accounting policies set out below have been applied consistently in the financial statements

(a) *Revenue recognition*

Revenue is recognised as follows:

Interest income - as it accrues, using the effective interest method.

(b) *Taxation*

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in the statement of comprehensive income except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(c) *Foreign currency transactions*

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to United States Dollar (USD) at the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional at the exchange rate at the date the fair value was determined. 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 retranslation are recognised in the statement of comprehensive income.

(d) *Impairment of assets*

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

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

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

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

(e) *Non-derivative financial assets*

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

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

The Company classifies its financial assets in the following categories : at fair value through profit and loss, loans and receivables, held to maturity investments and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

*Cash and cash equivalents*

Cash and cash equivalents 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.

*Receivables and other receivables*

Receivable and other receivables are stated at cost less impairment. Financial assets under receivables that are classified as held to maturity are measured at amortised cost using the effective interest method less any impairment.

*Investments in associates*

Investments in associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are shown at cost and provision is only made where, in opinion of the directors, there is a diminution in value which is other than temporary. Where there has been such a diminution in value of an investment, it is recognised as an expense in the year in which the diminution is identified.

(f) *Non-derivative financial liabilities*

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

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

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

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

*Other payables*

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

*Loan from holding company*

Loan from holding company is recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortised cost.

(g) *Share capital*

*Ordinary shares*

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

(h) *Related parties*

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

(i) *Expenses*

All expenses are recognised in the statement of comprehensive income on an accrual basis.

(j) *Provisions*

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

(k) *New standards, interpretations not yet adopted*

At the date of authorisation of the financial statements of the Company for the year ended 31 March 2011, the following Standards and Interpretations were in issue but not yet effective:

## SACB Holdings Limited

Standard / Interpretation		Effective date
IAS 24 (revised)	Related Party Disclosures	Annual periods beginning on or after 1 January 2011 *
11 individual amendments to 6 standards	Improvements to International Financial Reporting Standards 2010	Amendments are effective for annual periods beginning on or after 1 July 2010 or for annual periods beginning on or after 1 January 2011
IFRS 1 amendment	First-time adoption of International Financial Reporting Standards	Annual periods beginning on or after 1 July 2010*
IFRS 7 amendment	Disclosures - Transfers of Financial Assets	Annual periods beginning on or after 1 July 2011*
IFRS 9	Financial Instruments	Annual periods beginning on or after 1 January 2013 *
IFRS 9	Additions to IFRS 9 Financial Instruments	Annual periods beginning on or after 1 January 2013 *
IFRIC 14 amendment	Prepayments of a Minimum Funding Requirement	Annual periods beginning on or after 1 January 2011 *
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Annual periods beginning on or after 1 July 2010*

\* All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

IAS 32 Financial Instruments: Presentation: Classification of Rights Issues, Improvements to International Financial Reporting Standards 2010, IFRS 1 amendment, IFRIC 14 amendment, and IFRIC 19 are not applicable to the business of the entity and will therefore have no impact on future financial statements. The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

#### IAS 24 (revised)

IAS 24 (revised) will be adopted by the Company for the first time for its financial reporting period ending 31 March 2012. The standard will be applied retrospectively.

IAS 24 (revised) addresses the disclosure requirements in respect of related parties, with the main changes relating to the definition of a related party and disclosure requirements by government-related entities.

The change in the definition of a related party has resulted in a number of new related party relationships being identified.

#### IFRS 7 amendment

The amendments to IFRS 7 will be adopted by the Company for the first time for its financial reporting period ending 31 March 2013.

In terms of the amendments additional disclosure will be provided regarding transfers of financial assets that are:

- Not derecognised in their entirety and
- Derecognised in their entirety but for which the Company retains continuing involvement.

#### IFRS 9

IFRS 9 will be adopted by the Company for the first time for its financial reporting period ending 31 March 2014. The standard will be applied retrospectively, subject to transitional provisions.

IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host.

#### Additions to IFRS 9

The additions to IFRS 9 will be adopted by the Company for the first time for its financial

reporting period ending 31 March 2014. The standard will be applied retrospectively, subject to transitional provisions.

Under IFRS 9 (2010), the classification and measurement requirements of financial liabilities are the same as per IAS 39, barring the following two aspects:

fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, attributable to the changes in the credit risk of the liability will be presented in other comprehensive income (OCI). The remaining change is recognised in profit or loss. However, if the requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.

Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

IFRS 9 (2010) incorporates, the guidance in IAS 39 dealing with fair value measurement, derivatives embedded in host contracts that are not financial assets, and the requirements of IFRIC 9 Reassessment of Embedded Derivatives.

The impact on the financial statements for the Company has not yet been estimated.

#### 4. Financial risk management

##### Introduction and preview

Financial instruments carried on the statement of financial position include cash and cash equivalents, loan from holding company and other payables. The recognition method adopted is disclosed in the individual policy statement associated with each item. The most important types of risk are market risk, credit risk and liquidity risk.

The Company's activities expose them to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Company's aims are therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly review their risk management policies and systems to reflect changes in markets and emerging best practice.

##### (a) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates will affect the Company's income or the fair value of its holdings of financial instruments.

##### (i.) Interest rate risk

The Company is not significantly exposed to interest rate risk. The income and operating cash flows are substantially independent of changes in market interest rates. The Company's only significant interest-bearing financial asset is cash and cash equivalents which is on a call account.

##### (ii.) Currency risk

All of the Company's financial liabilities are denominated in United States Dollar. Consequently, the Company is not exposed to the risk of foreign currency exchange rates.

##### (iii.) Price risk

The Company is not exposed to commodity price risk.

##### (b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet contractual obligations, and arises from the Company's cash and cash equivalents.

The Company also limits its exposure to credit risk by dealing only with counter parties that has a good credit rating and management does not expect counter party to fail to meet its obligations.

##### (c) 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 managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they become due without incurring unacceptable losses or risking damage to the Company's reputation.

#### 5. Revenue

No revenue was generated for the year under review.

## SACB Holdings Limited

### 6. Taxation

The Company is subject to income tax in Mauritius at the rate of 15%. It is, however, entitled to a tax credit equivalent to the higher of the foreign tax paid and a deemed credit of 80% of the Mauritian tax on its foreign source income.

Recognised in statement of comprehensive income

	2011	2010
	USD	USD
Current year income tax	-	-

The reconciliation of the actual tax charge with the effective tax charge is as follows:

Reconciliation of effective tax rate

	2011	2010
	USD	USD
Loss before taxation	(8,940)	(7,562)
Income tax at 15%	(1,341)	(1,134)
Foreign tax credit	1,073	907
Deferred tax assets not recognised	268	227
Income tax payable	-	-

### 7. Investments

Investments consist of unquoted shares

	2011	2010
	USD	USD
Cost		
At 01 April	2	2
Transfer of investment to SSB Trust	(2)	-
Acquisition of investment in GWD Enterprise	800,069	-
	800,069	2

Note: The Directors have by way of a written resolution dated 24 March 2011 approved the transfer of the 2 Ordinary Shares of USD 1 each held in Transnational Textile Group Limited to SSB Trust.

Name of company	Type of shares	Number of shares	2011 %held	Country of incorporation
GWD Enterprise.	Equity	100 A shares and 25 B shares	25	United Kingdom

### 8. Receivables

	2011	2010
	USD	USD
Amount receivable from related company - Pallas Holdings	75,941	77,991
	75,941	77,991

### 9. Other receivables

	2011	2010
	USD	USD
Prepaid expenses	563	375
	563	375

### 10. Stated capital

	2011	2010
	USD	USD
50,000 ordinary shares of USD 1 each	50,000	50,000

Note: The Directors have by way of a written resolution dated 24 March 2011 approved the change in the shareholdings of the company. Accordingly the new shareholding of the Company stands as follows:

Name of shareholder	No of ordinary shares	% holdings
Multinational Textile Group Limited	25,500	51%
SSB Trust	12,250	24.5%
Other	12,250	24.5%

### 11. Loan from holding company

	2011	2010
	USD	USD
Loan from Multinational Textiles Group Limited	414,754	-
	414,754	-

### 12. Loan from related party

	2011	2010
	USD	USD
Loan from related party - Deepak Seth	398,488	6,475
	398,488	6,475

### 13. Other payables

	2011	2010
	USD	USD
Non-trade payables and accrued expenses	15,320	14,014
Loan from Transnational Textiles Group	1,650	1,650
	16,970	15,664

### 14. Related party transactions

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

	2011	2010
	USD	USD
Transactions during the year:		
Loan from related party- Deepak Seth	395,316	1,782
Loan from holding company - Multinational Textiles	411,451	-
Repayment of loan by Pallas Holdings	2,050	5,923
Loan from Transnational Textiles Group	-	1,650
Balances outstanding at 31 March:		
Loan from related party- Deepak Seth	398,488	6,475
Loan from holding company - Multinational Textiles	414,754	-
Loan to Pallas Holdings	75,941	77,991
Loan from Transnational Textiles Group	1,650	1,650

### 15. Financial instruments

#### Fair values

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

	Carrying amount	Fair value	Carrying amount	Fair value
	2011	2011	2010	2010
	USD	USD	USD	USD
<b>Financial Assets</b>				
Other receivables	563	563	375	375
Receivables	75,941	75,941	77,991	77,991
Cash and cash equivalents	2,710	2,710	1,782	1,782
	79,214	79,214	80,148	80,148
<b>Financial Liabilities</b>				
Loan from related party/ Shareholder	398,488	398,488	6,475	6,475

## SACB Holdings Limited

	Carrying amount 2011 USD	Fair value 2011 USD	Carrying amount 2010 USD	Fair value 2010 USD
Loan from holding company	414,754	414,754	-	-
Other payables	16,970	16,970	15,664	15,664
	<u>830,212</u>	<u>830,212</u>	<u>22,139</u>	<u>22,139</u>

**Credit risk**

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

	2011 USD	2010 USD
Other receivables	563	375
Receivables	75,941	77,991
Cash and cash equivalents	2,710	1,782
	<u>79,214</u>	<u>80,148</u>

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due, the company's approach to managing 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 damage to the Company's reputation.

The following are the company's contractual maturities of financial liabilities

31 March 2011	Due for less than 1 year USD	Due for less than 5 year USD	Total USD
<b>Financial Liabilities</b>			
Loan from related party	-	398,488	398,488
Loan from holding company	-	414,754	414,754
Other payables	16,970	-	16,970
<b>Total financial liabilities</b>	<u>16,970</u>	<u>813,242</u>	<u>830,212</u>
31 March 2010			
<b>Financial Liabilities</b>			
Shareholder's loan	-	6,475	6,475
Other payables	15,664	-	15,664
<b>Total financial liabilities</b>	<u>15,664</u>	<u>6,475</u>	<u>22,139</u>

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**16. Capital management**

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern. As the Company is part of a larger group, the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

The Company defines "capital" as including all components of equity. Trading balances that arise as a result of trading transactions with other group Companies are not regarded by the Company as capital.

The Company's capital structure is regularly reviewed and managed with due regard to the capital management practices of the group to which the Company belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Company or the group. The results of the directors' review of the Company's capital structure are used as a basis for the determination of the level of dividends, if any, that are declared.

**17. Exemption from preparing consolidated financial statements**

The Company is a subsidiary of Multinational Textile Group Limited and has taken advantage of paragraph 13 of International Accounting Standards (IAS 28) - 'Investment in Associates', which dispenses it from the need to prepare equity accounting in relation to its investment in associate. Multinational Textile Group Limited will prepare consolidated accounts. The registered office of Multinational Textile Group Limited is St Louis Business Centre, Cnr Desroches & St. Louis Streets, Port Louis, Mauritius.

	2011 USD	2010 USD
<b>Revenue</b>	-	-
<b>Expenses</b>		
Accounting and audit fees	3,000	2,600
Administration charges	2,298	2,250
License fees	1,750	1,876
Professional fees	700	475
Bank charges	497	-
Telephone, fax and courier charges	470	-
Sundries	225	361
	<u>8,940</u>	<u>7,562</u>
<b>Loss before taxation</b>	<u>(8,940)</u>	<u>(7,562)</u>





# HOUSE OF PEARL FASHIONS LIMITED

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

## ATTENDANCE SLIP

Folio No.	
DP ID	
Account ID / Client ID	
No. of Shares	

I hereby record my presence at the **22nd ANNUAL GENERAL MEETING** of the Company held on Thursday, 22nd September, 2011 at 11:30 A. M. at Shri Sathya Sai International Centre, Pragati Vihar (Near Pragati Vihar Hostel), Lodhi Road, New Delhi-110 003.

Signature of the attending Member / Proxy	
---	--

- Note :**
- 1) A Shareholder/Proxy holder wishing to attend the meeting must bring the Attendance Slip to the meeting and hand it over at the entrance duly signed.
  - 2) A Shareholder/Proxy holder wishing to attend the meeting should bring his copy of the Annual Report for reference at the meeting.



# HOUSE OF PEARL FASHIONS LIMITED

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

## PROXY

I/We ..... of .....

In the district of ..... being a Member //Members of the above named Company,

hereby appoint..... of .....

in the district of ..... or failing him/her .....

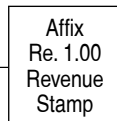
of ..... in the district of .....

as my / our Proxy to attend and vote for me/us and on my/our behalf at **22nd ANNUAL GENERAL MEETING** of the Company held on Thursday, 22nd September, 2011 at 11:30 A. M. at Shri Sathya Sai International Centre, Pragati Vihar (Near Pragati Vihar Hostel), Lodhi Road, New Delhi-110 003, and at any adjournment thereof.

Signed this ..... day of ..... 2011.

Folio No.	
DP ID	
Account ID / Client ID	
No. of Shares	

Signature \_\_\_\_\_



- Note :**
- 1) The Proxy must be returned so as to reach the Registered Office at "Pearl House", A-3, Community Centre, Naraina Industrial Area, Phase-II, New Delhi-110028, not less than FORTY EIGHT HOURS before the time for holding the aforesaid meeting.
  - 2) A Proxy need not to be a Member of the Company.









**HOUSE OF PEARL FASHIONS LTD.**

**Registered Office**

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

**Corporate Office**

Plot No. - 446, Udyog Vihar, Phase-V,  
Gurgaon-122 016 (Haryana)