

Aligning VERTICALS ENHANCING Performance



SUPPLY CHAIN
PRODUCT INNOVATION
QUALITY CONTROL
MARKET EXPANSION

Board of Directors

Mr. Deepak Seth	- Chairman
Mr. Pallak Seth	- Vice-Chairman
Mr. Pulkit Seth	- Managing Director
Mrs. Shefali Seth	- Whole-Time Director
Mr. Vinod Vaish	- Whole-Time Director
Dr. Ashutosh P. Bhupatkar	- Non-executive Independent Director
Mr. S. B. Mohapatra	- Non-executive Independent Director
Mr. Chittranjan Dua	- Non-executive Independent Director
Mr. Rajendra K. Aneja	- Non-executive Independent Director
Mr. Anil Nayar	- Non-executive Independent Director

Company Secretary

Mr. Sandeep Sabharwal

Audit Committee

Mr. Anil Nayar	- Chairman
Mr. S. B. Mohapatra	- Member Director
Dr. Ashutosh P. Bhupatkar	- 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
Axis Bank
Bank of Baroda

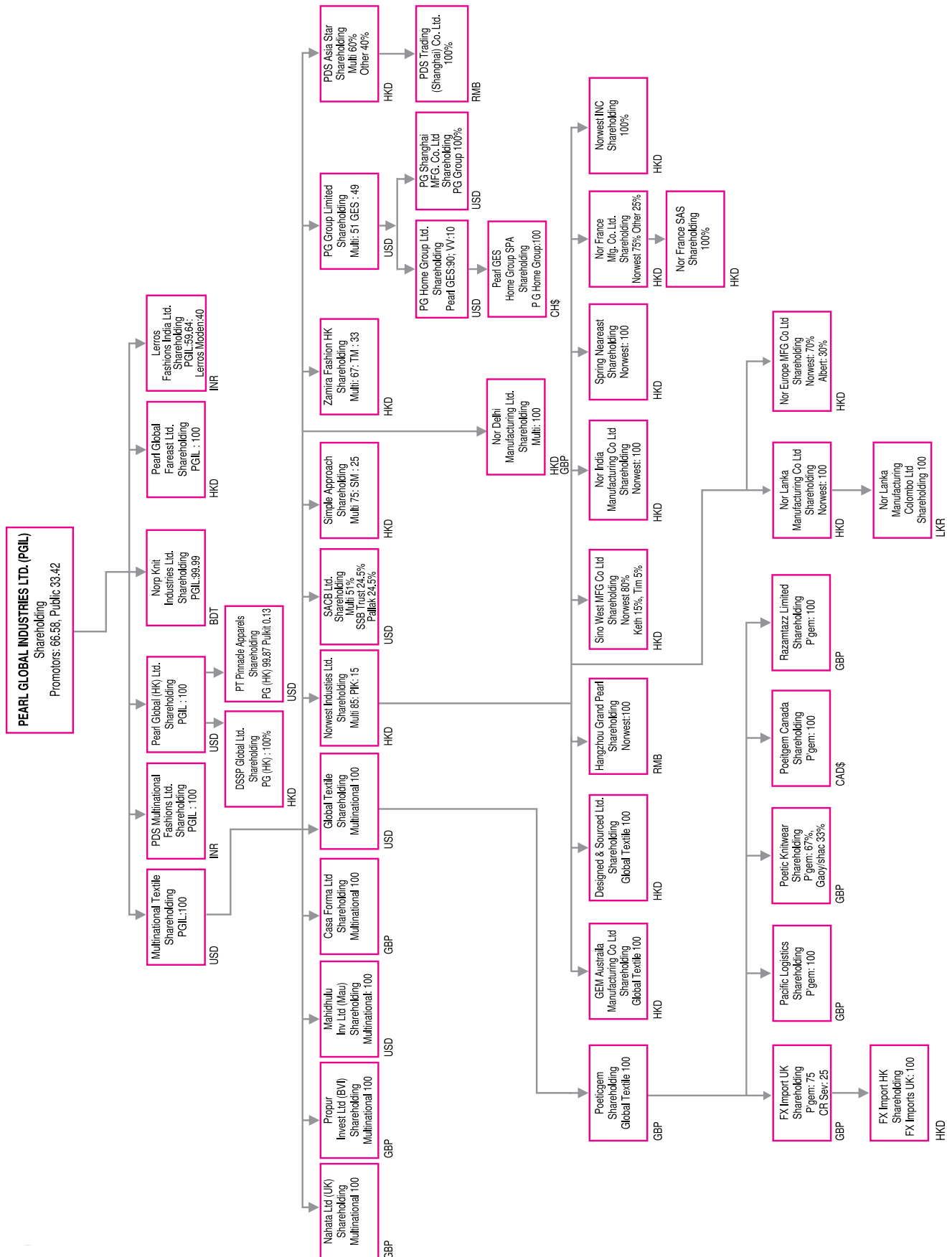
Registered Office:

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

Corporate Office:

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

GROUP STRUCTURE



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NOTICE

Notice is hereby given that the 24th Annual General Meeting of the Members of the Pearl Global Industries Limited, will be held on **Friday, 27th September, 2013 at 10:30 A. M. at Sri Sathya Sai International Centre, Pragati Vihar (Near Pragati Vihar Hostel), Lodhi Road, New Delhi-110 003**, to transact the following businesses:

ORDINARY BUSINESS

- To receive, consider and adopt the Audited Balance Sheet as at March 31, 2013 and the Profit & Loss Account of the Company for the year ended on that date together with the Reports of Directors and Auditors thereon.
- To declare dividend on equity shares for the year ended 31st March, 2013.
- To appoint a Director in place of Mr. Pallak Seth, who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Mr. S.B. Mohapatra, who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Dr. A.P. Bhupatkar, who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint M/s S. R. Dinodia & Co., Chartered Accountants, (Regn. No. 001478N), New Delhi, the retiring Auditors of the Company, as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 308, 309 and 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, and subject to approval of the Central Government, if required and subject to such conditions and modification(s) as may be prescribed or imposed by Central Government in granting such approval, which may be agreed to by the Board of Directors of the Company, consent of the Company be and is hereby accorded to the re-appointment and payment of remuneration to Mr. Pulkit Seth as Managing Director of the Company for a period of three (3) years commencing from 1st June, 2013 on the terms and conditions including remuneration as set out below, with liberty to the Board of Directors including any Committee thereof to alter and vary the terms and conditions and/or remuneration.

RESOLVED FURTHER THAT Mr. Pulkit Seth will be entitled for the following remuneration as Managing Director of the Company:

Salary	: ₹ 4.0 Lacs per month.
Car	: A Company maintained car for official purpose.
Mobile / Telephone	: A mobile for official purpose. Long distance Personal Calls will be charged by the Company.
Provident Fund & Gratuity	: As per Company's rules.

RESOLVED FURTHER THAT Mr. Pulkit Seth, Managing Director shall not only manage the day-to-day affairs of the Company but shall also carry out all duties and functions subject to the supervision, control and directions of the Board of Directors of the Company and shall perform such other duties and services as shall from time to time be entrusted to him by the Board of Directors of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 308, 309 and 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, and such other consents and approval as may be required, approval of the Company be and is hereby accorded for payment of remuneration to Mr. Vinod Vaish, Whole-Time Director of the Company with effect from 1st April, 2013 as set out below, with liberty to the Board of Directors including any Committee thereof to alter and vary the terms and conditions and/or remuneration.

RESOLVED FURTHER THAT Mr. Vinod Vaish will be entitled for the following remuneration as Whole-Time Director of the Company:

Basic Salary	: 60,800/- per month
HRA	: 30,400/- per month
Spl. Allowance	: 16,770/- per month
Medical Reimbursement	: 15,000/- per annum

Mobile/Telephone	: A mobile for official purpose
Provident Fund	: As per Company's rules
Car	: A Company maintained car for official purpose

He shall also be entitled for reimbursement of actual expenses for business of the Company.

RESOLVED FURTHER THAT Mr. Vinod Vaish, Whole-time Director shall be responsible for affairs of the Company with special focus on HR & Administration functions of the Company and also perform such other duties and services as shall from time to time be entrusted to him by the Board of Directors of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

By order of the Board of Directors
for **PEARL GLOBAL INDUSTRIES LIMITED**

Place: Gurgaon
Date: 13th August, 2013

Sd/-
(Sandeep Sabharwal)
Company Secretary

Notes:

- 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.**
- The Register of Members and Share Transfer Books of the Company will remain closed from Friday, the 20th September, 2013 to Friday, the 27th September 2013 (both days inclusive).
- The relevant Explanatory Statements 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 are mentioned below.
- 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.
- 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.
- 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.
- 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.
- 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
31.03.2006	30% #	30.11.2006	28.12.2013	26.01.2014
31.03.2007	20% #	27.08.2007	24.09.2014	23.10.2014
31.03.2008	15%	29.08.2008	27.09.2015	26.10.2015

Dividend of erstwhile Pearl Global Ltd since merged with the Company.

Members who have not encashed the dividend warrant(s) so far, 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, 44, Community Centre, 2nd Floor, Naraina Industrial Area, Phase-I, Near PVR Naraina, New Delhi – 110 028.

9. The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies and has issued Circular No. 17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011 stating that the Companies can now dispatch their documents to the shareholders through **electronic mode**. As a result, the Companies are now permitted to send various notices/documents to the shareholders on their registered e-mail address. In view of the above circular, we propose to send in future all documents including the Annual Report, which inter-alia, includes notice convening Annual General Meeting, Auditors' Report, Directors' Report and Financial Statements, in electronic form to the email address registered by you and made available to us by the Depositories. The members of the Company holding shares in physical form are requested to send their e-mail ids to the Company's Registrar & Transfer Agent (e-mail address: delhi@linkintime.co.in), for future correspondences by the Company to the members through this mode. Further, in case of members holding shares in electronic form who wish to change their registered e-mail address, they are requested to inform the respective Depository Participants accordingly.

10. NO GIFT(S) SHALL BE DISTRIBUTED AT THE ENSUING 24TH 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. 3

Mr. Pallak Seth, born on August 13, 1977, completed his Graduation from Northwestern University, USA, in the year 1988. After Graduation, Mr. Pallak Seth joined the family business and established sourcing platform from Hong Kong, China and Bangladesh. He established Norwest Industries Ltd., in Hong Kong in 1998. After having established sourcing base in Hong Kong, he joined Poeticgem Ltd., UK, as Managing Director and played a major role in turning around the Company and made it one of the fastest growing readymade garments brand in UK.

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

Directorship

(i) PDS Multinational Fashions Limited (ii) Nim International Commerce Pvt. Ltd. (iii) Nor India Manufacturing Company Ltd., HK (iv) Casa Forma Limited (v) FX Imports Company Limited, UK, (vi) FX Imports Hongkong Limited, HK (vii) Global Textile Group Limited, Mauritius (viii) Hongzhou Grand Pearl Trading Co. Ltd, China (ix) Lerros Moden GmbH, Germany (x) Multinational Textiles Group Limited (xi) NAFS Limited, UK, (xii) Nor Delhi Manufacturing Limited, HK (xiii) Nor Lanka Manufacturing Limited, HK (xiv) Norp Knit Industries Limited, Bangladesh (xv) Norwest Industries Limited, HK (xvi) PAF International Limited, Bangladesh (xvii) Pallas Holdings Limited, Mauritius (xviii) PG Group Limited, HK (xix) PG Home Group Limited (xx) Pearl Ges Home Group SPA, Chile (xxi) Poetic Knitwear Limited, UK (xxii) SACB Holdings Limited, Mauritius (xxiii) Simple Approach Limited, HK (xxiv) Spring Near East Manufacturing Company Ltd., HK (xxv) Transnational Textile Group Limited, Mauritius (xxvi) Zamira Fashion Limited, HK (xxvii) Nahata Limited, UK (xxviii) Poeticgem Ltd., UK (xxix) Gem Australia Manufacturing Company Limited, HK (xxx) Norwest Inc, USA (xxxi) Nor Lanka Colombo Manufacturing Ltd., Sri Lanka (xxxii) Nor Europe Manufacturing Company Limited, HK (xxxiii) Nor Europe Manufacturing SPA, Spain (xxxiv) Sino West Manufacturing Co. Ltd., HK (xxxv) Designed and Sourced Ltd., HK (xxxvii) Nor France Manufacturing Co. Ltd., HK (xxxviii) PDS Asia Star Corporation Ltd.

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

No remuneration except sitting fee for attending each meeting of the Board of Directors is proposed to be paid to Mr. Pallak Seth. Mr. Pallak Seth holds 6.08% equity shares in the Company.

Mr. Pallak Seth, the retiring Director, being eligible, offers himself for re-appointment.

Directors of your Company propose to re-appoint Mr. Pallak Seth as Director, liable to retire by rotation and therefore this Resolution is recommended for approval of the Shareholders of the Company.

None of the Directors, except Mr. Pallak Seth, himself, Mr. Deepak Seth, Mr. Pulkit Seth and Mrs. Shefali Seth being relatives, are interested, whether directly or indirectly, in this Resolution.

Item No. 4

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 (i) Pipavav Defence and Offshore Engineering Co. Ltd. and (ii) Runeecha Textiles 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.

Item No. 5

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 15 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 Apparels Ltd., Poeticgem (Canada) Limited and Twin Engineers Private Limited

He is a Chairman-Director of Shareholder's Grievance and Transfer committee and Member-Director of Audit Committee, Remuneration committee and Finance 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. 7 & 8

Re-appointment of Mr. Pulkit Seth as Managing Director

Resolution under Item No. 7 of the Notice relates to the re-appointment of Mr. Pulkit Seth as Managing Director of the Company for a further period commencing from 1st June, 2013 to 31st May, 2016 and approval of his remuneration and terms of re-appointment.

The Remuneration Committee, at its meeting held on 30th May, 2013, had recommended the terms of remuneration payable to Mr. Pulkit Seth as Managing Director for a further period commencing from 1st June, 2013 to 31st May, 2016. The Board of Directors, at its meeting held on 30th May, 2013, had approved his re-appointment. The remuneration Committee and the Board of Directors of the Company are of the opinion that he is fit and proper person to hold the said office and his reappointment will be in the interest of the Company.

Details of other Directorship/Committee Membership held by him in other Companies are as follows:

Directorship:

Mr. Pulkit Seth is Managing Director of Pearl Global Industries Limited and director of Aries Travels Pvt. Ltd, Nim International Commerce Pvt. Ltd, Lerros Fashions India Ltd, PDS Multinational Fashions Limited, Pearl Retail Solutions Pvt. Limited, PS Arts Pvt. Limited, Lerros Moden, GmbH, Germany, NAFS Limited, UK, Norp Knit Industries Limited, Bangladesh, PAF International Limited, Bangladesh, Pallas Holdings Limited, Mauritius, Pearl Global (HK) Ltd., Pearl Global Fareast Limited, HK, Premier Pearl Garment Joint Stock Co. Limited, Vietnam, PT Pinnacle Apparels, Indonesia, SACB Holdings Limited, Mauritius, Transnational Textile Group Limited, Mauritius, DSSP Global Limited, HK.

Committee Membership:

He is a Member-Director of Shareholder's Grievance and Transfer committee and Finance Committee of your Company.

Your Directors feel that the professional qualification and experiences of Mr. Pulkit Seth are of great value to the Company and his re-appointment as Managing Director of the Company will be beneficial to the Company. Your Directors recommend the passing of the resolution at Item no. 7 as Special Resolution.

None of the Directors, except Mr. Pulkit Seth, himself, Mr. Deepak Seth, Mr. Pallak Seth and Mrs. Shefali Seth being relatives, are interested, whether directly or indirectly, in this Resolution.

Remuneration of Mr. Vinod Vaish as Whole-Time Director

Members of the Company at last Annual General Meeting held on 19th September, 2012 had approved the appointment and remuneration of Mr. Vinod Vaish as Whole-Time Director of the Company for the period of three years w.e.f. 19th January, 2012.

In view of the growth in the business activities, increased volume of work the Remuneration Committee and subsequently the Board of Directors considered it just, fair and reasonable to revise remuneration as set out in the agreement executed between the Company and Mr. Vinod Vaish for

the remaining tenure as Whole-Time Director of the Company. The terms & conditions as set out in the agreement for the payment of remuneration may be altered and varied from time to time by the Board or Remuneration Committee as it may deem fit.

Shareholders approval is sought for the variation in terms of remuneration of Mr. Vinod Vaish as Whole-Time Director of the Company. The Remuneration payable to Mr. Vinod Vaish is within the limits provided under section 198, 269, 309 and 310 read with Schedule XIII and other applicable provisions of the Companies Act, 1956.

Details of other Directorship/Committee Membership held by him in other Companies are as follows:

Directorship:

Mr. Vinod Vaish is Director of Aries Travels Pvt. Ltd, Lerros Fashions India Ltd, and Pearl Apparels Limited.

Committee Membership:

He is not a Member of any Committee of your Company.

The terms as set out in the resolution and explanatory statement may be treated as an abstract of the terms of variation in remuneration pursuant to Section 302 of the Companies Act, 1956.

Your Directors recommend the passing of the resolution at Item no. 8 as Special Resolution.

None of the Directors except Mr. Vinod Vaish is interested in the resolution.

THE STATEMENT PURSUANT TO PARAGRAPH 1(B) OF SECTION II OF PART II OF SCHEDULE XIII OF THE COMPANIES ACT, 1956 FOR ITEM NO. 7 & 8

I. GENERAL INFORMATION:

1. NATURE OF INDUSTRY

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

The Company has large installed capacity for apparel manufacturing with state-of-the-art machinery and work process for supplying high quality products to Customers and with the continuous up-gradation of manufacturing facilities, the Company shall record further increase in Turnover and Profits in future years.

2. DATE OF COMMENCEMENT OF COMMERCIAL PRODUCTION

The date of commencement of commercial production (in erstwhile Pearl Global Limited, since merged with the Company) was 7th December, 1988.

IN CASE OF NEW COMPANIES, EXPECTED DATE OF COMMENCEMENT OF ACTIVITIES AS PER PROJECT APPROVED BY FINANCIAL INSTITUTIONS APPEARING IN THE PROSPECTUS

Not Applicable

3. FINANCIAL PERFORMANCE BASED ON GIVEN INDICATORS

The gross income of the Company stood at ₹ 571.98 Crores. The Profit before Tax for the year is ₹ 4.03 Crores against ₹ 1.91 Crores last year. The Company managed to have PAT of ₹ 3.89 Crores.

4. EXPORT PERFORMANCE AND NET FOREIGN EXCHANGE COLLABORATIONS

The Readymade Garment saw exit of Multi Fibre Agreement regime to a new regime of quota free regime, this has resulted in a changing scenario in the Indian Readymade Garment Industry, which is to going through a changing face in which the Industry will have to improve upon its bottom line and upgrade its technology in line with the International norms.

The FOB value of Export earnings of ₹ 529.33 Crores during the current financial year 2012-13, and ₹ 608.89 Crores in the last year.

5. FOREIGN INVESTMENTS OR COLLABORATORS, IF ANY

The Company has no foreign collaboration.

Apart from holding 3,51,618 equity shares of ₹ 10/- each of your Company by 132 NRI / OCB's Members/ Folios representing 1.62 % of the total paid up Capital of the Company as on 31st March 2013, there is no other foreign investment in the Company

II. INFORMATION ABOUT THE APPOINTEE:

Information	Mr. Pulkit Seth	Mr. Vinod Vaish
Background Details	Mr. Pulkit Seth, age about 33 years, a resident Indian, has a Bachelor degree in Business Management from Leonard N. Stern School of Business, University of New York, U.S. He has vast experience in the apparel industry. He has been overseeing the Domestic & Overseas operations of the Group and has played an important role in streamlining business processes and enhancing our relationships with leading retailers in the U.S.	Mr. Vinod Vaish, aged 54 years, is a Bachelor of Science and Long Logistics & Management. He had been in the Indian Navy for 28 years at various levels in various capacities and has achieved in depth knowledge of all aspects of Administration and Logistics Management. He has over 4 years experience in private sector, specifically in Administration and production. He was appointed as Whole-Time Director of the Company on 19 th January, 2012 for a period of Three years.
Past Remuneration	₹ 4 Lacs Per Month	₹ 1.01 Lacs Per Month
Recognition or Awards	NIL	NIL
<u>Job Profile and their Suitability</u>	Mr. Pulkit Seth, Managing Director, shall manage the day-to-day affairs of the Company and shall also carry out all duties and functions subject to the supervision, control and directions of the Board of Directors of the Company and shall perform such other duties and services as shall from time to time be entrusted to him by the Board of Directors of the Company. Considering his background, Board considers Mr. Pulkit Seth to be most suitable for the position of Managing Director.	Mr. Vinod Vaish shall be responsible for affairs of the Company with special focus on HR & Administration functions of the Company and also perform such other duties and services as shall from time to time be entrusted to him by the Board of Directors of the Company. Considering the contribution, Board considered him suitable for this position.
Remuneration Proposed	Salary: ₹ 4.00 Lacs per month. Car: A Company maintained car for official purpose. Mobile/ Telephone: A mobile for official purpose. Provident Fund & Gratuity: As per Company's rules.	Basic Salary : 60,800/- per month HRA : 30,400/- per month Spl. Allowance : 16,770/- per month Medical Reimbursement : 15,000/- per annum Mobile/Telephone : A mobile for official purpose Provident Fund : As per Company's rules Car : A Company maintained car for official purpose He shall also be entitled for reimbursement of actual expenses for business of the Company

Information	Mr. Pulkit Seth		Mr. Vinod Vaish
Comparative Remuneration profile with respect to industry, size of the company profile of position and person	Arvind Limited Period: 2011-12 Turnover: ₹ 3,494 Crore Managerial Personnel: Managing Director Annual Managerial Remuneration: ₹ 284 Lacs	Gokaldas Exports Ltd Period: 2011-12 Turnover: ₹1,030 Crore Managerial Personnel: Directors & CEO Annual Managerial Remuneration: ₹100 Lacs	Bombay Rayon Fashions Ltd Period:- 2011-12 Turnover: ₹2,749 Crore Managerial Personnel: Managing Director Annual Managerial Remuneration: ₹ 257 Lacs
Pecuniary relationship directly or indirectly with the company or with the managerial personnel, if any	Relating to Pecuniary Relationship, information provided under Past and proposed Remuneration hereinabove. Mr. Pulkit Seth is related to Mr. Deepak Seth, Mr. Pallak Seth and Mrs. Shefali Seth. He holds 15,11,384 Equity Shares of the Company.		Pecuniary Relationship other than Remuneration proposed above, is NIL. No relationship with Managerial Personnel. He does not hold in any Share in the Company.

III. OTHER INFORMATION:

1. REASONS OF LOSS OR INADEQUATE PROFITS

The Readymade Garments Export Industry had yet another tough year where Revenues have grown but profitability was impaired due to higher cost of production coupled with pressure on margins due to recession.

2. STEPS TAKEN OR PROPOSED TO BE UNDERTAKEN FOR IMPROVEMENTS

Your Company realises that the Buyers can only be attracted through a proper blend of cost, speed / logistics, plant efficiency, supply chain, compliance, reliability and relationship.

The Company is laying special focus on technological up-gradation, lesser breakdown time, use labour saving devices, training of managers, supervisors and operators. Besides, the Company is also outsourcing manufacturing from low cost destinations.

Maintaining quality, reducing cost with better productivity will help the Company to operate profitably.

3. EXPECTED INCREASE IN PRODUCTIVITY AND PROFITS IN MEASURABLE TERMS

The Sales Turnover of your Company during the year 2012-13 was ₹557.69 Crores. The Company's PAT stood at ₹3.89 Crores during 2012-13.

Your Company has since identified and prioritized its targets and has been gearing up to face the perceived challenges and further enhance its presence in the International Markets. Barring under seen circumstances, your company profitability during 2013-14 should increase by 10% and productivity by 15%.

IV. DISCLOSURES:

Remuneration package of the Managerial Person(s) paid for the year 2012-13:

(Amount in ₹)

Name of the Director(s)	Mr. Pulkit Seth	Mrs. Shefali Seth	Mr. Vinod Vaish	All other Directors
Designation	Managing Director	Whole Time Director	Whole Time Director	
Salary	48,00,000	48,00,000	12,14,640	–
Others (Provident Fund)	9,360	9,360	9360	–
Service Contract	3 years	3 years	3 years	
Notice Period, Severance fees	Nil	Nil	–	Nil
Sitting Fees	Nil	Nil	NIL	₹ 7,500/- for attending each Board Meeting
Total	48,09,360	48,09,360	12,24,000	–

The Company has no policy for stock option, pension, and performance linked incentives. The company is not paying any bonus, commission or other benefits except as above, to the Executive Directors. The details of Directors remuneration are also disclosed in Corporate Governance Report.

The above said terms and conditions of appointment and remuneration are duly considered, approved and recommended by the Remuneration Committee in its Committee Meeting held on 30th May 2013 for Mr. Pulkit Seth and 13th August, 2013 for Mr. Vinod Vaish.

Copies of the resolutions passed by the Board in respect of the above may be inspected at the Corporate Office of your Company between 11:00 a.m. and 1:00 p.m. on all working days except Saturday and holidays.

The Directors commend the resolution for your approval as a Special Resolution.

By order of the Board of Directors
for **PEARL GLOBAL INDUSTRIES LIMITED**

Place: Gurgaon
Date: 13th August, 2013

Sd/-
(Sandeep Sabharwal)
Company Secretary

DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the 24th Annual Report and Audited Accounts for the year ended 31st March 2013, together with the Auditors' Report thereon.

WORKING RESULTS OF THE COMPANY (CONSOLIDATED)

During the year under review, the consolidated Income of your Company is ₹ 3,820.24 crore against previous year ₹ 2,798.49 crore.

(₹ in Crore)

	2012-13	2011-12
Income from operations	3820.24	2798.49
Other Income	25.65	15.45
Profit before Tax	48.54	46.67
Provision for Tax	18.21	8.12
Provision for Bad debt	0.50	2.09
Profit After Tax	30.33	38.55
EPS (in ₹)	10.98	14.54
Transfer to General Reserves	-	-

WORKING RESULTS OF THE COMPANY (STANDALONE)

(₹ In Crores)

	2012-13	2011-12
Income from operations	557.69	646.70
Other Income	14.29	9.33
Profit before Tax	4.03	1.92
Provision for Tax	0.14	(1.75)
Provision for Bad debt	0.50	--
Profit After Tax	3.89	3.66
Transfer to General Reserves	--	--

BUSINESS AND OPERATIONS

The apparel industry as a whole experienced hard way during the financial year 2012-13 amidst continued global economic turmoil particularly in key markets of EU and the US across retailing, manufacturing and sourcing sectors with world garments exports declining to USD 12.92 billion as against USD 13.70 billion last year. However, in rupee terms garment exports registered ₹ 70,312 crore, an increase of 7% compared to last year ₹ 65,709 crore. The retail industry has witnessed significant changes in their business strategies during the year to arrest the dampening demand to grow, while impacting the sourcing and manufacturing that became very competitive to sustain.

However your company, due to its long established presence and commitment to deliver, has been able to achieve consistent growth on year to year with challenging global conditions.

The growth was evident with proactive business approach to adapt to the changes swiftly and respond positively in varying customer perception while resorting to production efficiency, value addition and cost optimization.

At the same time, your company has initiated diversification into other product line such as footwear, cosmetics and hard goods and expanded to tap the opportunities into new markets like Australia, South Africa, etc as a part of our growth strategy. Your company has also expanded its strength in China, which is a major sourcing country and also increased the direct marketing operations to its customers from China, India and Bangladesh, which has very good potential and expected to grow rapidly.

The year ahead continues to be challenging with a cautious optimism for growth projections. Your company is fully equipped to forge ahead on the growth path with a focused attention towards its customer deliverables, product development and the value perceptions attained through strong supply chain arrangements, innovative product designs and creations, production and sourcing efficiency, constant compliances adherence (in-house and outsourced), economy of scale and cost effectiveness.

Consolidated total revenue of the company is ₹ 3,846 crore, up by ₹1,032 crore representing more than 36% in financial year 2012-13 as compared to ₹ 2,814 crore during the previous year. The consolidated Profit after Tax of the company is ₹ 30.33 crore compared to profit of ₹ 38.55 crore during the previous year. The above consolidated results (Profit after Tax) reduced by an extra-ordinary item of ₹ 13.35 crore being loss on investment in a subsidiary due to its closure.

Your company expects that the new business initiatives with focused approach will start yielding increased consolidated revenue and improved consolidated profit in the year ahead.

CORPORATE SOCIAL RESPONSIBILITY

The company has been taking up and fulfilling its fundamental responsibility towards society. Little People Educational Society, set up by the Promoter group has been imparting employment oriented higher education. 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 recommend dividend ₹ 1/- Per Equity Share for the year 2012-13.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of your Company, Mr. Pallak Seth, Vice Chairman, Mr. S.B. Mohapatra, and Dr. A.P. Bhupatkar, Directors would retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr. Pulkit Seth was appointed as Managing Director of the Company on 1st June, 2008 for a period of five (5) years, i.e. upto 31st May, 2013. The Board of Directors of the Company in its meeting held on 30th May, 2013, has re-appointed to him as a Managing Director of the Company for the period of three (3) years. A necessary resolution for their re-appointment is included in the notice convening Annual General Meeting.

DIRECTORS' IDENTIFICATION NUMBER (DIN)

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

Mr. Deepak Seth	-	00003021	Dr. Ashutosh Prabhudas Bhupatkar	-	00479727
Mr. Pallak Seth	-	00003040	Mr. Chitranjan Dua	-	00036080
Mr. Pulkit Seth	-	00003044	Mr. Samar Ballav Mohapatra	-	00327410
Mrs. Shefali Seth	-	01388430	Mr. Rajendra Kumar Aneja	-	00731956
Mr. Anil Nayar	-	01390190	Mr. Vinod Vaish	-	01945795

SUBSIDIARY COMPANIES

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

AUDITORS

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

FIXED DEPOSITS

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

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 2013, 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 2013 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 2013-14 have been paid.

REGISTRAR AND SHARE TRANSFER AGENT

Link Intime India Pvt. Ltd is continuing 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', 'Technology Absorption' and Foreign Exchange earnings and outgo are provided in Annexure 1.

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 PEARL GLOBAL INDUSTRIES LIMITED

(VINOD VAISH)
WHOLE-TIME DIRECTOR
DIN 01945795

(PULKIT SETH)
MANAGING DIRECTOR
DIN 00003044

Place: Gurgaon
Date: 30th May, 2013

Annexure I to the Director's Report

A. CONSERVATION OF ENERGY :

1. Energy Conservation measures taken:

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

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 design & development infrastructure to be strengthened and maintained to cater to the evolving trends in garments industry.

4. Expenditure on R & D

(₹ In Lacs)

	2012-13	2011-12
a) Capital	NIL	NIL
b) Recurring	588.15	492.95
c) Total	588.15	492.95
d) Total R & D expenditure as a percentage of total turnover is approx. 1.03% (previous year 0.75%).		

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	: N.A.
c	Has technology been fully absorbed ?	N.A.
d	If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.	N.A.

C. Foreign Exchange Earnings and Outgo

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

The Company 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.

2. Total Foreign Exchange used and earned.

Foreign Exchange Earnings

(Amount in ₹)

Particulars	2012-13	2011-12
Export of Goods - FOB basis	5,242,674,016	6,088,902,841
Sample Designing Sale	11,323,921	12,308,696
Total	5,253,997,937	6,101,211,537

Foreign Exchange Outgo

(Amount in ₹)

Particulars	2012-13	2011-12
Foreign Travelling	5,916,152	1,886,093
EDI Expenses	1,707,510	4,398,343
Shipping Software Charges	2,475,004	-
Others	286,312	621,032
Total	10,384,978	6,905,468

CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY

Corporate Governance is a set of systems and practices to ensure that the affairs of the Company are being managed in a way which ensures accountability, transparency, fairness in all its transactions in widest sense and meet its stakeholders aspirations and societal expectations. Good governance practices stem from the culture and mindset of the organization and at Pearl Global Industries we are committed to meet the aspirations of all our stakeholders.

The demands of corporate governance require professionals to raise their competency and capability levels to meet the expectations in managing the enterprise and its resources effectively with the highest standards of ethics.

At Pearl Global Industries, it is our belief that as we move closer towards our aspirations of becoming a global corporation, our corporate governance standards must be globally benchmarked. This gives us the confidence of having put in the right building blocks for future growth and ensuring that we achieve our ambitions in prudent and sustainable manner.

Over the years governance processes and systems have been strengthened at Pearl Global Industries and the corporate governance has always been an integral part of the way the business is done

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.

Your Company committed towards its buyers, institutions/bankers, employees/workers and other government agencies which are directly or indirectly concerned with the company.

2. BOARD OF DIRECTORS

As on 31st March 2013, the company's Board of Directors consists of 10 (Ten) members. The Chairman of the Board is non-executive Promoter Director. The Board comprises of three executive Director and seven non-executive Directors, of whom five are Independent Directors. The composition of the Board is in conformity with the requirements of Clause 49 of the listing agreement. 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 2012, 14th August 2012, 12th November 2012 and 14th February, 2013.

Composition and Category of the Board as on 31.03.2013 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 Meeting
1	Mr. Deepak Seth	Non-Executive Chairman	1	--	--	4	Yes
2	Mr. Pallak Seth	Non Executive Vice-Chairman	1	--	--	0	No
3	Mr. Pulkit Seth	Managing Director	2	2	--	3	Yes
4	Mrs. Shefali Seth	Whole Time Director	--	--	--	2	No
5	Dr. Ashutosh P. Bhupatkar	Independent Director	1	2	2	3	Yes
6	Mr. Samar Ballav Mohapatra	Independent Director	2	2	2	3	Yes
7	Mr. Chittranjan Dua	Independent Director	6	--	--	2	Yes
8	Mr. Rajendra K Aneja	Independent Director	--	1	--	2	No
9	Mr. Anil Nayar	Independent Director	--	1	--	4	Yes
10	Capt. Vinod Vaish	Whole Time Director	2	--	--	4	Yes

Mr. Deepak Seth, Chairman, is related to Mr. Pulkit Seth, Managing Director, Mr. Pallak Seth, Vice Chairman and Mrs. Shefali Seth, Whole-Time Director.

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.pearlglobal.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.

During the year, the Audit Committee, 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 2012, 14th August 2012, 12th November 2012 and 14th February 2013 during the financial year 2012-13. The maximum gap between any two meetings was less than four months. Mr. Anil Nayar was appointed as Chairman of the Audit Committee by the Board on 14th August 2012

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

<u>Audit Committee</u>	
Composition	No. of Meetings attended
Mr. Anil Nayar – Chairman Director	4
Mr. S.B. Mohapatra – Member Director	3
Dr. A. P. Bhupatkar – Member Director	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.

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.

One meeting of the Remuneration Committee was held on 29-05-2012 during the financial year 2012-13.

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 2012-13:

(Amount in ₹)

Name of the Director(s)	Mr. Deepak Seth	Mr. Pallak Seth	Mr. Pulkit Seth	Mr. Anil Nayar	Mr. C R Dua	Mr. Samar Ballav Mohapatra	Mr. Rajendra K Aneja	Dr. A. P. Bhupatkar	Mrs. Shefali Seth	Mr. Vinod Vaish
Designation	Chairman	Vice-Chairman	Managing Director	Director	Director	Director	Director	Director	Whole Time Director	Whole Time Director
Salary	--	--	48,00,000	--	--	--	--	--	48,00,000	6,83,520
Benefits	--	--	--	--	--	--	--	--	--	--
HRA	--	--	--	--	--	--	--	--	--	3,41,760
SPL.. Allowance	--	--	--	--	--	--	--	--	--	1,74,360
Medical	--	--	--	--	--	--	--	--	--	15,000
Bonus	--	--	--	--	--	--	--	--	--	--
Commission	--	--	--	--	--	--	--	--	--	--

Name of the Director(s)	Mr. Deepak Seth	Mr. Pallak Seth	Mr. Pulkit Seth	Mr. Anil Nayar	Mr. C R Dua	Mr. Samar Ballav Mohapatra	Mr. Rajendra K Aneja	Dr. A. P. Bhupatkar	Mrs. Shefali Seth	Mr. Vinod Vaish
Pension	--	--	--	--	--	--	--	--	--	--
Others (Provident Fund)	--	--	9,360	--	--	--	--	--	9,360	9,360
Break up of fixed components and Performance linked incentives with performance criteria	--	--	--	--	--	--	--	--	--	--
Performance Incentive	--	--	--	--	--	--	--	--	--	--
Service Contract	--	--	3 years	--	--	--	--	--	3 years	3 years
Notice Period, Severance fees	Nil	Nil	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	Nil	Nil
Sitting Fees	30,000	--	--	30,000	15,000	22,500	15,000	22,500	--	--
Total	30,000	--	48,09,360	30,000	15,000	22,500	15,000	22,500	48,09,360	12,24,000

Sitting fee to Non Executive Directors for attending each Board meeting ₹7,500/-. 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 15,44,499 equity shares (7.13%), Mr. Pallak Seth, Vice-Chairman holds 13,17,646 equity shares (6.08%), Mr. Pulkit Seth, Managing Director holds 15,11,384 equity shares (6.98%) and Mrs. Shefali Seth, Whole Time Director holds 30 equity shares (0.00%) 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 24th 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 2012-13.

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 meetings held on 29th June, 2012, 24th July, 2012, 14th August, 2012, 31st August, 2012, 11th September, 2012, 29th September, 2012, 19th October, 2012, 30th October, 2012, 6th November, 2012, 22nd November, 2012, 3rd December, 2012, 26th December, 2012, 18th January, 2013, 4th February, 2013, 7th February, 2013, 25th February, 2013 and 22nd March, 2013 during the year 2012-13.

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

Status of Shareholders Complaints during the year

Complaints at the beginning of the year. 1 st April 2012	Complaints received during the year. 1 st April 2012 – 31 st March 2013	Complaints settled during the year. 1 st April 2012 – 31 st March 2013	Complaints pending at the ending of the year. 31 st March 2013
Nil	7(Seven)	7(Seven)	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 2013.

8. GENERAL BODY MEETINGS

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

Year	AGM	Location	Date	Time
2009-10	21 st	Air Force Auditorium, Subroto Park, New Delhi-110010	25-09-2010	4.00 P.M.
2010-11	22 nd	Sri Sathya Sai International Centre, Pragati Vihar (Near Pragati Vihar Hostel) Lodhi Road, New Delhi-110 003	22.09.2011	11.30 A.M.
2011-12	23 rd	Sri Sathya Sai International Centre, Pragati Vihar (Near Pragati Vihar Hostel) Lodhi Road, New Delhi-110 003	19.09.2012	11.00 A.M.

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

Sl. No.	Particulars of Special Resolution	Date	Financial Year
1	Appointment of Mrs. Shefali Seth as Whole time Director for a period of three years commencing from 19 th January, 2012 to 18 th January, 2015 Appointment of Mr. Vinod Vaish as Whole time Director for a period of three years commencing from 19 th January, 2012 to 18 th January, 2015	19 th September, 2012 19 th September, 2012	2011-12 2011-12
2	NIL	22 nd September, 2011	2010-11
3	NIL	25 th September, 2010	2009-10

Special Resolution passed last year through postal ballot in respect to.

- Deletion of object clause 2 & 4 of Object Clause(C)- Other Objects of the Memorandum of Association of the Company under Section 17 and Section 192A of the Companies Act, 1956.
- Enhancement of Inter Corporate Investment/Loan/Guarantee Limit of the Company under Section 372A and Section 192A of the Companies Act, 1956.

9. DISCLOSURES

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

- 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.
- The results normally published in Business Standard (English) and Veer Arjun (Hindi).
- The Company's Financial Results, Shareholding Pattern and official news releases are displayed on the Company's website www.pearlglobal.com
- 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 24th Annual Report.

11. GENERAL SHAREHOLDER INFORMATION

(i) Annual General Meeting

24th Annual General Meeting is scheduled as under:-

Day	Date	Time	Venue
Friday	27 th September, 2013	10.30 A.M.	Sri Sathya Sai International Centre, Pragati Vihar (Nr. Pragati Vihar Hostel), Lodhi Road, New Delhi-110 003

(ii) Financial Calendar, 2013-14

First Quarter Results : Second week of August, 2013
Second Quarter & Half Yearly Results : Second week of November, 2013
Third Quarter Results : Second week of February, 2014
Fourth Quarter & Annual Results : Last week of May, 2014

(iii) Financial year

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

(iv) Date of Book Closure

20th September, 2013 to 27th September, 2013 (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	PGIL

The Annual Listing Fee for the financial year 2012-2013 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 2012-13:

MONTH(S)	BOMBAY STOCK EX-CHANGE Company Code: 532808		NATIONAL STOCK EX-CHANGE Company Code: PGIL	
	HIGH	LOW	HIGH	LOW
April 2012	82.00	69.00	81.00	68.35
May 2012	82.80	74.00	82.50	73.25
June 2012	85.00	76.00	85.00	75.25
July 2012	90.30	80.50	90.00	80.30
August 2012	102.15	85.00	100.95	85.00
September 2012	119.40	87.50	125.45	88.00
October 2012	119.60	106.10	119.00	106.75
November 2012	117.00	106.05	117.00	106.00
December 2012	130.25	110.55	130.10	108.00
January 2013	144.70	113.40	145.00	113.10
February 2013	121.90	101.15	124.00	99.95
March 2013	113.70	93.00	114.00	90.20

(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			
	PGIL	BSE (Sensex)	PGIL	NSE (Nifty)
April 2012	79.50	17318.81	80.00	5248.15
May 2012	78.65	16218.53	78.90	4924.25
June 2012	83.05	17429.98	83.20	5278.90
July 2012	87.15	17236.18	87.10	5229.00

MONTH(S) (As on end of last trading day of the month)	SHARE PRICES COMPARISON			
	PGIL	BSE (Sensex)	PGIL	NSE (Nifty)
August 2012	90.85	17429.56	91.15	5258.50
September 2012	114.40	18762.74	115.00	5703.30
October 2012	110.30	18505.38	110.80	5619.70
November 2012	114.50	19339.90	113.05	5879.85
December 2012	120.15	19426.71	120.45	5905.10
January 2013	116.65	19894.98	116.55	6034.75
February 2013	110.05	18861.54	108.95	5693.05
March 2013	100.00	18835.77	100.25	5682.55

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

Link Intime India Pvt. Limited
44, Community Centre
2nd Floor, Naraina Industrial Area, Phase – I,
Near PVR Naraina, New Delhi - 110 028.
Tel. No. : 011 - 41410592 - 94
Fax No. : 011 - 41410591
E-mail : delhi@linkintime.co.in

(ix) **Share Transfer System**

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

(x) **Distribution Schedule**

(a) **Distribution of Equity Shareholding of the Company as on 31st March 2013**

Number of Equity Shares * held	Shareholders		Equity shares held	
	Numbers	% to total	Numbers	% to total
Upto 2500	26099	93.142	1565129	7.225
2501 - 5000	1127	4.021	413588	1.909
5001 - 10000	469	1.674	352708	1.628
10001 - 20000	154	0.550	224903	1.038
20001 - 30000	41	0.146	104852	0.484
30001 - 40000	23	0.082	80356	0.371
40001 - 50000	16	0.057	74796	0.345
50001 - 100000	38	0.136	275660	1.272
100001 and above	54	0.193	18571945	85.727
Total	28021	100.000	21663937	100.000

(b) **Categories of Shareholders as on 31st March 2013**

	No. of Folio's	% to total Folios	No. of Shares held	% to total Shares
PROMOTERS				
NRI	2	0.00	2862145	13.21
Indian	5	0.01	11562764	53.37
TOTAL (A)	7	0.01	14424909	66.58
Institutional Investors (Mutual Funds/UTI /Banks/ FI's etc.)	6	0.02	923393	4.26
FI's	1	0.00	256205	1.18
Insurance Companies	2	0.01	513332	2.37
NRI's / OCB's	132	0.47	351618	1.62
Other Bodies Corporate	317	1.13	809220	3.74
Others (Clearing Members)	22	0.07	9719	0.04

	No. of Folio's	% to total Folios	No. of Shares held	% to total Shares
Others (Individual)	26459	94.41	3995207	18.44
Others (HUF)	1074	3.83	380174	1.75
Others (Trusts)	1	0.00	160	0.00
TOTAL (B)	28014	99.98	7239028	33.42
TOTAL { (A) + (B) } = (C)	28021	100.00	21663937	100.00

* Equity Share of the face value of ₹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 2013, 21163742 equity shares of the Company forming 97.69% 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 have following plants at various locations in India, Bangladesh and Indonesia, as follows:

- 446, Udyog Vihar, Phase-V, Gurgaon - 122 016 (Haryana)
- 751, Pace City II, Sector 37, Khandsa, Gurgaon - 122 004 (Haryana)
- 16-17, Udyog Vihar, Phase VI, Khandsa, Gurgaon - 122 004 (Haryana)
- 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.
- PT Pinnacle Apparels, Tanjung Emas Export, Processing Zone, Block 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
Pearl Global Industries 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 2012-13, 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: Nil
- No. of shareholders to whom shares transferred from escrow a/c: Nil
- Aggregate number of shareholders & shares at the close of the year are 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:

- Maintenance of Non-Executive Chairman's Office
Presently, the Company is not maintaining office of the Non-Executive Chairman.
 - 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.pearlglobal.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
Website : www.nsdl.co.in

Central Depository Services (India) Ltd.

Phiroze Jeejeebhoy Towers
28th Floor, Dalal Street,
Mumbai-400023
Telephone : 022-22723333/3224
Facsimile : 022-22723199
E-Mail : investors@cdslindia.com
Website : www.cdslindia.com

MANAGEMENT DISCUSSION AND ANALYSIS

Pearl Global Industries Limited is operating in three business streams: manufacturing, marketing and distribution and sourcing of garments through its subsidiaries. The company also provides total supply chain solutions to our customers, which include value retailers as well as higher-end fashion brand retailers in the United States and Europe. Our Multi stream business enables us to offer multi country, multi gender and multi product options to our global customers. The company has marketing and distribution network, through subsidiaries, 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.

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

1. **Manufacturing and Merchant Trade**
The group has manufacturing facilities in Bangladesh, India and Indonesia which execute orders procured from customers. It also engages in merchant trade where office in India procures order from customers and out sources these orders to own/third party factories in Bangladesh, china and Indonesia
2. **Sourcing Marketing and Distribution (SDM)**
SDM business has marketing net work in Hongkong, USA, and UK which procure orders from customers and outsource these orders entirely to third party manufacturers. It also has apparels processing and distribution facilities in USA and UK.

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

INDUSTRY STRUCTURE & DEVELOPMENT

Indian apparel industry is presently one of the largest and most important industries in the Indian economy in terms of output, foreign earnings and employment generation. The textile industry has been doing reasonably well during the last few years in terms of production and export and has been investing heavily in expansion and modernization of capacity. India has been experiencing strong performance in the textile industry, across different segments of the value chain, from raw materials to garments in both domestic and exports.

After the abolition of textile quotas in 2005, Indian textile industry should have focused on all major sectors right from fibre to fashion and planned for an organized growth across the supply chain so as to compete with China and even countries such as Pakistan, Vietnam and Thailand. To develop the industry further it is necessary to produce more value added products, encourage workers to capitalize their capability to innovate more, provide market knowledge at every level of the supply chain and increase training for the making of special technical textiles, assisted by continuous research and development.

India has the potential to increase its textile and apparel share in the world trade from current level of 4.5 per cent to 8 percent and reach \$80bn by 2020.

In 2012-13 Apparels Exports from India declined in Dollar terms by 6 per cent to USD12.92 billion due to the demand slowdown in major markets of US and Europe as compare with 2011-12 exports stood at USD 13.71 billion. However in Rupee terms, export increased by 7 per cent to 70,312 Crores in 2012-13, as compare to 65,709 Crores in 2011-12. Chairman of AEPC has on behalf of the Apparel Industry has demanded duty credit scrip at rate 5 percent of garment exports for the export performance in the year 2012-13, for issuance of duty credit scrip from the year 2013-14 and onwards. The chairman has proposed the banning the cotton exports from India or allowing garments exporters to import duty free yarn and fabrics.

Government has a four pronged strategy for enhancing apparel exports from India. The measures include;

- (a) Capturing new markets like Japan, Australia, Israel and new product categories in traditional markets by best utilization of the tax benefits under the various Free Trade Agreements;
- (b) Skill-up gradation and induction of skilled work force for improving the productivity and efficiency to meet the skill deficit under the integrated skill development scheme (ISDS)
- (c) Continuation of the TUFS for modernization of apparel industry;
- (d) Enhancing compliance under the DISHA scheme

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 ₹ 3820.24 Crore compared to ₹2798.49 Crore in last financial year on consolidated basis, a growth of 36%.

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 fabrics prices in India and china are helping India. Since costs are rising in china, the media 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 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 there share is being taken over by companies like PGIL. 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 Overseas buyers are reducing not only their orders but also their prices due to serious liquidity problems being faced by them. The fortunes of garment exporters would therefore continue to fluctuate in rough weather in international market.

Garment manufacturing is 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.

Even as the debate rages there is no doubt that there is a need to move out existing manufacturing bases to bring down the cost, but is also true that going to new areas which do not have infrastructure to support the industry is not only difficult, but also ultimately more expensive.

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

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

CAUTION STATEMENT

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

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

The members of **Pearl Global Industries Limited (formerly House of Pearl Fashions Limited)**

We have examined the compliance of the conditions of Corporate Governance by Pearl Global Industries Limited, for the year ended on 31st March 2013 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

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

Place : New Delhi
Date : 30th May, 2013

CERTIFICATION BY MANAGING DIRECTOR AND CHIEF FINANCE OFFICER OF PEARL GLOBAL INDUSTRIES LIMITED

We, Pulkit Seth, Managing Director and Shailendra Sancheti, Chief Finance Officer of Pearl Global Industries Limited (formerly House of Pearl Fashions Ltd.), to the best of our knowledge and belief certify that:

- We have reviewed the financial statements and Cash Flow Statement for the year ended 31st March, 2013 and to the best of our knowledge and belief:
 - these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
 - these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- We also certify that to the best of our knowledge and belief, there are no transactions entered into by Pearl Global Industries Ltd., during the year, which are fraudulent, illegal or violative of the Company's Code of Conduct.
- We are responsible for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- We have indicated to the Auditors and the Audit Committee:
 - Significant Changes, if any, in Internal controls during the year.
 - Significant changes, if any, in accounting policies during the year and that the same have been disclosed in the Notes to the financial statements; and
 - Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.
- We affirm that we have not denied any personnel, access to the Audit Committee of the Company (in respect of matters involving misconduct, if any)
- We further declare that all Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct for the current year.

Place: Gurgaon
Date : 30th May, 2013

(**Pulkit Seth**)
Managing Director

(**Shailendra Sancheti**)
Group Chief Finance Officer

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To The Board of Directors Pearl Global Industries Limited

Report on the Consolidates Financial Statements

- We have audited the accompanying consolidated financial statements of Pearl Global Industries Limited ("the Company") and its subsidiary (collectively referred to as "the Group") as at 31st March, 2013, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto.

Management's Responsibility for the Consolidated Financial Statement

- Management is responsible for the preparation of these consolidated financial statements that give true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India including Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and 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. We conducted our audit in accordance with the Standards on auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to 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 auditor's 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 auditor considers internal control relevant to the Group's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, 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 and to the best of our information and according to the explanations given to us, and on the consideration of the separate audit report on individual audited financial statements of the Group, we are of the opinion that the said consolidated financial statements, read together with significant accounting policies and notes appearing thereon, give true and fair view in conformity with the accounting principles generally accepted in India:
 - In case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at March 31st 2013;
 - In case of the Consolidated Statement of Profit and Loss, of the consolidated results of operations of the Group for the year ended on that date; and
 - In the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

Other Matters

- We did not audit the financial statements of its subsidiaries, whose financial statements reflect total assets of ₹ 13,387,912,782 & net assets of ₹ 13,223,348,668 as at March 31st 2013, total revenue of ₹ 35,118,872,833 & net revenue of ₹ 33,869,463,457 for the year ended March 31st 2013. These financial statements have been audited by other auditor whose reports have been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of this subsidiary is based solely on the report of the other auditor.

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

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

Place: New Delhi
Dated: 30th May, 2013

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2013

		(Amount in ₹)	
	Note No.	As At March 31, 2013	As At March 31, 2012
EQUITY AND LIABILITIES			
Shareholders' funds			
Share Capital	3	216,639,370	216,639,370
Reserves and surplus	4	5,923,231,048	5,264,153,899
		<u>6,139,870,418</u>	<u>5,480,793,269</u>
Minority Interest		388,010,394	287,222,681
Non-current liabilities			
Long-term borrowings	5	541,804,499	533,464,637
Deferred tax liabilities (net)	6	34,508,573	22,548,942
Other Long Term Liabilities	7	173,592,141	128,738,847
Long-term provisions	8	21,475,221	11,310,058
		<u>771,380,434</u>	<u>696,062,484</u>
Current Liabilities			
Short-term borrowings	9	4,444,848,506	3,899,481,191
Trade payables	10	4,577,636,217	2,620,625,621
Other current liabilities	10	855,200,852	750,503,773
Short-term provisions	8	158,974,759	50,230,241
		<u>10,036,660,334</u>	<u>7,320,840,827</u>
TOTAL		<u>17,335,921,580</u>	<u>13,784,919,260</u>
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	11	2,759,501,780	2,623,901,916
Intangible assets	11	516,759,655	597,514,266
Capital work-in-progress	11	33,949,614	114,880,254
Non-current investments	12	94,022,512	86,384,145
Deferred tax assets	6	58,991,509	91,956,112
Long-term loans and advances	13	304,052,725	384,899,970
Trade receivables	15	29,580,511	21,040,849
Other non-current assets	17	23,765,302	20,005,689
		<u>3,820,623,608</u>	<u>3,940,583,200</u>
Current assets			
Current Investment	12	167,668,380	12,905,837
Inventories	14	2,817,729,125	2,495,883,643
Trade receivables	15	7,686,443,347	5,088,585,288
Cash and bank balances	16	1,804,623,250	1,557,647,014
Short-term loans and advances	13	901,478,201	572,930,305
Other current assets	17	137,355,671	116,383,973
		<u>13,515,297,972</u>	<u>9,844,336,060</u>
TOTAL		<u>17,335,921,580</u>	<u>13,784,919,260</u>

Summary of Significant Accounting policies

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached

For & on behalf of the Board of Directors

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

(PULKIT SETH)
Managing Director
DIN 00003044

(VINOD VAISH)
Whole Time Director
DIN 01945795

(SANDEEP DINODIA)
Partner
M. No. 083689

(SHAIENDRA SANCHETI)
Group Chief Finance Officer

(SANDEEP SABHARWAL)
Company Secretary

Place: New Delhi
Date: 30th May, 2013

CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2013

		(Amount in ₹)	
	Note No.	For the year ended March 31, 2013	For the year ended March 31, 2012
Revenue from operations	18	38,202,401,476	27,984,910,633
Other income	19	256,501,988	154,460,395
Total Revenue		38,458,903,464	28,139,371,028
Expenses:			
Cost of materials consumed	20	3,275,412,804	2,720,236,677
Purchases of Stock-in-Trade	21	26,216,801,584	18,353,826,256
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	22	(80,124,242)	25,783,472
Employee benefits expense	23	3,133,494,079	2,362,615,655
Finance costs	24	342,567,957	301,452,812
Depreciation and amortization expense	11	267,696,237	251,470,630
Other expenses	25	4,678,681,999	3,666,365,449
Total expenses		37,834,530,418	27,681,750,953
Profit before exceptional and extraordinary items and tax		624,373,046	457,620,076
Exceptional items	26	4,459,680	24,342,176
Profit before extraordinary items and tax		628,832,726	481,962,251
Extraordinary Items	27	143,379,868	15,249,748
Profit before tax		485,452,858	466,712,503
Tax expense:			
Current Tax		145,550,459	98,680,982
Less: MAT credit entitelment		2,990,000	–
Deferred Tax		40,134,763	(13,511,874)
Taxes for earlier years		(6,545,661)	(3,939,828)
Profit/(Loss) before minority share		303,323,297	385,483,222
Less: Minorities Share in (Profits)/Loss		(65,439,846)	(70,582,756)
Profit/(Loss) of the year		237,883,451	314,900,466
Earnings per equity share:			
Basic	28	10.98	14.54
Diluted	28	10.98	14.54
Summary of Significant Accounting policies	2.3		
The accompanying notes are an integral part of the financial statements.			

As per our report of even date attached
For & on behalf of the Board of Directors
For S.R. DINODIA & CO.,
Chartered Accountants
Regn. No. 01478N

(PULKIT SETH)
Managing Director
DIN 00003044

(VINOD VAISH)
Whole Time Director
DIN 01945795

(SANDEEP DINODIA)
Partner
M. No. 083689

(SHAIENDRA SANCHETI)
Group Chief Finance Officer

(SANDEEP SABHARWAL)
Company Secretary

Place: New Delhi
Date: 30th May, 2013

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

Particulars	(Amount in ₹)	
	For the year ended March 31, 2013	For the year ended March 31, 2012
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax	628,832,726	481,962,251
Adjustments For :		
Depreciation	267,696,237	251,470,630
Prior Period Expenses	3,598,561	(156,712)
Dividend Income	(999,894)	(7,575)
(Profit)/Loss on sale of Assets	(4,459,680)	(24,342,176)
(Profit)/Loss on sale of Investment	(93,390)	(484,215)
Rent received	(90,839,230)	(35,463,175)
Net Interest paid	251,910,330	153,990,814
Foreign Currency Translation Reserve	86,020,588	162,019,114
Foreign Exchange Fluctuation	(69,393,151)	(35,306,941)
Interest received	(44,850,375)	(48,082,086)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1,027,422,723	905,599,931
Adjustments For :		
Trade and Other Receivables	(2,875,424,759)	(1,423,650,308)
Inventories	(321,845,482)	(70,812,646)
Trade Payables and other payables	2,297,907,934	674,502,858
CASH GENERATED FROM OPERATIONS	128,060,417	85,639,835
Direct Taxes Paid	(34,874,707)	(69,395,381)
CASH FLOW BEFORE PRIOR PERIOD ITEMS/EXCESS PROVISION WRITTEN BACK/EXTRA ORDINARY ITEM	93,185,710	16,244,454
Extra Ordinary Item	(143,379,868)	(15,249,748)
Prior period Items/Excess Provision w/back	(3,598,561)	156,712
NET CASH FROM OPERATING ACTIVITIES (A)	(53,792,719)	1,151,418
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets (including CWIP)	(256,938,736)	(265,736,853)
Sale of Investment	23,529,155	4,856,204
Investment made during the year	(185,182,444)	(19,032,461)
Investment in bank deposits (having original maturity of more than one year)	(3,404,925)	(3,798,806)
Investment in bank deposits (having original maturity of less than one year)	(241,869,365)	(146,868,170)
Purchase consideration on acquisition of subsidiaries (net of cash acquired)	9,787,259	(157,319)
Sale of Fixed Assets	104,991,611	97,321,176
Interest Received	44,850,375	48,082,086
Rent Received	90,839,230	35,463,175
Dividend Received	999,894	7,575
NET CASH USED IN INVESTING ACTIVITIES (B)	(412,397,948)	(249,863,394)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Interest Paid	(251,910,330)	(153,990,814)
Repayment (to)/ from Minority interest	100,110,831	19,207,745
Dividend Paid	(3,292)	(3,186)
Proceeds from Long Term Borrowings (Net)	553,707,178	47,588,864
NET CASH FROM FINANCING ACTIVITIES (C)	401,904,387	(87,197,392)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	(64,286,280)	(335,909,368)
FOREIGN EXCHANGE FLUCTUATION	69,393,151	35,306,941
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	683,969,311	984,571,738
CASH AND CASH EQUIVALENTS AT THE CLOSE OF THE YEAR	689,076,182	683,969,311
Cash & Cash Equivalents include:		
– Cash on Hand	16,507,238	45,816,836
– Cheque on Hand	718,813	228,934
Balance with Scheduled banks:		
– In Current Account	670,907,398	636,977,516
– Unpaid Dividend	942,734	946,025
	689,076,182	683,969,311

Note: Figures in brackets represent outflows.

Summary of Significant Accounting Policies

The accompanying notes are an integral part of the financial statements

As per our report of even date attached

For & on behalf of the Board of Directors

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

(PULKIT SETH)
Managing Director
DIN 00003044

(VINOD VAISH)
Whole Time Director
DIN 01945795

(SANDEEP DINODIA)
Partner
M. No. 083689

(SHAIENDRA SANCHETI)
Group Chief Finance Officer

(SANDEEP SABHARWAL)
Company Secretary

Place: New Delhi
Date: 30th May, 2013

Notes to the Consolidated Financial Statements for the year ended March 31, 2013

NOTE 1

Corporate Information

Pearl Global Industries Limited is a public limited company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The company along with its subsidiaries (collectively referred to as "the Group"), is primarily engaged in manufacturing, sourcing and export of ready to wear apparels through its domestic and global facilities and operations. Its shares are listed on BSE and NSE in India.

NOTE 2

2.1 Basis of Preparation

- i) The consolidated financial statements of the Group have been prepared in compliance with Accounting Standards issued by the Companies (Accounting Standards) Rules, 2006, the relevant provisions of the Companies Act, 1956 and other applicable statutes under the historical cost convention and on an accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) except investment available for sale and held for trading is measured at fair value and in case of the Pearl Global Industries Limited, where land and building are accounted for at revalued cost. However the financial statements 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 all reporting entities under consolidation are drawn up to the financial year ended March 31, 2013.
- iii) The accounting policies adopted for preparation of consolidated financial statements are consistent with those of previous year.

2.2 Uses of Estimates

The preparation of consolidated 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 consolidated 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 statement of profit & loss in the year in which the results are known /materialized.

2.3 Summary of Significant Accounting Policies

a. Basis 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 Consolidated Financial Statements are presented, to the extent possible, in the same format as adopted by the parent company for its separate financial statement.

b. The effect of Changes in Foreign Exchange Rates.

i) 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 all the foreign subsidiaries are identified as non integral subsidiaries of the company in the current year 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 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-integral Foreign Operations” are recognized as, ‘foreign exchange translation reserve’ in balance sheet under the head ‘Reserve & Surplus and those of “Integral Foreign Operations” are recognized as Revenue and taken to Statement of Profit & Loss. The revenue and expenses of foreign operations are translated in Indian Rupee (INR) at yearly average currency exchange rate, of the respective years.

ii) Foreign Currency Transactions

- In case of parent company & its subsidiaries sales made in foreign currencies are translated on exchange rate prevailing on the date of transactions
- Gain/Loss arising out of fluctuation in the exchange rate on settlement of the transaction is recognized in the Statement of Profit and Loss .
- 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 the Statement of Profit & Loss.
- Premium or discount on forward contracts is amortized in the Statement of Profit and Loss 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.

c. 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.

d. 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.

e. Revenue Recognition

- i) Revenue is recognized when significant risk and rewards of ownership transferred to the buyer.
- ii) Export Sales is recognized on the basis of date of Airway Bill/Bill of Lading/ Forwarder Cargo receipt.
- iii) Sales are shown net of sales return/rejection & trade discounts and include freight & insurance recovered from buyers as per terms of sales.
- iv) Income from job work is recognized on the basis of proportionate completion method. However, where job work income is subject to Minimum Assured Profit, it is recognised based on that specific contract.
- v) Interest income is recognized on an accrual 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.
- vi) Investment income is recognized as and when the right to receive the same is established
- vii) Handling Fee income is recognized in the period in which the services are rendered.
- viii) Commission Income is recognized when the services are rendered.
- ix) Dividend Income is recognized when the right to receive is established.
- x) Sales in case of high sea sales are recognized on transfer of title of goods to the customer
- xi) Sale of software is recognized at the delivery of complete module & patches through transfer of code.
- xii) The royalty income is recognized on accrual basis.

f. Fixed Assets

- Fixed Assets are stated at cost less accumulated depreciation except in case of Pearl Global Industries 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 include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of fixed assets. Gains or losses arising from sale of fixed assets are measured as the difference between the net proceeds and the carrying amount of the asset and are recognised in the statement of profit & loss in the year in which the asset is sold.
- 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.

g. 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 ₹ 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.

h. Investments

The investments are classified as follows:

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

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 Statement of Profit & 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 Statement of Profit & Loss.

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.

i. 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 Statement of Profit & Loss.

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 Statement of Profit & Loss.

j. Employee Benefits

(i) Short term Employee benefit

Short-term employee benefits including short term compensated absences are recognized as an expense at the undiscounted amount in the Statement of Profit and Loss of the year in which related service is rendered. Terminal benefits are recognized as an expense immediately.

(ii) Defined Contribution Plan

Contributions payable to recognised provident fund and employee state insurance scheme, which are substantially defined contribution plans, are recognised as expense in the Statement of Profit and Loss, as they incurred.

(iii) Defined Benefit Plan

The obligation in respect of defined benefit plans, which cover Gratuity, are provided for on the basis of an actuarial valuation, using the projected unit credit method, at the end of each financial year. Actuarial gains/losses, if any, are recognised immediately in the Statement of Profit and Loss.

(iv) Other Long Term Benefits

Long term compensated absences are provided for on the basis of actuarial valuation, using the projected unit credit method, at the end of each financial year. Actuarial gains/losses, if any, are recognised immediately in the Statement of Profit and Loss.

k. 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.

l. Leases

- In respect of lease transactions entered into prior to April 1, 2001, lease rentals of assets acquired are charged to Statement of Profit & Loss.
- 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 Statement of Profit & Loss on accrual basis.
 - Assets leased out under operating leases are capitalized. Rental income is recognized on accrual basis over the lease term. The rental Income or Expenses are respectively credited and charged to the Statement of Profit and Loss on Straight Line basis over the lease terms.

m. Taxes On Income

I) Indian Companies

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

II) Foreign Companies

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

n. 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 Statement of Profit & Loss 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.

o. 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.

(Amount in ₹)

	As At March 31, 2013	As At March 31, 2012
--	-------------------------	-------------------------

Note 3 : Share capital
Authorised

51,440,000 (March 31 2012: 51,440,000) Equity Shares of ₹10/- each	514,400,000	514,400,000
10,000 (March 31 2012: 10,000) 4 % - Non Cumulative Redeemable Preference Shares of ₹ 10/- each	100,000	100,000
3,256,000 (March 31 2012: 3,256,000) 10.5 % - Non Cumulative Redeemable Preference Shares of ₹ 100/- each	325,600,000	325,600,000
	840,100,000	840,100,000

Issued, Subscribed & Paid-up
Equity

21,663,937 (March 31 2012: 21,663,937) Equity Shares of ₹ 10/- each fully paid up	216,639,370	216,639,370
Total Issued, Subscribed & Paid-up Capital	216,639,370	216,639,370

a. Share Capital Reconciliation

	March 31, 2013		March 31, 2012	
Equity Shares	No. of shares	Amount (₹)	No. of shares	Amount (₹)
Balance of Shares at the beginning of year	21,663,937	216,639,370	19,500,343	195,003,430
Add:- Addition during the year	—	—	2,163,594	21,635,940
Less:- Buy back during the year	—	—	—	—
Balance of Shares at the end of the year	21,663,937	216,639,370	21,663,937	216,639,370

b. Terms/rights attached to equity shares

The company has only one class of equity shares having per value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. For the year ended 31st March 2013, the amount of ₹ 1 per share has been proposed to be declared as dividend for distribution to equity shareholders (March 31, 2012: ₹ Nil). The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. Details of shareholder holding more than 5 percent shares in the company

(Amount in ₹)

	March 31, 2013		March 31, 2012	
	No. of shares	% holding	No. of shares	% holding
Mrs. Payel Seth	9,849,872	45.47	9,759,977	45.05
Mr. Deepak Seth	1,544,499	7.13	1,544,499	7.13
Mr. Pulkit Seth	1,511,384	6.98	1,511,384	6.98
Mr. Pallak Seth	1,317,646	6.08	1,317,646	6.08

d. For a period of 5 years immediately preceding the date of Balance sheet:-

(Amount in ₹)

	March 31, 2013 No. of Shares	March 31, 2012 No. of Shares
Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash.		
Equity Share Capital	2,163,594	2,163,594
(Being shares issued to shareholders of Pearl Global Limited, subsidiary since merged with the company in terms of Scheme of Amalgamation)		
	2,163,594.00	2,163,594.00

Note 4 : Reserves and surplus

(Amount ₹)

	As At March 31, 2013	As At March 31, 2012
Share Premium Reserve		
Balance at the beginning of year	2,778,164,164	2,714,855,707
Add:- Addition during the year	—	63,308,456
Balance at the close of year	2,778,164,164	2,778,164,164
Capital Reserve on Amalgamation		
Balance at the beginning of year	62,594,738	3,715,105
Add:- Addition during the year	—	58,879,633
Balance at the close of year	62,594,738	62,594,738
Foreign Currency Translation Reserve		
Balance at the beginning of year	279,332,881	(75,733,253)
Add:- Addition during the year	171,224,633	355,066,134
Less:- Utilise during the year	—	—
Balance at the close of year	450,557,514	279,332,881
Capital Reserve on Consolidation		
Balance at the beginning of year	155,020,480	443,869,469
Less:- Utilise during the year	76,683,799	288,848,989
Balance at the close of year	78,336,681	155,020,480
Capital Redemption Reserve		
Balance at the beginning of year	9,500,000	2,233,337
Add:- Addition during the year	—	7,266,663
Balance at the close of year	9,500,000	9,500,000
Hedging Reserve (Refer Note 35)		
Balance at the beginning of year	(168,829,243)	37,319,320
Less:- Utilise during the year	(199,942,439)	206,148,563
Balance at the close of year	31,113,197	(168,829,243)
Investment Reserve- Available for Sale		
Balance at the beginning of year	320,244	(884,778)
Add:- Addition during the year	1,326,778	1,205,022
Less:- Utilise during the year	672,547	—
Balance at the close of year	974,475	320,244
Revaluation Reserve		
Balance at the beginning of year	39,296,855	23,772,230
Add:- Addition during the year	—	15,524,625
Balance at the close of year	39,296,855	39,296,855
General Reserve		
Balance at the beginning of year	409,395,398	33,222,959
Add:- Addition during the year	—	376,172,439
Balance at the close of year	409,395,398	409,395,398
Profit & Loss Account		
Balance at the beginning of year	1,699,358,382	1,335,656,628
Add:- Transfer from minority to group on change in shareholding	64,762,964	48,801,289
Add- Profit/(Loss) for the year	237,883,451	314,900,466

	(Amount ₹)	
	As At March 31, 2013	As At March 31, 2012
Less:- Proposed Dividend for the year	21,663,937	-
[Dividend amount per share ₹1 (March 31,2012:₹ Nil)]		
Less:- Dividend Distribution Tax on Proposed Dividend	3,513,891	-
Transfer from Capital Reserve on consolidation due to disposal of subsidiary	86,471,058	-
Net Surplus in the statement of Profit and Loss	2,063,298,027	1,699,358,382
Total Reserves & Surplus	5,923,231,048	5,264,153,899

Note 5 : Long-term borrowings

	(Amount in ₹)			
	Non-current portion		Current Maturities	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Term Loans (Secured)				
From Banks				
– Loan in Functional Currency*	541,804,499	533,464,637	74,931,660	82,899,315
From financial institutions				
– Long Term maturities of Finance Lease Obligation	-	-	863,268	3,245,120
	541,804,499	533,464,637	75,794,928	86,144,435
Term Loan disclosed under "Other Current Liabilities"	-	-	74,931,660	82,899,315
Finance Lease Obligations disclosed under "Other Current Liabilities"	-	-	863,268	3,245,120
(Refer Note 9)				
	541,804,499	533,464,637	-	-

In case of Pearl Global Industries Limited (Holding company)

- 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 and guaranteed by the promoter directors of the company repayable ₹ 909,600 p.m. by January 2016.
- Rupee term loan from UCO Bank was secured by exclusive charge on the movable/immovable assets purchased from proceeds of term loan (including exclusive charge on the superstructure built on land at D-6/III, Phase II, MEPZ, Chennai and first charge on immovable property situated at 446, Phase V, Udyog Vihar, Gurgaon) guaranteed by a promotor director and repayable quarterly ₹3,025,000 by January 2013 - The loan has been fully discharged during the year ended March 31, 2013 and the company has initiated for removal of charge from the hypothecated assets.
- Rupee term loan from Punjab National Bank was 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) guaranteed by promotor director and repayable ₹ 5,000,000 quarterly by November 2015. - The loan has been fully discharged during the year ended March 31, 2013 and the company has initiated for removal of charge from the hypothecated assets.
- Rupee term loan from Kotak Mahindra Bank Ltd. is secured by exclusive first charge on immovable property located at Plot No. 10; sector - 5 , Growth center, Bawal and repayable ₹ 16,96,898 monthly by February 2018.

In case of Multinational Textile Group Limited (Foreign subsidiary)

Norwest Industries Limited

- Bank mortgage loan secured by company's investment properties and guaranteed by a director and is repayable in 119 monthly equal installments which commenced on September 2006 until August 2016..
- Bank mortgage loan secured by company's investment properties and guaranteed by a director and is repayable in 120 monthly equal installments commenced on September 2007 until September 2017.
- Term loan is secured by the pledge of certain insurance policies and guaranteed by a director and repayable in 83 equal monthly installments commenced on October 2010 until September 2017.

Poeticgem Limited

- GBP Long Term Loan 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 Loan is repayable at once by September 2015.

Norp Knit Industries Limited

- BDT Term Loans from HSBC are secured by first charge over company's Plant and Machinery, Stocks of Raw Material, Work in Process, Finished Goods, book debts and receivables, charge over deposits and Standby Letter of Credit from Holding Company bearing repayable in 26 monthly varying installments until May 2015.

Note 6 : Deferred Tax Liabilities (Net)

	(Amount in ₹)	
	As At March 31, 2013	As At March 31, 2012
Deferred Tax Liabilities		
Fixed assets: Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting	34,508,573	22,548,942
(A)	34,508,573	22,548,942
Deferred Tax Assets		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	58,991,509	91,956,112
(B)	58,991,509	91,956,112
Deferred tax liability (net)	(A - B)	(24,482,936)

Note 7 : Other Long Term Liabilities

	(Amount in ₹)	
	As At March 31, 2013	As At March 31, 2012
Security Deposit & Others	173,592,141	128,738,847
	173,592,141	128,738,847

Note 8 : Provisions

	(Amount in ₹)			
	Long Term		Short Term	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Provision for employee benefits				
Gratuity (Refer Note 23)	9,044,908	100,088	434,067	18,742,925
Leave Encashment	12,430,313	11,209,970	520,421	672,576
Employee Benefit	-	-	8,400,372	8,703,288
Other provisions				
Provision for current tax				
[Net of advance tax]	-	-	124,442,072	22,111,453
Proposed Dividend	-	-	21,663,937	-
Tax on Proposed Dividend	-	-	3,513,891	-
	21,475,221	11,310,058	158,974,759	50,230,241

Note 9 : Short-term borrowings

	(Amount in ₹)	
	As At March 31, 2013	As At March 31, 2012
Loan From Banks (secured)		
Working Capital Loans		
- Loan in functional currency	4,217,971,266	3,378,596,091
- Foreign Currency Loan	218,551,876	417,350,672
	4,436,523,142	3,795,946,763
Unsecured Borrowings		
From Others	5,128,749	18,302,332
From Directors	3,196,615	85,232,096
	8,325,364	103,534,428
	4,444,848,506	3,899,481,191

In case of Pearl Global Industries Limited (Holding company)

- a) Working Capital Loans including bill discounting under consortium of Banks which are secured by first pari-passu charge on present and future movable fixed assets comprising vehicle, furniture and fixtures, stocks of raw material, stocks in process, stores & spares, bill receivable & book debts, guaranteed by a promotor director of the company and mortgage of the properties situated at Plot No.H-597-603, RICCO Industrial Area, Bhiwadi, Alwar and Plot No.16-17, Phase-VI, Udyog Vihar, Gurgaon.

Norwest Industries Limited

- a) The banking facilities are secured by way of Pledge of company's time deposit and marketable securities, Bank Guarantees aggregating ₹ 97,902,000 (March 31,2012: ₹ 92,088,000), guarantees from a fellow subsidiary and directors of the company and a related party and Companies' insurance deposits.

Poeticgem Limited

- a) Bank loans are secured by a legal charge over the freehold property at Teleflex Plot, Burnleys, Kiln Farm, Milton Keynes, fixed and floating charges over the assets of the sub-subsidiary and a cross guarantee between Poeticgem Limited and its subsidiary Pacific Logistics Limited.

Norp Knit Industries Limited

- a) Bank Loans are secured by first charge over company's Plant and Machinery, Stocks of Raw Material, Work in Process, Finished Goods, book debts and receivables, charge over deposits and Standby Letter of Credit from Holding Company.

Simple Approach Limited and Zamira Fashion Limited

- a) The bank facilities were secured by ultimate holding, holding and fellow subsidiary companies' corporate guarantees, directors' personal guarantee, bank guarantee and fellow subsidiary's properties.

PT Pinnacle Apparels

- a) The Bank loans and facilities are secured by fiduciary transfer over company's machineries and equipments, inventories, trade receivables together with corporate guarantee from ultimate holding company.

Loan from others

Loans from others are repayable on demand, taken during ordinary course of business.

Loan from Directors

Loan from directors is repayable on demand, taken during ordinary course of business.

Note 10 : Other current liabilities

	(Amount in ₹)	
	As At March 31, 2013	As At March 31, 2012
Trade Payables [Refer note (a) below]		
– Due to Micro Small & Medium Enterprises	1,071,392	1,507,025
– Due to Others	4,576,564,825	2,619,118,596
	4,577,636,217	2,620,625,621
Other liabilities:		
Current maturities of long-term borrowings (Refer note 5)	74,931,660	82,899,315
Current maturities of finance lease obligations	863,268	3,245,120
Unpaid dividends [Refer note (b) below]	942,734	946,025
Book Overdraft	47,556,844	–
Others:		
– Derivative financial instruments	43,978,918	150,831,448
– Other payables [Refer note (c) below]	686,927,429	512,581,865
	855,200,852	750,503,773
	5,432,837,069	3,371,129,394

- a) The details of amounts outstanding to Micro, Small and Medium Enterprises based on available information with the Company is as under:

	(Amount in ₹)	
	As At March 31, 2013	As At March 31, 2012
Principal amount due and remaining unpaid	1,071,392	1,507,025
Interest due on above and the unpaid interest	–	–
Interest paid	–	–
Payment beyond the appointed day during the year	–	–
Interest due and payable for the period of delay	–	–
Interest accrued and remaining unpaid	–	–
Amount of further interest remaining due and payable in succeeding years	–	–
b) It does not include any amount due to be transferred to Investor Education and Protection Fund.		
c) It includes statutory liabilities, advance from customers and other current liabilities.		

NOTE 11 - FIXED ASSETS

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK AS ON	
	As On 01.04.2012	Additions	Deductions	Difference In Exchange	Total 31.03.2013	As On 01.04.2012	Additions	Deductions/ Adjustments	Difference In Exchange	Upto 31.03.2013	31.03.2013	31.03.2012
Tangible Assets												
Land Freehold	214,255,470	6,368,598		590,870	221,214,939	–				–	221,214,939	214,255,470
Land Leasehold	16,642,027				16,642,027	2,854,583	431,978			3,286,561	13,355,466	13,787,444
Building	1,004,496,773	63,801,852	3,055,521	8,806,466	1,074,049,570	228,850,962	36,258,866	7,689,967	243,911	257,663,772	816,385,798	775,645,811
Investment Property	877,435,963			28,279,057	905,715,020	65,721,155	26,534,796		1,160,450	93,416,401	812,298,618	811,714,808
Plant & Machinery	1,138,264,358	153,905,735	56,963,140	32,357,058	1,267,564,011	532,290,991	85,725,206	29,485,459	21,016,440	609,547,178	658,016,833	605,973,367
Vehicles	121,619,931	7,616,858	12,348,130	3,034,890	119,923,549	63,799,012	15,539,385	12,073,456	2,807,320	70,072,261	49,851,287	57,820,918
Furniture & Fixtures	389,109,147	107,611,996	28,149,797	10,404,221	478,975,567	244,405,048	65,340,334	21,920,511	2,771,857	290,596,728	188,378,839	144,704,099
Total	3,761,823,668	339,305,039	100,516,588	83,472,563	4,084,084,682	1,137,921,752	229,830,565	71,169,394	27,999,978	1,324,582,903	2,759,501,780	2,623,901,916
Intangible Assets												
Goodwill	501,648,940	4,086,724	71,184,737	21,923,350	456,474,277	–				–	456,474,277	501,648,940
Software	190,032,569	2,225,714			192,258,283	95,264,230	37,299,580			132,563,810	59,694,474	94,768,339
Trade Mark	7,903,249			498,974	8,402,223	6,806,262	566,117		438,939	7,811,318	590,904	1,096,987
Total	699,584,758	6,312,438	71,184,737	22,422,324	657,134,783	102,070,492	37,865,696	–	438,939	140,375,128	516,759,655	597,514,266
Capital Work-in- progress	114,880,254	74,093,177	162,771,918	7,748,101	33,949,614	–	–	–	–	–	33,949,614	114,880,254
	114,880,254	74,093,177	162,771,918	7,748,101	33,949,614	–	–	–	–	–	33,949,614	114,880,254
Grand Total	4,576,288,680	419,710,654	334,473,243	113,642,988	4,775,169,080	1,239,992,244	267,696,262	71,169,394	28,438,918	1,464,958,030	3,310,211,049	3,336,296,436
Previous Year	4,111,261,170	376,658,135	172,004,270	260,373,644	4,576,288,680	952,232,653	251,584,799	31,037,664	67,212,456	1,239,992,244	3,336,296,436	3,159,028,517

- a) CWIP includes pre-operative expenses of ₹ 4,200,153 (March 31, 2012: ₹ 4,185,753)
- b) During earlier years, 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.
- c) Opening Balance of land includes ₹ 45,229,131 on account of revaluation on March 31, 2002.
- d) Opening balance of building includes ₹ 5,932,276 on account of devaluation on March 31, 2002
- e) The above includes the amount of Land of ₹ 15,954,319 & Building of ₹ 14,890,483 situated at Narshingpur, Tehsil District gurgaon for which the company has executed an agreement for the construction of commercial project with DLF Retail Developers Ltd. on 30th November,2007. However, as certified by the management, the work has not started during the financial year 2012-13.

Note 12 : Investments

	(Amount in ₹)	
	As At March 31, 2013	As At March 31, 2012
Non- Current Investment		
Non-trade investments (Valued at Cost, unless stated otherwise)		
Investments in Equity shares (Unquoted)		
GWD Enterprises	43,515,788	40,931,563
100 A Shares and 25 B Shares (March 31, 2012: 100 A Shares and 25 B Shares) of GBP 1 each		
India Infrastructure Opportunities LLP	33,065,290	29,046,686
571.45 Shares (March 31, 2012: 546.20 Shares of \$ 1036.62 each) of \$ 1,063.64 each		
Juhu Exchange Limited	17,437,434	16,401,896
200,000 Preference Shares (March 31, 2012: 200,000 Shares) of GBP 1 each		
Investments in Govt. securities		
National Saving Certificate (Pledged with Sales Tax Authority)	4,000	4,000
	<u>94,022,512</u>	<u>86,384,145</u>

Aggregate book value of quoted investment is ₹ Nil (March 31, 2012: ₹ Nil)

Aggregate market value of quoted investment is ₹ Nil (March 31, 2012: ₹ Nil)

Aggregate amount of Unquoted investment is ₹ 94,022,512 (March 31, 2012 ₹ 86,384,145)

Current Investment
Quoted investment in Mutual Fund (Measured at fair value)

Birla Income Plus - Retail Growth	20,212,854	-
3,799,60,1420 units (March 31, 2012: Nil) Purchase Value @ ₹ 52.6371 per unit		
IDFC Super Saver IP Plan Growth	20,299,101	-
7,14,015.408 units (March 31, 2012: Nil) Purchase Value @ ₹ 28.0106 per unit		
HDFC Income Fund Growth	20,123,782	-
74,61,23,886 units (March 31, 2012: Nil) Purchase Value @ ₹ 26.8052 per unit		
ICICI Pru Income Fund Growth	20,133,247	-
54,25,36,194 units (March 31, 2012: Nil) Purchase Value @ ₹ 36.8639 per unit		
Birla Sunlife Dynamic Bond Fund Retail Plan	12,635,337	-
636,877.77 units (March 31, 2012: Nil) @ Purchase Value @ ₹ 19.6270 per unit		
DWS Short Maturity Fund Growth	12,642,467	-
601,887.519 units (March 31, 2012: Nil) @ Purchase Value @ ₹ 20.7680 per unit		
IDFC Dynamic Bond Fund Regular Plan Growth	12,632,284	-
897,446.943 units (March 31, 2012: Nil) Purchase Value @ ₹ 13.9284 per unit		
Templeton India Short Term Income Plan Growth	12,647,708	-
5,371.854 units (March 31, 2012: Nil) Purchase Value @ ₹ 2326.9434 per unit		
Investment in Unit Trusts	36,341,601	12,905,837
	<u>167,668,380</u>	<u>12,905,837</u>

Aggregate book value of quoted investment is ₹ 131,326,778 (March 31, 2012: ₹ Nil)

Aggregate market value of quoted investment is ₹ 131,326,778 (March 31, 2012: ₹ Nil)

Aggregate amount of Unquoted investment is ₹ 36,341,601 (March 31, 2012: ₹ 12,905,837)

Note 13 : Loans and Advances

	(Amount in ₹)			
	Non-current		Current	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Capital Advances				
Unsecured, considered good	32,543,082	3,518,281	-	-
Security Deposits				
Unsecured, considered good	64,241,773	44,421,265	32,655,512	-
Unsecured, Considered Doubtful	-	-	-	-
Loan and advances to related parties				
Unsecured - Considered Good	17,060,738	181,425,180	204,381,521	-
Advances Recoverable in cash or kind				
-Unsecured - Considered Good	115,988,902	16,733,779	569,421,465	-
-Unsecured - Considered Doubtful	-	480,000	-	-
	115,988,902	17,213,779	569,421,465	-
Less: Provision for Doubtful advances	-	480,000	-	-
	115,988,902	16,733,779	569,421,465	-
Other Loans and Advances				
MAT Credit Entitlement	21,140,899	18,150,899	-	-
Advance Rent	1,200,000	75,456,420	-	-
Balance with Government Authorities	21,507,178	21,617,664	-	-
Other Advances	30,370,153	23,576,482	95,019,703	572,930,305
	<u>74,218,230</u>	<u>138,801,465</u>	<u>95,019,703</u>	<u>572,930,305</u>
	<u>304,052,725</u>	<u>384,899,970</u>	<u>901,478,201</u>	<u>572,930,305</u>

Note 14 : Inventories

(As taken, valued & certified by management)

	(Amount in ₹)	
	March 31, 2013	March 31, 2012
Raw materials	1,466,725,294	479,192,212
Goods in Transit (Raw Material)	12,670,482	-
Work In Progress	356,444,545	889,027,885
Finished goods		
- Manufacturing	804,677,607	689,224,660
- Goods in Transit	34,656,459	78,911,447
Traded goods	124,925,516	351,589,925
Stores, spares and Others	17,629,223	7,937,515
	<u>2,817,729,125</u>	<u>2,495,883,643</u>

Note 15 : Trade receivable and other assets

	(Amount in ₹)			
	Non-current		Current	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Outstanding for the period exceeding six months from the date they are due for payment				
Unsecured, considered good	29,580,511	21,040,849	166,651,492	125,831,618
Unsecured, considered Doubtful	21,979,345	18,574,420	5,589,883	578,893
	51,559,856	39,615,269	172,241,375	126,410,511
Less: Provision for doubtful receivables	21,979,345	18,574,420	5,589,883	578,893
	29,580,511	21,040,849	166,651,492	125,831,618
Amounts due by firms in which any director is a partner				
Unsecured - Considered Good	-	-	-	22,060,991
	-	-	-	22,060,991

	(Amount in ₹)			
	Non-current		Current	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Other receivables				
Unsecured, considered good	–	–	7,519,791,855	4,940,692,680
Unsecured - Considered Doubtful	–	–	–	5,116,000
	–	–	7,519,791,855	4,945,808,680
Less: Provision for Doubtful Receivables	–	–	–	5,116,000
	–	–	7,519,791,855	4,940,692,680
	<u>29,580,511</u>	<u>21,040,849</u>	<u>7,686,443,347</u>	<u>5,088,585,288</u>

Note 16 : Cash and bank balances

	(Amount in ₹)			
	Non-current		Current	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Cash and Cash Equivalents				
Balances with Banks:-				
On current accounts	–	–	670,907,398	636,977,516
Unpaid Dividend	–	–	942,734	946,025
Cheques, Drafts on hand	–	–	718,813	228,934
Cash on hand	–	–	16,507,238	45,816,836
	–	–	689,076,182	683,969,311

Other Balances

Balance with bank				
Deposits with original maturity of more than twelve months	21,979,345	18,574,420	–	–
Deposits with original maturity for more than 3 months but less than 12 months	–	–	1,115,495,773	871,672,453
Balances with bank held as margin money or security against borrowing,	–	–	51,295	2,005,250
	<u>21,979,345</u>	<u>18,574,420</u>	<u>1,115,547,068</u>	<u>873,677,703</u>
Amount disclosed under non-current assets	<u>(21,979,345)</u>	<u>(18,574,420)</u>	<u>–</u>	<u>–</u>
(Refer Note 17)	–	–	1,804,623,250	1,557,647,014

a. Deposits of ₹1,056,470,994 (March 31 2012: ₹ 877,933,938) are pledged as security with various banks.

Note 17 : Other assets

	(Amount in ₹)			
	Non-current		Current	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Unsecured, considered good unless stated otherwise				
Non-current bank balances	21,979,345	18,574,420	–	–
(Refer Note 16)				
Others				
Interest accrued but not due	1,785,957	1,431,269	4,746,216	5,651,008
Export incentive recoverable	–	–	132,609,455	110,732,965
	<u>23,765,302</u>	<u>20,005,689</u>	<u>137,355,671</u>	<u>116,383,973</u>

Note 18 : Revenue from operations

	(Amount in ₹)	
	For the year ended March 31, 2013	For the year ended March 31, 2012
Sale of Products	37,559,998,512	27,505,767,614
Export Incentives	250,634,948	255,515,249
Job Receipts	59,069,265	63,135,105
Other operating revenues	332,698,752	160,492,665
Revenue from operations (net)	<u>38,202,401,476</u>	<u>27,984,910,633</u>

Note 19 : Other Income

	(Amount in ₹)	
	For the year ended March 31, 2013	For the year ended March 31, 2012
Interest on Fixed deposits	18,884,991	23,671,936
Interest others	25,965,384	24,410,149
Rental Income	90,839,230	35,463,175
Dividend From Non Trade Investments	999,894	7,575
Foreign Exchange Fluctuation	–	6,898,147
Miscellaneous Income	119,812,490	64,009,413
	<u>256,501,988</u>	<u>154,460,395</u>

Note 20 : Cost of raw material consumed

	(Amount in ₹)	
	For the year ended March 31, 2013	For the year ended March 31, 2012
Inventory at the beginning of the year	471,415,541	714,708,792
Add: Effect of Exchange Difference on Reinstatement of Opening Stock	6,886,862	(2,175,453)
Add: Purchases	3,525,184,489	2,591,861,729
Less: Cost of Goods Sold	51,351,214	112,742,846
	<u>3,952,135,678</u>	<u>3,191,652,221</u>
Less: Inventory at the end of the year	676,722,874	471,415,544
Cost of materials consumed	<u>3,275,412,804</u>	<u>2,720,236,677</u>

Note 21 : Purchase of Traded Goods

	(Amount in ₹)	
	For the year ended March 31, 2013	For the year ended March 31, 2012
Finished Goods	26,216,801,584	18,353,826,256
	<u>26,216,801,584</u>	<u>18,353,826,256</u>

Note 22 : Increase/(decrease) in inventories

	(Amount in ₹)	
	For the year ended March 31, 2013	For the year ended March 31, 2012
Changes in inventories of finished goods		
Opening Stock	901,430,885	960,953,963
Add: Effect of Exchange Difference on Reinstatement of Opening Stock	10,800,283	7,177,825
Less: Closing Stock	993,060,976	901,430,885
	<u>(80,829,809)</u>	<u>66,700,903</u>

	(Amount in ₹)	
	For the year ended	For the year ended
	March 31, 2013	March 31, 2012
Changes in inventories of work-in-progress		
Opening Stock	238,739,011	199,968,105
Add: Effect of Exchange Difference on Reinstatement of Opening Stock	7,289,662	(2,146,524)
Less: Closing Stock	245,323,107	238,739,011
	705,566	(40,917,430)
	<u>(80,124,242)</u>	<u>25,783,472</u>

Note 23 : Employee Benefit Expense

	(Amount in ₹)	
	For the year ended	For the year ended
	March 31, 2013	March 31, 2012
Salaries, wages and bonus	2,930,786,521	2,209,566,840
Contribution to Provident and other funds	138,595,273	108,967,465
Gratuity	3,930,365	6,873,673
Staff Welfare Expenses	60,181,920	37,207,677
	<u>3,133,494,079</u>	<u>2,362,615,655</u>

Employees Benefits (In the case of Indian Companies)

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

(i) Defined Contribution Plan

The company makes contribution towards provident fund and ESI 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 ₹ 23,967,776.00 (March 31,2012: ₹ 20,239,167.44) for provident fund contributions & ₹ 10,083,333.00 (March 31,2012: ₹ 8,290,555.72) for ESI in the Statement of Profit and Loss. The contributions payable to these plans by the company are at rates specified in the rules of the schemes.

(ii) Defined Benefit Plan

- Contribution to Gratuity Funds through defined benefit plan with Life Insurance Corporation of India in case of Gurgaon unit
- Contribution to Gratuity (Unfunded) in case of Chennai unit
- Leave encashment/ Compensated absence (Long Term)

In accordance with Accounting Standard 15 (revised 2005), an actuarial valuation was carried out in respect of the aforesaid defined benefit plans and other long term benefits based on assumptions given in table with subheading 'e' below.

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.

(I) In case of Pearl Global Industries Limited Acturial valuation is as under:-

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

(Amount in ₹)

Particulars	As at March 31, 2013			As at March 31, 2012		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Defined benefit obligations at beginning of the year	23,616,022	4,403,906	11,882,544	23,414,015	5,442,441	11,518,568
Current Service Cost	4,569,046	2,502,227	5,231,933	5,489,400	1,768,778	3,957,336
Interest Cost	1,889,282	352,312	950,603	1,873,121	462,607	979,079
Actuarial (gain)/loss	(1,288,882)	463,712	3,103,281	28,037	(1,669,761)	3,278,059
Benefits paid	(3,691,582)	(1,927,134)	(8,217,628)	(7,188,551)	(1,185,852)	(7,850,498)
Defined benefit obligations at year end	25,093,886	5,795,023	12,950,733	23,616,022	4,818,213	11,882,544

Note: In case of unfunded gratuity, there is a variance of ₹ 414,307 in Acturial Certificate in defined benefit obligation as on March 31,2012 vis-à-vis defined benefit obligation as on April 1, 2012. The variance is due to excess expense charged of ₹ 414,307 for the year ended March 31, 2012.

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

(Amount in ₹)

Particulars	As at March 31, 2013			As at March 31, 2012		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Fair value of plan assets at beginning of the year	9,591,222	N.A	N.A	10,674,150	N.A	N.A
Expected Return on plan assets	4,557,332	-	-	1,078,509	-	-
Contribution	2,527	-	-	5,027,114	-	-
Actuarial (gain)/loss	-	-	-	-	-	-
Benefits paid	(3,691,582)	-	-	(7,188,551)	-	-
Fair value of plan assets at the year end.	10,459,499	N.A	N.A	9,591,222	N.A	N.A

(c) Reconciliation of fair value of assets and obligations

(Amount in ₹)

Particulars	As at March 31, 2013			As at March 31, 2012		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Fair value of plan assets as at the end of the period	10,459,499	–	–	9,591,222	–	–
Present value of obligation	25,093,886	5,795,023	12,950,733	23,616,022	4,818,213	11,882,544
Net Assets/(Liability) recognized in balance sheet	(14,634,387)	(5,795,023)	(12,950,733)	(14,024,800)	(4,818,213)	(11,882,544)

(Amount in ₹)

Particulars	As at March 31, 2011			As at March 31, 2010		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Fair value of plan assets as at the end of the period	7,472,335	–	–	7,952,931	–	–
Present value of obligation	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)

(Amount in ₹)

Particulars	As at March 31, 2019		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Fair value of plan assets as at the end of the period	1,229,290	–	–
Present value of obligation	11,158,713	2,098,708	2,160,372
Net Assets/(Liability) recognized in balance sheet	(9,929,423)	(2,098,708)	(2,160,372)

(d) Expenses recognized during the year

(Amount in ₹)

Particulars	As at March 31, 2013			As at March 31, 2012		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Current Service Cost	4,569,046	2,502,227	5,231,933	5,489,400	1,768,778	3,957,336
Interest Cost	1,889,282	352,312	950,603	1,873,121	462,607	979,079
Expected return on plan assets	(4,557,332)	–	–	(1,078,509)	–	–
Actuarial (gain)/loss	(1,288,882)	463,712	3,103,281	28,037	(1,669,761)	3,278,059
Net Cost	612,114	3,318,251	9,285,817	6,312,049	561,624	8,214,474

(e) Actuarial Assumptions:

(Amount in ₹)

Particulars	As at March 31, 2013			As at March 31, 2012		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Discount Rate (per annum)	8.00%	8.00%	8.50%	8.00%	8.50%	8.00%
Future increase in compensation	5.50%	5.50%	5.50%	6.00%	6.00%	6.00%
In Service Mortality	LIC (1994-96)	LIC (1994-96)	LIC (1994-96)	LIC (1994-96)	LIC (1994-96)	LIC (1994-96)
Retirement age	58 Years	58 Years	58 Years	58 Years	58 Years	58 Years
Withdrawal rates:-						
– Upto 30 years	3.00%	3.00%	3.00%	0.03	3.00%	3.00%
– Upto 44 years	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
– Above 44 years	1.00%	1.00%	1.00%	0.01	1.00%	1.00%

Note:

Actuarial's valuation is based on escalation in future salary on account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Expected rate of return on Plan Assets is based on expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

(II) **In case of Pearl Global (HK) Limited and its subsidiary Acturial valuation is as under:-
PT Pinnacle Apparels (subsidiary):**

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

As of March 31, 2012, the liabilities for employee benefits were calculated by an independent actuary, PT Bumi Dharma Aktuaria using the "Projected Unit Credit" method. Those calculation were also used as the basis for March 31, 2013 and 2012 reporting, in their report dated April 5, 2012 with No. 236/KIS/LA?04/2013

The principal assumptions used in determining employee benefits obligation as of 31 March 2013 and 2012 are as follows:

Financial Assumptions	For the year ended March 31, 2013	For the year ended March 31, 2012
Discount Rate	6%	7%
Future Salary Increase	5%	8%
Other Assumptions		
Mortality rate	CSO'88	CSO'88
Disability rate	10%	10%
Normal retirement age	55 years	55 years

Voluntary resignation determined of 2%-37% for employee before the age of 20-22 and will linearly 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 Recognized in Balance Sheet	As At March 31, 2013	As At March 31, 2012
Present value of obligation	8,400,372	8,703,288
Unrecognized Actuarial Losses	–	–
Net Liability in Balance Sheet	8,400,372	8,703,288

Amount Recognized in Income Statement	For the year ended March 31, 2013	For the year ended March 31, 2012
Current Service Cost	1,903,028	2,786,758
Interest Cost	884,050	435,242
Net Amortization for the year	–	–
Difference in Foreign Exchange	(425,309)	–
Amortization of Actuarial Profit/(Loss) Accumulation	(1,815,690)	–
Expenses recognized in the Income Statement	546,079	3,222,000

Movement in the liability recognized in Balance sheet	For the year ended March 31, 2013	For the year ended March 31, 2012
At beginning of the year	8,703,288	5,205,654
Charge to Income statement	546,079	3,222,000
Actual Benefit Paid	(1,397,877)	(699,050)
Foreign Currency Translation Reserve	548,882	974,684
At the end of the year	8,400,372	8,703,288

(III) **In case of Norp Knit Industries limited, provision of ₹ 3,683,952 has been made on the basis of management calculation.**

Note 24 : Finance Cost

(Amount in ₹)

	For the year ended March 31, 2013	For the year ended March 31, 2012
Interest Expense	251,910,330	153,990,814
Interest paid to Director	3,399,232	948,398
Other borrowing cost	87,258,395	146,513,600
	<u>342,567,957</u>	<u>301,452,812</u>

Note 25 : Other Expenses

(Amount in ₹)

	For the year ended March 31, 2013	For the year ended March 31, 2012
Manufacturing Expenses	1,187,819,678	1,105,685,060
Consumption of Stores & Spare Parts	105,263,373	60,583,340
Selling & Marketing Exp.	400,848,427	332,845,556
Power & Fuel	133,928,233	117,649,721
Rent	198,446,060	166,639,080
Repair-Buildings	2,408,366	4,216,822
– Machinery	8,193,257	6,329,459
– Others	187,689,003	102,973,164
Legal & Professional Charges	766,060,038	443,884,878
Payment to the Auditors (Refer details below)	27,622,716	23,479,848
Other Expenses	1,660,402,849	1,302,078,521
	<u>4,678,681,999</u>	<u>3,666,365,449</u>

a) Payment to Auditors

As Auditor:

Audit Fees	25,360,239	21,640,165
Tax Audit Fees	285,000	250,000

In other Capacity:

Other Matters	1,572,389	1,311,435
Service Tax	405,088	278,248
	<u>27,622,716</u>	<u>23,479,848</u>

b) Prior Period Items

Trade Discount	–	(156,712)
Travelling	560,055	–
Others	280,095	–
Bank Charges	1,124,667	–
Sample Development	996,112	–
Freight	637,632	–
	<u>3,598,561</u>	<u>(156,712)</u>

Note 26 : Exceptional Items

(Amount in ₹)

	For the year ended March 31, 2013	For the year ended March 31, 2012
Profit on sale of fixed assets	(895,559)	24,342,176
Excess Depreciation written back	5,355,239	–
	<u>4,459,680</u>	<u>24,342,176</u>

Note 27 : Extra Ordinary Items

	(Amount in ₹)	
	For the year ended March 31, 2013	For the year ended March 31, 2012
Loss on disposal of subsidiary companies	143,379,868	15,249,748
	143,379,868	15,249,748

Note 28: Earnings Per Share (EPS)

	(Amount in ₹)	
	For the year ended March 31, 2013	For the year ended March 31, 2012
Profit/Loss attributable to the equity shareholders	237,883,451	314,900,466
Number/Weighted Average number of equity shares outstanding at the end of the year	21,663,937	21,663,937
Nominal value of equity shares	10	10
Basic/Diluted Earnings per share	10.98	14.54

Note 29. Contingent Liabilities and Commitments
a) Contingent Liabilities
In case of Pearl Global Industries Limited (Holding Company)
i) Corporate guarantees 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 300 million equivalent to ₹ 2,097,000,000 & GBP 40 Million equivalent to ₹ 3,292,800,000 (March 31, 2012: HKD 300 million equivalent to ₹ 2,004,000,000 & GBP 40 Million equivalent to ₹ 3,272,000,000).
- To HSBC Limited, Indonesia for securing credit facilities to its step down subsidiary PT Pinnacle Apparels, Indonesia for USD 2,500,000 equivalent to ₹ 135,975,000 (March 31, 2012: USD 2,500,000 equivalent to ₹ 127,900,000).
- To The Cit Group / Commercial Service 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 ₹ Nil (March 31, 2012: USD 400,000 equivalent to ₹ 20,464,000). During the current year, the company was closed & hence there is no outstanding credit facilities.
- To HSBC, Hong Kong for HKD 330 Million, equivalent to ₹ 2,306,700,000 for securing credit facilities to its step down subsidiary Norwest Industries Ltd., Simple Approach Ltd. and Zamira Fashion Ltd (March 31, 2012:- HKD 330 Million, equivalent to ₹ 2,204,400,000).
- To Standard Chartered Bank, Hong Kong for USD 21,052,840 equivalent to ₹ 1,145,063,968 for securing credit facilities to its step down subsidiary Norwest Industries Ltd (March 31, 2012 :USD 25,800,000 equivalent to ₹ 1,319,928,000).
- To HSBC, Bangladesh for BDT 1,673,367,000 equivalent to ₹ 1,137,889,560 for securing various credit facilities to its subsidiary Norp Knit Industries Ltd (March 31, 2012: BDT 1,673,367,000 equivalent to ₹ 1,037,487,540).
- To The City 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 ₹ Nil (March 31, 2012: USD 1,000,000 equivalent to ₹ 51,160,000). During the current year, the company was closed & hence there is no outstanding credit facilities.
- To BNP Paribas, Hong Kong for letter of credit facility to its step down subsidiary Norwest Industries Ltd. for USD 10,000,000 equivalent to ₹543,900,000 (March 31, 2012 : USD 8,500,000 equivalent to ₹ 43,486,000).
- To Canara Bank, Hong Kong Branch, for securing various credit facilities to its subsidiary Norwest Industries Ltd. for USD 15,000,000 equivalent to ₹ 815,850,000 (March 31, 2012 : USD 15,000,000 equivalent to ₹ 767,400,000)
- To Bank of Baroda, Hongkong, for securing credit facilities to its step down subsidiary Simple Approach Ltd. for USD 4,000,000 equivalent to ₹ 217,560,000 (March 31, 2012: ₹ Nil)
- To Bank of Baroda, Hongkong, for securing credit facilities to its step down subsidiary Norwest Industries Ltd. for USD 15,000,000 equivalent to ₹ 815,850,000 (March 31, 2012: USD 15,000,000 equivalent to ₹ 767,400,000).

- To Bank of India, Hongkong Branch for securing credit facilities to its step down subsidiary Simple Approach Ltd. for ₹ Nil (March 31, 2012: USD 2,500,000 equivalent to ₹ 127,900,000) EXPIRED ON 29-10-12
- To Intesa Sanpaolo S.p.A, Hongkong, Branch for securing credit facilities to its step down subsidiary Nor Lanka Manufacturing Ltd. for ₹ Nil (March 31, 2012: USD 6,000,000 equivalent to ₹ 306,960,000).
- To ICICI Bank Limited, Hong Kong Branch, for securing the derivative limits to its step down subsidiary Norwest Industries Ltd. for USD 3,000,000 equivalent to ₹163,170,000 (March 31, 2012 : USD 3,000,000 equivalent to ₹ 153,480,000).
- To ICICI Bank Limited, Hong Kong Branch, for securing the credit limits to its step down subsidiary Norwest Industries Ltd. and Nor Lanka Manufacturing Limited for USD 15,000,000 equivalent to ₹ 815,850,000 (March 31, 2012 : USD 15,000,000 equivalent to ₹ 767,400,000).
- To Punjab National Bank, Hong Kong Branch, for securing the credit limits to its step down subsidiary Norwest Industries Ltd. for USD 30,000,000 equivalent to ₹ 1,631,700,000 (March 31, 2012: USD 30,000,000 equivalent to ₹ 1,534,800,000).
- To Intesa Sanpaolo S.p.A, Hongkong Branch for securing credit facilities to its step down subsidiary Norwest Industries Ltd. or Simple Approach Ltd. or Zamira Fashions Ltd, Hong Kong for USD 18,000,000 equivalent to ₹ 979,020,000 (March 31, 2012 : USD 18,000,000 equivalent to ₹ 920,880,000).
- To Standard Chartered Bank, Hongkong Branch for securing credit facilities to its wholly owned subsidiary Pearl Global (HK) Ltd, Hong Kong for USD 8,200,000 equivalent to ₹ 445,998,000 (March 31, 2012 : ₹ Nil).
- To Standard Chartered Bank, Bangladesh Branch for securing credit facilities to its subsidiary Norp Knit Industries Ltd Ltd, Bangladesh for BDT 560,000,000 equivalent to ₹ 380,800,000 (March 31, 2012 : ₹ Nil).
- ii) Counter Guarantee given by the Company to Axis Bank, Gurgaon for issue of Standby Letter of Credit to HSBC, Bangladesh for securing credit facilities to its subsidiary Norp Knit Industries Ltd., Bangladesh for USD 200,000 equivalent to ₹ 10,878,000 (March 31, 2012 : ₹ Nil).
- iii) Claims against the Company not acknowledged as debts and other matters ₹ 1,061,474 (March 31, 2012: ₹ 1,061,474).
- iv) Export Bills Discounted with banks ₹ 554,994,039.89 (March 31, 2012: ₹ 380,521,957).
- v) Irrevocable letter of credit outstanding with banks ₹ 714,716,962 (March 31, 2012: ₹ 851,898,710)
- vi) Bank Guarantee given to government authorities ₹ 94,907,000 (March 31, 2012: ₹.55,002,000).
- vii) Counter Guarantees given by the company to the Sales Tax Department for its associates company ₹.100,000 (March 31, 2012: ₹ 100,000), for others ₹ 50,000 (March 31, 2012: ₹ 50,000).

In case of Norp Knit Industries Limited (Foreign Subsidiary)

The contingent liability of Norp Knit Industries Limited is ₹ 230,741,680 (March 31, 2012 : ₹ 131,006,000) in respect of letters of credit outstanding and ₹1,281,800 (March 31,2012: ₹ 1,168,700) in respect of bank guarantee.

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

At 31 March 2013, the sub-subsidiaries have the following Contingent Liabilities

In case of Poetigem Limited, UK (Foreign Subsidiary)

- The Sub-Subsidiary's banker, HSBC plc have given a guarantee to H M Revenue & Customs amounting to ₹ 41,360,875 (march 31,2012: ₹ Nil) and Royal Bank of Scotland plc have given a guarantee amounting to ₹ 311,582,470 (March 31,2012: ₹ 40,902,420) on behalf of the Sub-subsidiary.
- The Sub Subsidiary has also extended an Unlimited Multilateral Guarantee on 28 August 2012 to its subsidiaries , Pacific Logistics Limited and FX Import Company Limited.

In case of Norwest Industries Limited (Foreign Subsidiary)

Guarantee given to banks in connection with facilities granted to subsidiaries and sub-subsidiaries ₹ 1,663,278,725 (March 31,2012 : ₹ 1,598,340,004).

- 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 ₹.Nil (March 31,2012: ₹12,270,726). Under this guarantee the maximum liability as at 31st March 2013 is ₹ Nil (March 31,2012: ₹ 12,270,726) and HSBC

Bank Plc, has provided a guarantee to HM Revenue and Customs amounting to ₹ 12,408,263 (Previous Year Nil). Under this guarantee the maximum liability as at 31 March 2013 is ₹ 12,408,263 (March 31, 2012: ₹ Nil). The bank has a fixed and floating charge over the assts of FX Import Company Limited which is supported by a debenture dated 28 August 2012.

- Pacific Logistics Limited

Royal Bank of Scotland plc, has provided a guarantee on behalf of company to H M Revenue and Customs amounting to ₹ Nil (March 31, 2012: ₹ 6,135,363). Under this guarantee the maximum liability as at 31st March 2013 is ₹ Nil (March 31, 2012 : ₹ 6,135,363) and HSBC Bank PLC, has provided a guarantee to HM Revenue and Customs amounting to ₹ 6,204,159 (March 31, 2012: ₹ Nil). Under this guarantee the maximum liability as at 31 March 2013 is ₹ 6,204,159 (March 31, 2012 ₹ Nil).

Company has also extended an Unlimited Multilateral Guarantee on 8 August 2012 to its parent company Poeticgem Limited and fellow subsidiaries FX Import Company Limited.

- Simple Approach Limited

Contingent Liabilities related to Irrevocable letters of credit is ₹ 1,079,467,071 (March 31, 2012: ₹ 785,359,206) and shipping guarantee is ₹ Nil (March 31, 2012 : ₹ 5,313,938).

- Zamira Fashion Limited

Contingent Liabilities related to Irrevocable letters of credit is ₹ 1,721,977,652 (March 31, 2012: ₹ 98,223,261).

- Lerros Fashions India Limited

a) Contingent Liabilities

	As At March 31, 2013	As At March 31, 2012
a) Claims against the company not acknowledged as debts:		
i) The claim represent a counter claim including interest by one of the distributor against the company's claim of ₹ 9,979,426 plus interest pending under Arbitration.	17,970,483	17,970,483
ii) The claim represent a counter claim by one of the distributor, Numero Uno Company Limited (NUCL) against the Company's claim of ₹ 118,757,638 pending under Arbitration	–	128,202,834
b) Guarantees.		
i) Sales Tax Liability against non-receipt of 'C' Form from a customer	–	880,192
	<u>17,970,483</u>	<u>147,053,509</u>

b) Commitments

Estimated amount of contracts remaining to be executed on capital account (net of advances); ₹ 115,713,771 (March 31, 2012: ₹ 2,554,365).

Note 30 : The Subsidiaries considered in the consolidated financial statements are:

Name of the Enterprises	Country of Incorporation	% of voting power held as at 31.03.2013	% of voting power held as at 31.03.2012
House of Pearl Fashions (US) Ltd.* (Remaining 23.07% held by a overseas Subsidiary Pearl Global (HK) Limited	USA	–	76.93%
Norp Knit Industries Ltd.	Bangladesh	99.99%	99.99%
Multinational Textile Group Ltd.	Mauritius	100.00%	100.00%
HOPP Fashions (Partnership Firm)**	India	–	75.00%
Lerros Fashions India Ltd	India	59.64%	59.64%
Pearl Global (HK) Limited	Hong Kong	100.00%	100.00%
Pearl Global Fareast Limited	Hong Kong	100.00%	100.00%
PDS Multinational Fashions Limited	India	100.00%	100.00%

Multinational Textiles Group Limited holds the following subsidiaries:

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.2013	% of voting power held as at 31.03.2012
Global Textiles Group Ltd.	31.03.2006	Mauritius	100.00%	100.00%
Norwest Industries Limited	31.05.2006	Hong Kong	85.00%	85.00%
Zamira Fashions Limited	20.09.2007	Hong Kong	67.00%	67.00%
PG Group Limited	13.05.2008	Hong Kong	51.00%	51.00%
Simple Approach Limited	30.11.2008	Hong Kong	75.00%	75.00%
PS Sourcing Limited*	29.07.2010	Hong Kong	–	51.00%
Nahata Limited	21.02.2012	UK	100.00%	100.00%
Nor Delhi Manufacturing Limited	19.01.2009	Hong Kong	100.00%	100.00%
Propur Investment Limited	01.03.2012	British Virgin Islands	100.00%	100.00%
Mahidhulu Investments Limited	09.03.2012	Mauritius	100.00%	100.00%
Casa Forma Limited	01.01.2012	UK	100.00%	100.00%
SACB Holdings Limited	24.03.2011	Mauritius	51.00%	51.00%
PDS Asia Star Corporation Limited	24.10.2012	Hong Kong	60.00%	–

Norwest Industries Ltd, holds the following subsidiaries

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.2013	% of voting power held as at 31.03.2012
Nor Lanka Manufacturing Limited	18.03.2009	Hong Kong	100.00%	100.00%
Nor India Manufacturing Co. Limited, Hongkong	17.12.2010	Hong Kong	100.00%	100.00%
Hangzhou Grand Pearl Trading Limited	–	China	100.00%	100.00%
Nor Europe Manufacturing Co. Limited	04.11.2011	Hong Kong	70.00%	70.00%
Sino West Manufacturing Co. Ltd.	03.01.2012	Hong Kong	80.00%	80.00%
Spring Near East Manufacturing Co. Ltd.	17.12.2010	Hong Kong	100.00%	100.00%
Designed and Sourced Limited	27.08.2012	Hong Kong	60.00%	–
Norwest USA Inc,	30.04.2012	USA	100.00%	–
Gem Australia Manufacturing Co. Ltd	06.06.2012	Hong Kong	75.00%	–
Nor France Manufacturing Co. Ltd	18.12.2012	Hong Kong	75.00%	–

Nor France Manufacturing Co. Ltd holds the following Subsidiary

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.2013	% of voting power held as at 31.03.2012
Nor France SAS	14.02.2013	France	100.00%	–

Nor Lanka Manufacturing Co. Ltd. holds the following Subsidiary

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.2013	% of voting power held as at 31.03.2012
Nor Lanka Manufacturing colombo Ltd	13.08.2012	Sri Lanka	100.00%	–

Global Textiles Group Limited holds the following subsidiaries:

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.2013	% of voting power held as at 31.03.2012
Poeticgem Limited	30.03.2006	UK	100.00%	100.00%

Poeticgem Limited holds the following subsidiaries:

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.2013	% of voting power held as at 31.03.2012
Pacific Logistics Limited	27.10.2003	UK	100.00%	100.00%
Poeticgem (Canada) Limited	31.08.2006	Canada	100.00%	100.00%
Pacific Supply Chain Limited*	16.04.2007	UK	–	100.00%
FX Imports Company Limited	26.03.2008	UK	75.00%	75.00%
Poetic Knitwear Limited	31.03.2009	UK	100.00%	67.00%
Razamtazz Limited	23.03.2011	Mauritius	100.00%	100.00%

Zamira Fashions Limited holds the following subsidiary:

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.2013	% of voting power held as at 31.03.2012
Zamira Fashions Europe Ltd.*	25.03.2009	UK	–	100.00%

PG Group Limited holds the following subsidiary:

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.2013	% of voting power held as at 31.03.2012
PG Home Group Ltd.	13.05.2008	Hong Kong	90.00%	90.00%
PG Shanghai Manufacturing Co Ltd.	08.06.2012	China	100.00%	–

PG Home Group Limited holds the following subsidiary:

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.2013	% of voting power held as at 31.03.2012
Pearl Ges Home Group	31.07.2008	Chile	100.00%	100.00%

Nor Delhi Manufacturing Limited holds the following subsidiary:

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.2013	% of voting power held as at 31.03.2012
Magic Global Fashion Ltd.UK*	23.01.2009	UK	–	100.00%

FX Imports Company Limited holds the following subsidiary:

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.2013	% of voting power held as at 31.03.2012
FX Import Hong Kong Limited	04.05.2009	Hongkong	100.00%	100.00%

PDS Asia Star holds the following subsidiary

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.2013	% of voting power held as at 31.03.2012
PDS Trading (Shanghai) Co., Ltd.	31.12.2012	China	100.00%	–

Pearl Global (HK) Limited holds the following subsidiary:

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.2013	% of voting power held as at 31.03.2012
PT Pinnacle Apparels	01.04.2011	Indonesia	99.87%	99.87%**
DSPP Global Ltd	08.11.2012	HongKong	100.00%	–

* Company closed during the year

**Company has retired from the partnership firm.

Note 31 : 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 28.13 % of total interest income (March 31, 2012: 23.98 %) of ₹ 44,850,375 (March 31, 2012: ₹48,082,086).
- 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, the net effect on fixed assets was ₹ 14,397,686 (March 31, 2012: ₹ 720,435).
- c) In case of foreign subsidiaries, sales made in foreign currency are translated at the rate ruling at the date of transaction, this is inconsistent with the policy of parent company and its Indian subsidiaries, where sales are recognized at monthly average exchange rate. The sales from foreign subsidiaries represents 85.95% (Previous Year : 78.74%) i.e. ₹ 32,498,587,935 (March 31, 2012: ₹21,859,803,141) of total sales of ₹ 37,81,063,459 (March 31, 2012 : ₹ 27,761,282,863)
- d) 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	% Of Total Inventory
Finished Goods	804,677,607 (689,224,660)	75,820,925 (42,073,581)	9.42 (6.1)
WIP	356,444,545 (889,027,885)	227,705,528 (763,278,636)	63.88 (85.86)
Raw Material	1,466,725,294 (479,192,212)	1,001,470,116 (106,746,321)	68.28 (22.28)

Note: Figures in brackets denotes previous year figure

Note 32 : Goodwill/(Capital Reserve) arising on acquisition of Subsidiaries

Company	As At March 31, 2013	As At March 31, 2012
Norp Knit Industries Limited	33,555,837	33,555,837
M/s Multinational Textiles Limited*	294,917,576	263,408,458
M/s Lerros Fashions India Ltd.	49,664,215	49,664,215

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

Company	As At March 31, 2013	As At March 31, 2012
Global Textiles Group Ltd.	141,385,119	132,988,834
Norwest Industries Ltd	(6,515,432)	(6,128,508)
Nor Lanka Manufacturing Colombo Ltd.	4,086,724	–
Poeticgem Ltd.	(60,413,676)	(56,825,919)
Depa International Inc.	–	(10,151,171)
Pacific Logistic Ltd.	(11,407,541)	(10,730,094)
Poeticgem (Canada) Ltd	1,402,990	1,319,672
FX Imports UK	60,210,546	56,634,887
Simple Approach Ltd.	123,454,585	116,123,121
Casa Forma Limited	42,714,262	40,177,636
Total	294,917,576	263,408,458

Note 33 : Segment Reporting

For the year ended March 31, 2013, 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 ₹)

	UK	Hong Kong	India	Others	Total	Elimination	Total
SEGMENT REVENUE							
Segment Sales	2,089,255,427 (1,441,095,539)	28,523,775,811 (18,316,106,392)	5,070,650,577 (5,901,479,722)	1,876,316,698 (2,102,601,211)	37,559,998,512 (27,761,282,863)	-	37,559,998,512 (27,761,282,863)
Inter Segment Sales	5,071,582 -	729,912,759 (419,136,205)	184,995,795 (480,707,948)	2,527,110,666 (1,957,917,698)	3,447,090,802 (2,857,761,851)	3,447,090,802 (2,857,761,851)	-
Total Segment Sales	2,094,327,008 (1,441,095,539)	29,253,688,570 (18,735,242,597)	5,255,646,372 (6,382,187,670)	4,403,427,364 (4,060,518,909)	41,007,089,314 (30,619,044,714)	3,447,090,802 (2,857,761,851)	37,559,998,512 (27,761,282,863)
Other Income	49,873,058 (82,376,856)	258,050,884 (74,765,023)	184,021,886 (213,073,148)	25,614,783 (92,330,622)	517,560,612 (462,545,649)	261,058,624 (67,013,455)	256,501,988 (395,532,194)
Total Segment Revenue	2,144,200,067 (1,523,472,394)	29,511,739,454 (18,810,007,620)	5,439,668,258 (6,595,260,818)	4,429,042,147 (4,152,849,531)	41,524,649,925 (31,081,590,363)	3,708,149,426 (2,924,775,306)	37,816,500,500 (28,156,815,057)
Total Revenue of each segment as a percentage of total revenue of all segment	5.16 (4.90)	71.07 (60.52)	13.10 (21.22)	10.67 (13.36)	100.00 (100.00)		
Total Segment Operative Profit	116,133,835 (138,012,733)	758,633,473 (559,010,057)	288,472,807 (228,300,432)	169,967,042 (128,062,703)	1,333,207,157 (1,053,385,925)	-	1,333,207,157 (1,053,385,925)
Depreciation	24,210,535 (28,861,985)	68,768,837 (51,153,291)	101,532,355 (104,102,337)	73,184,509 (67,353,016)	267,696,237 (251,470,630)	-	267,696,237 (251,470,630)
Unallocated Expenses							94,110,237 (25,646,345)
Total Segment Result before Interest & Taxes/Extraordinary items	91,923,300 (109,150,748)	689,864,635 (507,856,765)	186,940,452 (124,198,095)	96,782,533 (60,709,687)	1,065,510,920 (801,915,295)	94,110,237 (25,646,345)	971,400,683 (776,268,950)
Total EBIT of each segment as a percentage of total EBIT of all segment	8.63 (13.61)	64.74 (63.33)	17.54 (15.49)	9.08 (7.57)	100.00 (100.00)		
Net Financing Cost							342,567,957 (293,996,697)
Income Tax Expenses							182,129,561 (81,539,280)
Extraordinary Item							143,379,868 (15,249,748)
Profit for the Year							303,323,297 (385,483,225)
SEGMENT ASSETS	1,037,930,163 (1,303,879,526)	9,449,063,918 (5,861,622,418)	2,637,768,591 (4,340,135,722)	2,317,504,779 (2,789,770,152)	15,442,267,451 (14,295,407,818)	-	15,442,267,451 (14,295,407,818)
Segment Assets as a percentage of Total assets of all segments	6.72 (9.12)	61.19 (41.00)	17.08 (30.36)	15.01 (19.52)	100.00 (100.00)		
SEGMENT LIABILITIES	290,387,854 (243,074,730)	3,666,731,023 (2,112,817,920)	2,005,934,195 (1,154,943,340)	1,067,145,925 (743,044,882)	7,030,198,998 (4,253,880,872)	-	7,030,198,998 (4,253,880,872)
Segment Liabilities as a percentage of Total Liabilities of all segments	4.13 (5.71)	52.16 (49.67)	28.53 (27.15)	15.18 (17.47)	100.00 (100.00)		
Segment Capital Employed	747,542,309 (1,060,804,796)	5,782,332,895 (3,748,804,498)	631,834,396 (3,185,192,382)	1,250,358,854 (2,046,725,270)	8,412,068,453 (10,041,526,946)	-	8,412,068,453 (10,041,526,946)
Segment Capital Employed as a percentage of Total capital employed of all segments	8.89 (10.56)	68.74 (37.33)	7.51 (31.72)	14.86 (20.38)	100.00 (100.00)		
Capital Expenditure	13,545,558 (18,407,112)	96,818,878 (63,630,403)	17,801,388 (38,334,823)	16,273,922 (80,484,246)	144,439,745 (200,856,585)	-	144,439,745 (200,856,585)
Segment Capital Expenditure as a percentage of Total capital expenditure of all segments	9.38 (9.16)	67.03 (31.68)	12.32 (19.09)	11.27 (40.07)	100.00 (100.00)		
Depreciation	24,210,535 (28,861,985)	68,768,837 (51,153,291)	101,532,355 (104,102,337)	73,184,509 (67,353,016)	267,696,237 (251,470,630)	-	267,696,237 (251,470,630)

B. Business Segment

(Amount in ₹)

	Manufacturing	Marketing Distribution Sourcing & Trading	Branding & Retailing	Total Segment	Elimination	Total
SEGMENT REVENUE						
External Sales	6,179,811,043	31,380,187,469	–	37,559,998,512	–	37,559,998,512
	(6,756,354,978)	(21,006,216,045)	1,288,160	(27,761,282,863)	–	(27,761,282,863)
Inter Segment Sales	2,204,251,746	1,242,839,056	–	3,447,090,802	3,447,090,802	–
	(2,067,052,513)	(790,709,338)	–	(2,857,761,851)	(2,857,761,851)	–
Total Segment Sales	8,384,062,789	32,623,026,524	–	41,007,089,314	3,447,090,802	37,559,998,512
	(8,823,407,491)	(21,796,925,383)	1,288,160	(30,619,044,714)	(2,857,761,851)	(27,761,282,863)
Other Income	184,229,581	310,646,663	22,684,367	517,560,612	261,058,624	256,501,988
	(246,297,062)	(212,064,685)	(4,183,902)	(462,545,649)	(67,013,455)	(395,532,194)
Total Segment Revenue	8,568,292,371	32,933,673,188	22,684,367	41,524,649,925	3,708,149,426	37,816,500,500
	(9,069,704,553)	(22,008,990,068)	(2,895,742)	(31,081,590,363)	(2,924,775,306)	(28,156,815,057)
Total Revenue of each segment as a percentage of total revenue of all segment	20.63	79.31	0.05	100.00		
	(29.18)	(70.81)	(0.01)	(100.00)		
Segment Result EBITDA	439,071,913	867,727,503	26,407,740	1,333,207,157	–	1,333,207,157
	(355,445,057)	(732,166,799)	34,225,931	(1,053,385,925)	–	(1,053,385,925)
Total EBITDA of each segment as a total EBITDA	32.93	65.09	1.98	100.00		
	(33.74)	(69.51)	3.25	(100.00)		
Depreciation	152,319,648	114,847,962	528,627	267,696,237	–	267,696,237
	(151,300,833)	(99,805,517)	(364,280)	(251,470,630)	–	(251,470,630)
Unallocated Expenses						94,110,237
						(25,646,345)
Total Segment Result before Interest & Taxes/Extraordinary items	286,752,266	752,879,541	25,879,113	1,065,510,920		971,400,683
	(204,144,224)	(632,361,282)	34,590,211	(801,915,295)		(776,268,950)
Total EBIT of each segment as a percentage of total EBIT of all segment	26.91	70.66	2.43	100.00		
	(25.46)	(78.86)	4.31	(100.00)		
Net Financing Cost						342,567,957
						(293,996,697)
Income Tax Expenses						182,129,561
						(81,539,280)
Exceptional Loss						143,379,868
						(15,249,748)
Profit For the Year						303,323,297
						(385,483,225)
SEGMENT ASSETS	3,853,331,230	11,542,512,711	46,423,510	15,442,267,451	–	15,442,267,451
	(5,590,296,734)	(8,666,175,376)	(38,935,708)	(14,295,407,818)	–	(14,295,407,818)
Segment Assets as a percentage of total assets of all segments	24.95	74.75	0.30	100.00		
	(39.11)	(60.62)	(0.27)	(100.00)		
SEGMENT LIABILITIES	3,053,731,172	3,975,329,384	1,138,442	7,030,198,998	–	7,030,198,998
	(1,694,903,298)	(2,547,835,162)	(11,142,412)	(4,253,880,872)	–	(4,253,880,872)
Segment Liabilities as a percentage of total liabilities of all segments	43.44	56.55	0.02	100.00		
	(39.84)	(59.89)	(0.26)	(100.00)		
Segment Capital Employed	799,600,059	7,567,183,327	45,285,068	8,412,068,453	–	8,412,068,453
	(3,895,393,436)	(6,118,340,214)	(27,793,296)	(10,041,526,946)	–	(10,041,526,946)
Segment Capital Employed as a percentage of total capital employed of all segments	9.51	89.96	0.54	100.00		
	(38.79)	(60.93)	(0.28)	(100.00)		
Capital Expenditure	33,949,614	110,490,130	–	144,439,745		144,439,745
	(118,398,534)	(82,458,051)	–	(200,856,585)		(200,856,585)
Segment Capital Expenditure as a percentage of total capital expenditure of all segments	23.50	76.50	–	100.00		
	(58.95)	(41.05)	–	(100.00)		
Depreciation	152,319,648	114,847,962	528,627	267,696,237		267,696,237
	(151,300,833)	(99,805,517)	(364,280)	(251,470,630)		(251,470,630)

Note 34 : Disclosure of Related parties/ Related parties transactions :

A Name of the Related Parties and description of relationship

Nature of Relationship	Name of the Related party
Associates	Pearl Apparels Limited
	Vau Apparels Pvt. Limited
	Nim International. Commerce Pvt. Ltd.
	Little People Education Society
Enterprise over which Key Managerial Personnel are able to exercise Significant influence	Pearl Retail Solutions Pvt. Ltd.
	Pearl Wears
	Vastras
	Pallas Holdings Limited
	Transnational Textile Group Ltd.
	PAF International Limited
	JSM Trading (F.Z.E.)
	Lerros Moden, GmbH
	Premier Fashion Garment JSC Ltd. (Formerly Premier Pearl Garment JSC)
	Superb Mind Holdings Limited
	Grupo Extremo SUR S.A.
	Fru Holdings Ltd.
	NAFS Limited

Key Managerial Person/ Whole time Director of the group/Relatives	Mr. Deepak Seth	Chairman
	Mr. Pallak Seth	Vice Chairman
	Mr. Pulkit Seth	Managing Director
	Mrs. Payel Seth	Relative
	Mrs. Shafali Seth	Whole Time Director
	Mr. Vinod Vaish	Whole Time Director
	Mr. Sanjay Sarkar	Executive Director

B. Disclosure of Related Parties Transactions:

(i) Associates/ Enterprises over which Key Managerial Personnel exercise significant influence

(Amount in ₹)		
Nature of Transaction	For the year ended on March 31, 2013	For the year ended on March 31, 2012
Advance Given	25,872,281	145,678,049
Advance Recovered	114,261,315	23,802,632
Sale of Software	8,150,916	16,635,418
Expenses Reimbursed	1,268,076	7,424,284
Expenses Paid by us on their behalf	367,803.04	646,372
Interest received	12,680,759	13,230,416
Rent Received	–	1,034,728
Closing Balance		
- Other Receivable	52,492,378	192,498,386
- Other Payable	3,437,284	23,465,506
- Loan	164,869,175	181,425,180
- Sundry Debtors	29,678,277	30,653,483

(ii) Key Managerial Person/ Whole time Director of the group/Relatives

(Amount in ₹)		
Nature of Transaction	For the year ended on March 31, 2013	For the year ended on March 31, 2012
Interest Paid	3,399,232	945,807
Loan taken from directors	–	25,000,000
Loan Repaid	29,743,879	2,500,000
Remuneration Paid	51,467,324	54,945,280

C. Disclosure of Related Parties having more than 10% interest in each transaction in the ordinary course of business

(i) Associates/ Enterprises over which Key Managerial Personnel exercise significant influence

Nature of Transaction	For the year ended on March 31, 2013	For the year ended on March 31, 2012
Advance Given		
JSM Trading Company	–	143,998,978
Pallas Holdings Limited	21,509,723	–
Advance Recovered		
Little People Education Society	–	250,000
Grupo Extremo	11,656,212	23,552,632
JSM Trading Limited	100,001,182	–
Sale of Software		
Lerros Moden GmbH	8,150,916	16,635,418
Expenses Reimbursed		
Little People Education Society	1,268,076	7,424,284
Expenses Recovered		
Little People Education Society	250,000	–
Nim International Commerce Pvt Limited	115,129	543,312
Vau Apparels Pvt. Limited	2,674	103,060
Interest received		
Little People Education Society	12,680,759	13,230,416
Rent Received		
Little People Education Society	–	1,034,728
Closing Balance		
JSM Trading Limited	–	91,743,898
Lerros Modem GmbH	–	7,537,902
Little People Education Society	164,869,175	181,425,180
Grupo Extremo SUR S.A.	12,625,333	22,839,563
Lerros Moden GmbH	8,150,916	7,537,902
Nim International	13,310	1,201,529
Vau Apparels Pvt. Limited	21,514,051	21,914,051
Frou Holding Limited	35,667,624	31,769,439

(ii) Key Managerial Person/ Whole time Director of the group/Relatives

Nature of Transaction	For the year ended on March 31, 2013	For the year ended on March 31, 2012
Expenses Recovered		
Mr. Pulkit Seth	625,481	–
Interest Paid		
Mr. Pulkit Seth	3,399,232	945,807
Loan Refund		
Mr. Pulkit Seth	29,743,879	2,500,000
Loan taken from directors		
Mr. Pulkit Seth	–	25,000,000

Note 35 : 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.

Forward Currency Contracts – Cash Flow Hedges

- a) As 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	As At March 31, 2013	As At March 31, 2012
	USD	USD
Foreign Exchange Contract	34,233,910	65,541,126
	(Equivalent to ₹ 1,854,122,115)	(Equivalent to ₹ 3,261,127,756)

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 30 June 2014.

- b) The terms of the forward currency contracts has been negotiated to match the terms & commitments. The Cash Flow Hedges of the expected future sales in April 2013 to June 2014 value assessed at a profit ₹ 31,113,197 (March 31, 2012 Loss of ₹168,829,242). These arrangements are designed to address significant exchange exposures and are renewed on a revolving basis as required.

Note 36 : Lease
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 ₹)

Particulars	As At March 31, 2013	As At March 31, 2012
Not Later than 1 year	10,986,182	2,653,976
Later than 1 year and not later than 5 years	4,081,861	135,318
Total	15,068,043	2,789,294

Operating Lease Arrangements

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

Norwest Industries limited

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

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

(Amount in ₹)

Particulars	For the year ended on March 31, 2013	For the year ended on March 31, 2012
Minimum lease payments under operating lease recognized in the consolidated statement of profit & loss for the year	27,057,294	26,126,469

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:

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

(Amount in ₹)

Particulars	Land & Buildings		Others	
	As At March 31, 2013	As At March 31, 2012	As At March 31, 2013	As At March 31, 2012
Within one year	14,731,096	5,616,294	22,643,373	16,783,857
In the second to fifth years	55,986,075	-	41,809,811	31,950,085
Between seven and eight years	19,844,953			
Total	90,562,124	5,616,294	64,453,184	48,733,942

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 ₹)

Amount payable under finance lease:	As At March 31, 2013	As At March 31, 2012
Within one year	439,743	992,657
In the second to fifth Year	-	413,629
	439,743	1,406,286
Less: Finance Charges	(9,355)	(89,683)
	430,388	1,316,603
Less than one year	430,388	911,774
More than year	-	404,829
Total	430,388	1,316,603

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 Industries Limited
Assets taken on Lease
Minimum Lease Payments Payables

The company has taken certain assets on non-cancelable operating lease and lease rent charged to Statement of Profit & Loss amounts to ₹ 54,505,272 (March 31, 2012 ₹ 53,393,591). Out of this ₹ 4,348,640 has been debited as rent expense on straight line basis in pursuance of Para-23 of AS-19, "Leases" issued by Companies Accounting Standard Rules 2006. The details of future minimum lease payments is as under:

(Amount in ₹)

Minimum Lease Payments Payables	As At March 31, 2013	As At March 31, 2012
not later than in 1 years	43,968,156	41,164,940
Later than 1 year but not later than 5 years	63,385,636	95,713,037
Later than 5 years	-	4,226,880
Total	107,353,792	141,104,857

In pursuance with Para 23 of AS-19, "Leases" issued by Companies Accounting Standard rules 2006, lease rent under operating leases is recognized under statement of profit and loss on a straight line basis over the lease term. Accordingly Lease Equalisation Liability of ₹ 4,348,640 as on March 31, 2013 has been created

Particulars	Amount in (₹)
Lease Rent on Straight line basis (debited to Statement of Profit & Loss through Rent Expense A/c pertaining to current year)	2,000,227
Lease Rent on Straight line basis (debited to Statement of Profit & Loss through Rent Expense A/c pertaining to earlier years)	2,348,413
Total	4,348,640

Assets given on lease
a) Minimum Lease Payments Receivables

The company has given certain assets on operating lease and lease rent (income) amounts to ₹ 65,129,536 (March 31, 2012 ₹ 20,159,265) has been credited in the Statement of Profit & Loss. Out of this ₹ 2,218,056 has been credited as rental income on straight line basis in pursuance of Para-23 of AS-19, "Leases" issued by Companies Accounting Standard Rules 2006. The future minimum lease payments receivable and detail of assets as at 31st March 2013 are as follows

Amount in (₹)

Minimum Lease Payments Receivables	As At March 31, 2013	As At March 31, 2012
not later than in 1 years	65,749,412	36,682,020
later than 1 year but not later than 5 years	198,097,020	122,894,256
later than 5 years	-	-
	263,846,432	159,576,276

b) Asset Description

Amount in (₹)

Particulars	As At March 31, 2013
Gross Investment on Lease Assets	442,331,280
Accumulated Depreciation	14,855,291
Depreciation Charged during the Year	6,742,751

In pursuance with Para 23 of AS-19, "Leases" issued by Companies Accounting Standard rules 2006, lease rent under operating leases is recognized under statement of profit and loss on a straight line basis over the lease term. Accordingly Lease Equalisation Asset of ₹ 2,218,056 as on March 31, 2013 has been created

Particulars	Amount in (₹)
Lease Rent on Straight line basis (credited to Statement of Profit & Loss through Rent Income A/c pertaining to current year)	1,136,372
Lease Rent on Straight line basis (credited to Statement of Profit & Loss through Rent Income A/c pertaining to earlier years)	1,081,684
Total	2,218,056

Note 37: 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.

Note 38: The process of receiving confirmation from trade payables & receivables is an ongoing process and as at March 31st 2013, the Company is in process of receiving the confirmations from the parties.

Note 39: Previous year figures have been regrouped and reclassified wherever necessary.

For & on behalf of Board of Directors

(PULKIT SETH)
Managing Director
DIN00003044

(VINOD VAISH)
Whole Time Director
DIN 01945795

(SHAILENDRA SANCHETI)
Group Chief Finance Officer

(SANDEEP SABHARWAL)
Company Secretary

Place: New Delhi
Date: 30th May, 2013

INDEPENDENT AUDITORS' REPORT

To the Shareholders of **M/S PEARL GLOBAL INDUSTRIES LIMITED**

1. We have audited the accompanying financial statements of **M/S PEARL GLOBAL INDUSTRIES LIMITED, ("the Company")**, which comprise the Balance Sheet as at 31st March, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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.
4. 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 fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, 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

5. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2013;
 - (b) in the case of the Statement of Profit and Loss, of the **Profit** for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

6. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- Further, as required by section 227(3) of the Act, 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 Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - (e) On the basis of written representations received from the directors as on 31st March 2013 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

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

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

Place: New Delhi
Dated: 30th May, 2013

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 6 of our audit report of even date)

RE: M/S PEARL GLOBAL INDUSTRIES LIMITED

- i) In respect of its fixed assets:
 - a) The Company has maintained adequate records showing particulars of fixed assets including quantitative details and situation, *which needs further updation*.
 - b) As explained to us, all the fixed assets have been physical verified by the management in a phased manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. The discrepancies noticed during verification were not material.
 - c) In our opinion, during the year the Company has not disposed off substantial part of its fixed assets and going concern status of the Company is not affected.
- ii) In respect of its inventories:
 - 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. 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) In respect of loans, secured or unsecured, granted or taken by the Company to/ from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956:
 - a) The company has given unsecured loan to its one subsidiary. In respect of said loan, the maximum amount outstanding at any time during the year was ₹10,514,996 and the year end balance was ₹10,514,996.
 - b) In our opinion and according to the explanations given to us, the rate of interest and other terms and conditions of the loan given by the Company, are not prima facie prejudicial to the interest of the Company.
 - c) In respect of the aforesaid, the amount are repayable on demand, hence there is no overdue amounts.
 - d) The Company had not taken any loan during the year from the companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. However, the Company had repaid during the year the loan taken in earlier years. The maximum amount outstanding at any time during the year was ₹ 29,743,879 and the year end balance was ₹ Nil.
 - e) The rate of interest and other terms and conditions on which such loan was taken are not prima facie prejudicial to the interest of the company.
 - f) In respect of the aforesaid loan, the amount was fully repaid during the year; hence there is no overdue amount.
- 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 and services. Further, on the basis of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices, there is no continuing failure to correct the weaknesses in the aforesaid internal control systems.
- v) In respect of the contracts or arrangements referred to in Section 301 of the Companies Act, 1956:
 - a) In our opinion and according to the information and explanations given to us, the transactions made in pursuance to the contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
 - 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 ₹ 500,000 in respect of each party during the year have been made at prices which appear reasonable as per the information available with the Company.
- vi) 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 which still needs to be further *strengthened*.

viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that, *prima facie*, the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

ix) In respect of statutory dues:

- a) According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and 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 have been generally regularly deposited with the appropriate authorities.
- b) According to the records of the Company examined by us and the information and explanations given to us, there were no undisputed amounts payable in respect of Provident Fund, Investor Education and 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 in arrears as at March 31, 2013 for a period of more than six months from the date they became payable.
- c) On the basis of our verification of records and information and explanations provided, the detail of disputed statutory dues aggregating amounting to ₹ 1,061,474 that 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	2006	E.S.I court
Apparel Export Promotion Council	Penalty	842,193	1999	High court, New Delhi

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

xi) Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that 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) The Company has given the guarantees for loans taken by others from Banks & financial institutions. According to the information & explanations given to us, we are opinion that the terms & conditions thereof are not *prima facie* prejudicial to the interest of the Company.

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

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

xviii) During the year, the Company has not allotted 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) The Company has not raised any monies by way of public issues during the year.

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 material 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

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

Place: New Delhi
Dated: 30th May, 2013

Balance Sheet as at March 31, 2013

PARTICULARS	Note No.	(Amount In ₹)	
		As At March 31, 2013	As At March 31, 2012
EQUITY AND LIABILITIES			
Shareholders' funds			
Share Capital	3	216,639,370	216,639,370
Reserves and surplus	4	3,432,161,657	3,310,213,706
		<u>3,648,801,027</u>	<u>3,526,853,076</u>
Non-current liabilities			
Long-term borrowings	5	82,745,527	87,067,586
Deferred tax liabilities (Net)	12	7,385,340	-
Other Long term liabilities	6	173,580,976	113,335,714
Long-term provisions	7	17,791,269	15,928,096
		<u>281,503,112</u>	<u>216,331,396</u>
Current liabilities			
Short-term borrowings	8	1,042,293,461	1,024,863,083
Trade payables	9	786,647,476	837,830,309
Other current liabilities	9	163,654,610	222,286,278
Short-term provisions	7	26,132,315	772,661
		<u>2,018,727,861</u>	<u>2,085,752,331</u>
Total		<u><u>5,949,032,000</u></u>	<u><u>5,828,936,803</u></u>
ASSETS			
Non-current assets			
Fixed assets	10		
- Tangible assets		1,223,118,855	1,221,103,567
- Intangible assets		59,591,425	94,768,337
- Capital work-in-progress		17,801,388	34,816,542
Non-current investments	11	1,402,064,110	1,481,295,317
Deferred tax assets (net)	12	-	582,683
Long-term loans and advances	13	521,696,443	405,060,783
Trade receivables	16	7,043,575	11,449,968
Other non-current assets	18	21,631,916	18,267,569
		<u>3,252,947,711</u>	<u>3,267,344,765</u>
Current assets			
Current investments	14	131,326,778	-
Inventories	15	1,352,609,972	1,155,127,832
Trade receivables	16	570,727,979	668,448,530
Cash and bank balances	17	243,650,043	324,114,250
Short-term loans and advances	13	260,788,243	297,517,454
Other current assets	18	136,981,273	116,383,973
		<u>2,696,084,289</u>	<u>2,561,592,039</u>
Total		<u><u>5,949,032,000</u></u>	<u><u>5,828,936,803</u></u>
Summary of Significant Accounting Policies	2.3		

The accompanying notes are an integral part of the financial statements

As per our Audit Report of even date attached

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

(SANDEEP DINODIA)
Partner
M.No. 083689
Place: New Delhi
Dated: 30th May, 2013

For & on behalf of Board of Directors

(PULKIT SETH)
Managing Director
DIN 00003044

(VINOD VAISH)
Whole Time Director
DIN 01945795

(SHAILENDRA SANCHETI)
Group Chief Finance Officer

(SANDEEP SABHARWAL)
Company Secretary

Statement of Profit and Loss Account for the year ended March 31, 2013

		(Amount in ₹)	
PARTICULARS	Note No.	For the Year Ended March 31, 2013	For the Year Ended March 31, 2012
Revenue from operations	19	5,576,926,409	6,467,003,311
Other income	20	142,946,110	93,343,224
Total Income		5,719,872,519	6,560,346,535
Expenses			
Cost of materials consumed	21	1,429,453,848	1,598,784,923
Purchases of Stock-in-Trade	22	1,755,165,867	2,446,850,968
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	23	(84,695,371)	94,142,729
Employee benefits expense	24	545,772,999	539,225,406
Finance costs	25	146,469,018	154,438,683
Depreciation and amortization expense	10	100,796,659	103,642,785
Other expenses	26	1,803,048,191	1,629,773,615
Total Expenses		5,696,011,211	6,566,859,108
Profit before exceptional and extraordinary items and tax		23,861,308	(6,512,574)
Exceptional items	27	16,473,554	25,696,357
Profit before tax		40,334,862	19,183,784
Tax expense:			
Current Tax		2,990,000	–
MAT Credit Adjustment		(2,990,000)	–
Provision for Deferred Tax		7,968,022	(13,508,900)
Tax Adjustment for earlier year		(6,579,631)	(3,943,341)
Profit/ (Loss) of the year		38,946,471	36,636,025
Earnings per equity share:			
Basic	28	1.80	1.69
Diluted	28	1.80	1.69
Summary of Significant Accounting Policies	2.3		

The accompanying notes are an integral part of the financial statements

As per our Audit Report of even date attached

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

(SANDEEP DINODIA)
Partner
M.No. 083689
Place: New Delhi
Dated: 30th May, 2013

For & on behalf of Board of Directors

(PULKIT SETH)
Managing Director
DIN 00003044

(SHAIENDRA SANCHETI)
Group Chief Finance Officer

(VINOD VAISH)
Whole Time Director
DIN 01945795

(SANDEEP SABHARWAL)
Company Secretary

Cash Flow Statement for the year ended March 31, 2013

PARTICULARS	(Amount in ₹)	
	For the year ended March 31, 2013	For the year ended March 31, 2012
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax and Prior Period Items	40,334,862	19,183,784
Adjustments For :		
Depreciation	100,796,659	103,642,785
Foreign Exchange Fluctuation	(35,659,000)	(51,830,000)
Excess Provision Written Back	(5,355,239)	—
Dividend Income	—	(7,575)
(Profit)/Loss on sale of Assets	551,326	(25,696,357)
(Profit)/Loss on sale of Investment	(999,894)	—
Share in the (Profit)/Loss from Partnership firm	—	(1,798,156)
Rent received	(65,129,536)	(20,159,265)
Net Interest paid	146,469,018	137,737,480
Interest received	(49,933,045)	(49,224,485)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	131,075,151	111,848,211
Adjustments For :		
Trade and Other Receivables	54,703,173	9,813,606
Inventories	(197,482,140)	377,561,748
Trade Payables and other payables	59,331,581	(171,254,486)
CASH GENERATED FROM OPERATIONS	47,627,766	327,969,079
Direct Taxes Paid	785,370	(32,367,916)
NET CASH FROM OPERATING ACTIVITIES (A)	48,413,136	295,601,163
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets (including CWIP)	(76,506,058)	(92,488,470)
Sale of Investment	80,231,101	2,125,049
Investment made during the year	(130,000,000)	(17,980,541)
Investment in bank deposits (having original maturity of more than one year)	(3,009,659)	64,581,628
Investment in bank deposits (having original maturity of less than one year)	(18,531,145)	—
Loan Given	(21,403,407)	10,398,749
(Increase)/Decrease in share application money	(26,237,000)	30,745,980
Sale of Fixed Assets	30,690,091	85,232,213
Interest Received	49,933,045	49,224,485
Share in profit in firm	—	1,798,156
Rent Received	65,129,536	20,159,265
Dividend Received	—	7,575
NET CASH USED IN INVESTING ACTIVITIES (B)	(49,703,497)	153,804,089

PARTICULARS	(Amount in ₹)	
	For the year ended March 31, 2013	For the year ended March 31, 2012
C. CASH FLOW FROM FINANCING ACTIVITIES	(5,355,239)	–
Interest Paid	(146,469,018)	(137,737,480)
Dividend Paid	(3,292)	(3,186)
Proceeds from Borrowings	<u>13,108,318</u>	<u>(419,136,877)</u>
NET CASH FROM FINANCING ACTIVITIES (C)	(133,363,992)	(556,877,543)
Increase in Cash / Cash equivalents (A+B+C)	(134,654,353)	(107,472,290)
Exchange Fluctuation	35,659,000	51,830,000
Net Increase in Cash / Cash equivalents (A+B+C)	(98,995,353)	(55,642,290)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	150,209,446	205,851,736
CASH AND CASH EQUIVALENTS AT THE CLOSE OF THE YEAR	51,214,094	150,209,446
Cash & Cash Equivalents include:		
- Cash on Hand	1,243,043	848,782
- Cheque on Hand	718,813	228,934
Balance with Scheduled banks:		
- In Current Account	48,309,504	148,185,705
Unpaid dividend	<u>942,734</u>	<u>946,025</u>
	<u>51,214,094</u>	<u>150,209,446</u>
Summary of Significant Accounting Policies	2.3	

The accompanying notes are an integral part of the financial statements

As per our Audit Report of even date attached

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

(SANDEEP DINODIA)
Partner
M.No. 083689
Place: New Delhi
Dated: 30th May, 2013

For & on behalf of Board of Directors

(PULKIT SETH)
Managing Director
DIN 00003044

(VINOD VAISH)
Whole Time Director
DIN 01945795

(SHAIENDRA SANCHETI)
Group Chief Finance Officer

(SANDEEP SABHARWAL)
Company Secretary

Notes to the Financial Statements for the year ended March 31, 2013

Note 1

1. Corporate Information

Pearl Global Industries Limited is a public limited company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The company is primarily engaged in manufacturing, sourcing and export of ready to wear apparels through its facilities and operations in India and sourcing overseas. Its shares are listed in India on Bombay Stock Exchange and National Stock Exchange.

Note 2

2.1 Basis of Preparation

The financial statements of the Company have been prepared in compliance with Accounting Standards issued by the Companies (Accounting Standards) Rules, 2006, the relevant provisions of the Companies Act, 1956 and other applicable statutes under the historical cost convention and on an accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) except investment available for sale and held for trading is measured at fair value and land and building which is measured at revalued cost.

2.2 Uses 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 Statement of Profit & Loss in the year in which the results are known /materialized.

2.3 Summary of Significant Accounting Policies

a) Inventories

- i) 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.
- 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, Accessories & Consumables are valued at cost (weighted average method) or at estimated net realizable value whichever is lower. WIP cost includes appropriate overheads.

b) 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.

c) Depreciation / Amortisation

- i) 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 ₹ 5,000/- are depreciated fully in the year of purchase.
- ii) Software is amortized over the period of 5 years which in the opinion of the management is the estimated economic life.
- iii) Leasehold land is amortised over the period of lease.

d) Revenue Recognition

- i) Export sale is recognized on the basis of date of Airway Bill/ Bill of lading.
- ii) Sales are shown as net of trade discount and include Freight & Insurance recovered from buyers as per the terms of sale.
- iii) Interest income is recognized on time proportion basis.
- iv) Dividend income is recognized when the right to receive is established.
- v) In case of High Sea Sales revenues are recognized on transfer of title of goods to the customer.
- vi) Sale of software is recognized at the delivery of complete module & patches through transfer of code.
- vii) Income from job work is recognized on the basis of proportionate completion method. However, where job work income is subject to Minimum Assured Profit, it is recognised based on that specific contract
- viii) Commission income is recognized when the services are rendered.
- ix) Purchase 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."

e) 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, and related pre-operative expenses are capitalized over the total project at the commencement of project/on start of commercial production. However, certain land and building are measured at revalued cost. Gains or losses arising from sale of fixed assets are measured as the difference between the net proceeds and the carrying amount of the asset and are recognised in the Statement of Profit & Loss in the year in which the asset is sold.

f) Intangible Assets

Intangible assets such as technical know how fees, etc. which do not meet the criterions laid down, in the terms of Accounting Standard 26 on "Intangible Assets" 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.

g) Foreign Currency Transactions

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

h) 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 Statement of Profit & Loss.

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.

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 organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date.

i) 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 Statement of Profit & Loss.

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 Statement of Profit & Loss.

j) Employee Benefit

(i) Short term Employee benefit

Short-term employee benefits including short term compensated absences are recognized as an expense at the undiscounted amount in the Statement of Profit and Loss of the year in which related service is rendered. Terminal benefits are recognized as an expense immediately.

(ii) Defined Contribution Plan

Contributions payable to recognised Provident Fund and Employee State Insurance scheme, which are substantially defined contribution plans, are recognised as expense in the Statement of Profit and Loss, as they incurred.

(iii) Defined Benefit Plan

The obligation in respect of defined benefit plans, which cover Gratuity and Leave Encashment are provided for on the basis of Actuarial valuation, using the projected unit credit method, at the end of each financial year. Actuarial gains/losses, if any, are recognised immediately in the Statement of Profit and Loss.

For the employees at Gurgaon unit, company has taken an Employees' Gratuity Scheme under defined benefit plan and the fund status is being managed by Life Insurance Corporation of India.

(iv) Other Long Term Benefits

Long term compensated absences are provided for on the basis of actuarial valuation, using the projected unit credit method, at the end of each financial year. Actuarial gains/losses, if any, are recognised immediately in the Statement of Profit and Loss.

k) 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.

l) Leases

i) In respect of lease transactions entered into prior to April 1, 2001, lease rentals of assets acquired are charged to the Statement of Profit & Loss.

ii) 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 Statement of Profit & Loss on accrual basis.

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

m) 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.

n) 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 Statement of Profit & Loss 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.

o) 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.

Note 3 : Share Capital

(Amount in ₹)

	As At March 31, 2013	As At March 31, 2012
Authorised		
51,440,000(March 31, 2012:51,440,000) Equity Shares of ₹ 10/- each	514,400,000	514,400,000
10,000 (March 31, 2012:10,000) 4% Non Cumulative Redeemable Preference Shares of ₹ 10/- each	100,000	100,000
3,256,000(March 31,2012:3,256,000)10.5% Non Cumulative Redeemable Preference Shares of ₹ 100/- each	325,600,000	325,600,000
	840,100,000	840,100,000
Issued, Subscribed & Paid-up		
Equity		
21,663,937 (March 31, 2012: 21,663,937) Equity Shares of ₹ 10/- each fully paid up	216,639,370	216,639,370
	216,639,370	216,639,370

a. Share Capital Reconciliation

	March 31, 2013		March 31, 2012	
	No. of shares	Amount (₹)	No. of shares	Amount (₹)
Equity Shares				
Balance of Shares at the beginning of year	21,663,937	216,639,370	19,500,343	195,003,430
Add:- Addition during the year	-	-	2,163,594	21,635,940
Less:- Buy back during the year	-	-	-	-
Balance of Shares at the end of the year	21,663,937	216,639,370	21,663,937	216,639,370

b. Terms/rights attached to equity shares

The company has only one class of equity shares having per value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. For the year ended 31st March 2013, the amount of ₹ 1 per share has been proposed to be declared as dividend for distribution to equity shareholders (March 31, 2012: ₹ Nil). The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the company the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. Details of shareholder's holding more than 5 percent shares in the company

	March 31, 2013		March 31, 2012	
	No. of shares	% holding	No. of shares	% holding
Mrs. Payel Seth	9,849,872	45.47	9,759,977	45.05
Mr. Deepak Seth	1,544,499	7.13	1,544,499	7.13
Mr. Pulkit Seth	1,511,384	6.98	1,511,384	6.98
Mr. Pallak Seth	1,317,646	6.08	1,317,646	6.08

- d. For a period of 5 years immediately preceeding the date of balance sheet, aggregate number and class of shares allotted as fully paid up pursuant to contracts without payment being received in cash

	March 31, 2013 (No. of Shares)	March 31, 2012 (No. of Shares)
Equity Share Capital (Being shares issued to shareholders of Pearl Global Limited, subsidiary since merged with the company in terms of Scheme of Amalgamation)	2,163,594	2,163,594

Note 4 : Reserves and surplus

	(Amount in ₹)	
	As At March 31, 2013	As At March 31, 2012
Share Premium		
Balance at the beginning of year	2,778,164,164	2,713,246,130
Add:- Addition during the year	-	64,918,034
Less:- Utilise during the year	-	-
Balance at the end of the year	2,778,164,164	2,778,164,164
Capital Redemption Reserve		
Balance at the beginning of year	9,500,000	600,000
Add:- Addition during the year	-	8,900,000
Less:- Utilise during the year	-	-
Balance at the end of the year	9,500,000	9,500,000
Revaluation Reserve		
Balance at the beginning of year	39,296,855	-
Add:- Addition during the year	-	39,296,855
Less:- Utilise during the year	-	-
Balance at the end of the year	39,296,855	39,296,855
Amalgamation Reserve		
Balance at the beginning of year	62,594,738	990,000
Add:- Addition during the year	-	61,604,738
Less:- Utilise during the year	-	-
Balance at the end of the year	62,594,738	62,594,738
Hedging Reserve (Refer Note 33)		
Balance at the beginning of year	(150,831,448)	-
Add:- Addition during the year	-	-
Less:- Utilised during the year	106,852,530	(150,831,448)
Balance at the end of the year	(43,978,918)	(150,831,448)
Investment Revaluation Reserve		
Balance at the beginning of year	-	-
Add:- Addition during the year	1,326,778	-
Less:- Utilise during the year	-	-
Balance at the end of the year	1,326,778	-
General Reserve		
Balance at the beginning of year	409,395,398	11,323,604
Add:- Addition during the year	-	398,071,794
Less:- Utilise during the year	-	-
Balance at the end of the year	409,395,398	409,395,398
Profit & Loss Account		
Balance at the beginning of year	162,093,999	(80,015,660)
Add:- Profit/(Loss) during the year	38,946,470	242,109,659
Less:- Utilise during the year	-	-
Proposed Dividend on Equity Shares	21,663,937	-
[Dividend amount per share ₹ 1 (March 31,2012: ₹ Nil)]		
Dividend Distribution Tax on Proposed Dividend	3,513,891	-
Balance at the close of year	175,862,642	162,093,999
Total Reserves & Surplus	3,432,161,657	3,310,213,706

Note 5 : Long Term Borrowings

(Amount in ₹)

	Non Current Portion		Current Maturities	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Term Loans (Secured)				
Indian rupee loan from banks	82,745,527	87,067,586	23,757,964	33,817,730
Amount disclosed under "Other current liabilities" (Note 9)	-	-	(23,757,964)	(33,817,730)
	82,745,527	87,067,586	-	-

The above amount includes

- Secured borrowings	82,745,527	87,067,586	-	-
- Unsecured borrowings	-	-	-	-
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 and guaranteed by the promoter directors of the company repayable ₹ 909,600 p.m. by January 2016.				
c) Rupee term loan from UCO Bank was secured by exclusive charge on the movable/ immovable assets purchased from proceeds of term loan (including exclusive charge on the superstructure built on land at D-6/III, Phase II, MEPZ, Chennai and first charge on immovable property situated at 446, Phase V, Udyog Vihar, Gurgaon) further guaranteed by a promotor director and repayable quarterly ₹ 3,025,000 by January 2013. The loan has been fully discharged during the year ended March 31, 2013 and the company has initiated for removal of charge from the hypothecated assets.				
d) Rupee term loan from Punjab National Bank was 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) further guaranteed by promotor director and repayable ₹ 5,000,000 quarterly by November 2015. The loan has been preclosed and fully discharged during the year ended March 31, 2013 and the company has initiated for removal of charge from the hypothecated assets.				
e) Rupee term loan from Kotak Mahindra Bank Ltd. is secured by exclusive first charge on immovable property located at Plot No. 10; sector - 5 , Growth center, Bawal and repayable ₹ 16,96,898 monthly by February 2018.				

Note 6 : Other Long Term Liabilities

(Amount in ₹)

	As At March 31, 2013	As At March 31, 2012
- Security Deposit	166,414,650	112,721,642
- Others	7,166,326	614,072
	173,580,976	113,335,714

Note 7 : Provisions

(Amount in ₹)

	Long Term		Short Term	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Provisions for Employee Benefits				
Gratuity (Refer Note 24)	5,360,956	4,718,125	434,067	100,088
Leave Encashment (Refer Note 24)	12,430,313	11,209,971	520,420	672,573
Other Provisions				
Proposed Dividend	-	-	21,663,937	-
Tax on Proposed Dividend	-	-	3,513,891	-
	17,791,269	15,928,096	26,132,315	772,661

Note 11 : Non Current Investments

	(Amount in ₹)	
	As At March 31, 2013	As At March 31, 2012
Trade investments (Valued at Cost, unless stated otherwise)		
Investments in Equity instruments in Subsidiaries-Unquoted		
Pearl Global Far East Ltd, Hong Kong		
535,000 (March 31, 2012: 535,000) Equity Shares of USD 1/-		
Each fully paid up	25,337,434	25,337,434
Norp Knit Industries Limited, Bangladesh		
2,415,587 (March 31, 2012: 2,415,587) Equity Shares of Taka		
100 Each fully paid up	155,915,393	155,915,393
Multinational Textiles Group Limited, Mauritius		
21,948,270 (March 31, 2012: 21,948,270) Equity Shares of USD		
1 each fully paid up	1,005,025,338	1,005,025,338
House of Pearl Fashions (U.S.) Limited. *		
Nil (March 31, 2012: 100) without par value fully paid up shares	-	36,426,274
Lerros Fashions India Limited, India		
16,483,487 (March 31, 2012: 16,483,487) equity shares of ₹ 10		
each fully paid up	164,834,870	164,834,870
Pearl Global (HK) Limited, Hong Kong		
10,000 (March 31, 2012: 10,000) equity shares of USD 1 each		
fully paid up	447,075	447,075
PDS Multinational Fashions Limited, India		
50,000 (March 31, 2012: 50,000) equity shares of ₹10 each fully		
paid up	500,000	500,000
Investment in partnership firm Hopp Fashion, India **	-	32,804,933
Investment in preference share – Unquoted		
Lerros Fashions India Ltd., India		
5,000,000 (March 31, 2012: 6,000,000) Preference shares of		
₹ 10 each fully paid up	50,000,000	60,000,000
	1,402,060,110	1,481,295,317
Non-trade investments (Valued at Cost, unless stated otherwise)		
Investments in Government securities	4,000	4,000
-National Saving Certificate (NSC)		
(Pledged with Sales Tax Authorities)	4,000	4,000
	1,402,064,110	1,481,295,317

* During the year, the Company has closed its subsidiary namely House of Pearl Fashion (US) Ltd. and received USD 886,760.77 from House of Pearl fashion (US) Ltd. corresponding to its Investment of USD 810,000 (equivalent to ₹ 32,426,274). (Refer Note 27)

** During the year, the company has retired from the partnership of Hopp Fashions w.e.f. 31 August 2012 (Refer Note 27)

- Aggregate book value of quoted investment is ₹ Nil (March 31, 2012: ₹ Nil)
- Aggregate market value of quoted investment is ₹ Nil (March 31, 2012: ₹ Nil)
- Aggregate amount of unquoted investment is ₹ 1,402,064,110 (March 31, 2012: ₹ 1,481,295,317)

Note 12 : Deferred tax assets / (liability)

	(Amount in ₹)	
	As At March 31, 2013	As At March 31, 2012
Deferred Tax Assets		
Unabsorbed depreciation/losses to be carried forward	92,507,387	118,789,660
Impact of expenditure charged to the statement of profit and loss		
in the current year but allowed for tax purposes on payment basis	18,270,429	12,069,347
Total A	110,777,816	130,859,007
Deferred Tax Liabilities		
Impact of difference between tax depreciation and depreciation/		
amortization charged for the financial reporting	108,265,181	120,849,681
Others	9,897,975	9,426,643
Total B	118,163,156	130,276,324
Deferred tax asset/(liability) (net)	(7,385,340)	582,683

Note 13 : Loans and advances

	(Amount in ₹)			
	Non Current Portion		Current Maturities	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Capital Advances	32,543,082	3,518,281	-	-
(Refer Note Below)				
(Unsecured, Considered Good)				
Security Deposits	34,106,928	12,599,177	2,700,000	
(Unsecured, Considered Good)				
Loan and advances to related parties (Refer Note 31)	270,995,225	243,552,142	175,385,504	181,425,180
(Unsecured – Considered Good)				
Advance Recoverable in cash or kind	-	-	59,715,747	95,702,544
(Unsecured – Considered Good)				
Share Application Money	64,248,199	38,011,199	-	-
Other Loans and Advances				
Advance Tax	71,261,153	65,466,892	-	-
Net of Provision of ₹				
33,510,462 (March,31 2012:				
₹ 56,397,493)				
Prepaid Expenses	3,983,604	2,144,528	15,409,212	15,676,162
Loans to Employees	-	-	7,269,899	4,713,568
MAT Credit Entitlement	21,140,899	18,150,899	-	-
Balance with Government	21,507,178	21,617,664	-	-
Authorities				
Others	1,910,175	-	307,881	-
	521,696,443	405,060,783	260,788,243	297,517,454

a) Capital Commitment: Estimated amount of contracts remaining to be executed on the capital account (net of advances) ₹ 115,713,771 (March 31,2012: ₹ 2,554,365).

Note 14 : Current Investment

	(Amount in ₹)	
	As At March 31, 2013	As At March 31, 2012
Quoted investment in Mutual Fund (Measured at fair value)		
Birla Income Plus – Retail Growth	20,212,853.66	-
3,799,60.1420 units (March 31, 2012: Nil) Purchase Value		
@ ₹ 52.6371 per unit		
IDFC Super Saver IP Plan Growth	20,299,101.04	-
7,14,015.408 units (March 31, 2012: Nil) Purchase Value		
@ ₹ 28.0106 per unit		
HDFC Income Fund Growth	20,123,781.94	-
74,61,23.886 units (March 31, 2012: Nil) Purchase Value		
@ ₹ 26.8052 per unit		
ICICI Pru Income Fund Growth	20,133,246.89	-
54,25,36.194 units (March 31, 2012: Nil) Purchase Value		
@ ₹ 36. 8639 per unit		
Birla Sunlife Dynamic Bond Fund Retail Plan	12,635,336.52	-
636,877.77 units (March 31, 2012: Nil) Purchase Value @		
₹ 19.6270 per unit		
DWS Short Maturity Fund Growth	12,642,466.77	-
601,887.519 units (March 31, 2012: Nil) Purchase Value @		
₹ 20.7681 per unit		
IDFC Dynamic Bond Fund Regular Plan Growth	12,632,283.68	-
897,446.943 units (March 31, 2012: Nil) Purchase Value @		
₹ 13.9284 per unit		
Templeton India Short Term Income Plan Growth	12,647,707.93	-
5,371.854 units (March 31, 2012: Nil) Purchase Value @		
₹ 2326.9434 per unit	131,326,778.43	-

Aggregate book value of quoted investment is ₹ 131,326,778 (March 31, 2012: ₹ Nil)
 Aggregate market value of quoted investment is ₹ 131,326,778 (March 31, 2012: ₹ Nil)
 Aggregate amount of unquoted investment is ₹ Nil (March 31, 2012: ₹ Nil)

Note 15 : Inventories
 (as taken, valued and certified by management)

	(Amount in ₹)	
	As At March 31, 2013	As At March 31, 2012
Raw materials	465,255,177	364,669,223
Goods in Transit (Raw Material)	12,129,873	–
Work in Progress	128,739,017	125,749,250
Finished Goods	728,856,682	647,151,079
Stock in trade	–	1,844,097
Stores Spares & Others	17,629,223	15,714,183
	<u>1,352,609,972</u>	<u>1,155,127,832</u>

Note 16 : Trade receivables

	(Amount in ₹)			
	Non Current Portion		Current Maturities	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Outstanding for the period exceeding six months from the date they are due for payment				
Unsecured, considered good	7,043,575	11,449,968	114,426,673	67,332,009
Unsecured, considered Doubtful	871,854	–	4,718,029	578,893
	<u>7,915,429</u>	<u>11,449,968</u>	<u>119,144,702</u>	<u>67,910,902</u>
Less: Provision for doubtful receivables	871,854	–	4,718,029	578,893
	<u>7,043,575</u>	<u>11,449,968</u>	<u>114,426,673</u>	<u>67,332,009</u>
Other receivables				
Unsecured – Considered Good	–	–	456,301,305	601,116,520
	<u>7,043,575</u>	<u>11,449,968</u>	<u>570,727,979</u>	<u>668,448,530</u>

Note 17 : Cash and Bank balances

	(Amount in ₹)			
	Non Current Portion		Current Maturities	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Cash and Cash Equivalents				
Balance with Banks :-				
– EEFC account	–	–	6,626,596	66,486,340
– On Current accounts	–	–	41,682,907	81,699,365
– On unpaid dividend	–	–	942,734	946,025
Cheque/drafts on hand	–	–	718,813	228,934
Cash on hand	–	–	1,243,043	848,782
	–	–	<u>51,214,093</u>	<u>150,209,445</u>
Other Balances				
Balance with bank				
– Deposits with original maturity of more than 12 months*	19,845,959	16,836,300	–	171,364,551
– Deposits with original maturity for more than 3months but less than 12 months*	–	–	192,435,950	690,254
– Margin money Deposit	–	–	–	1,850,000
	<u>19,845,959</u>	<u>16,836,300</u>	<u>192,435,950</u>	<u>173,904,805</u>
Amount disclosed under "Other Non-current asset" (Note 18)	(19,845,959)	(16,836,300)	–	–
	–	–	<u>243,650,043</u>	<u>324,114,250</u>

*Deposits of ₹ 133,777,785 (March 31, 2012: ₹ 188,891,105) are pledged as security with various banks

Note 18 : Other Assets
 (Unsecured, considered good unless stated otherwise)

	(Amount in ₹)			
	Non Current Portion		Current Maturities	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Non Current Bank Balances				
Fixed Deposit with banks	19,845,959	16,836,300	–	–
A	<u>19,845,959</u>	<u>16,836,300</u>	<u>–</u>	<u>–</u>
Others				
Interest accrued but not due	1,785,957	1,431,269	4,371,818	5,651,008
Export Incentive Receivable	–	–	132,609,455	110,732,965
B	<u>1,785,957</u>	<u>1,431,269</u>	<u>136,981,273</u>	<u>116,383,973</u>
A+B	<u>21,631,916</u>	<u>18,267,569</u>	<u>136,981,273</u>	<u>116,383,973</u>

Note 19 : Revenue from operations

	(Amount in ₹)	
	For the Year Ended March 31, 2013	For the Year Ended March 31, 2012
Sale of Product	5,255,646,372	6,124,762,638
Other Operating Income	262,210,772	279,105,568
Job Receipts	59,069,265	63,135,105
Total	<u>5,576,926,409</u>	<u>6,467,003,311</u>
a) Details of Products Sold		
Manufacturing - Garments	2,789,091,799	3,320,136,519
Traded - Garments	1,893,176,261	2,600,011,369
Manufacturing- Shoe Upper	402,694,945	–
Manufacturing- Home Décor	84,481,617	50,686,758
Fabric	49,204,962	104,693,850
Software	8,150,917	16,635,418
Others	28,845,872	32,598,724
	<u>5,255,646,372</u>	<u>6,124,762,638</u>
b) Other operating income		
Claims	4,147,298	13,715,127
Scrap Sale	1,565,531	3,171,604
Export Incentive	241,394,948	246,587,249
Export Sale Sample	3,779,174	3,322,892
Sample Designing Sale	11,323,921	12,308,695
	<u>262,210,772</u>	<u>279,105,568</u>
c) Earnings in Foreign Exchange		
Export of Goods- FOB basis	5,242,674,016	6,088,902,841
Sample Designing Sale	11,323,921	12,308,696
	<u>5,253,997,937</u>	<u>6,101,211,537</u>

Note 20 : Other Income

	(Amount in ₹)	
	For the Year Ended March 31, 2013	For the Year Ended March 31, 2012
Interest Income	49,933,045	49,224,485
Dividend Income from non-trade investments	–	7,575
IT/ SAP Income	25,689,566	9,506,895
Management Fee	–	3,888,504
Rental Income	65,129,536	20,159,265
Profit from Investments in Partnership Firms/associates	–	1,798,156

Profit/Loss from trading of Mutual Fund	999,894	–
Foreign Exchange Fluctuation	–	5,495,101
Miscellaneous Income	1,194,069	3,263,244
	<u>142,946,110</u>	<u>93,343,224</u>
a) Interest Income:		
Interest on Fixed Deposit with Bank	18,037,515	22,314,312
Interest on Loan & Advances	30,729,656	26,910,173
Interest on Income Tax Refund	1,165,874	–
	<u>49,933,045</u>	<u>49,224,485</u>
b) Earning in Foreign Currency		
Interest Income	17,102,629	13,229,155
IT/SAP Income	25,689,566	13,395,399
	<u>42,792,195</u>	<u>26,624,554</u>

Note 21 : Cost of Raw Material Consumed

	(Amount in ₹)	
	For the Year Ended March 31, 2013	For the Year Ended March 31, 2012
Raw Material		
Inventory at the beginning of the year	364,669,223	645,094,292
Add:- Purchases during the year	1,581,391,017	1,431,102,700
Less:- Cost of Goods Sold	<u>51,351,214</u>	<u>112,742,846</u>
	<u>1,894,709,025</u>	<u>1,963,454,146</u>
Less:- Inventory at the end of the year	<u>465,255,178</u>	<u>364,669,223</u>
Cost of Raw Material consumed	<u>1,429,453,848</u>	<u>1,598,784,923</u>

a) Details of Imported and Indigenous Raw materials Consumed

	For the year Ended March 31, 2013		For the year Ended March 31, 2012	
	%	Value (₹)	%	Value (₹)
Indigenous	73.72%	1,053,825,005	88.27%	1,411,212,182
Imported	26.28%	375,628,843	11.73%	187,572,741
	100%	<u>1,429,453,848</u>	100%	<u>1,598,784,923</u>

b) CIF value of Imports

	(Amount in ₹)	
	For the Year Ended March 31, 2013	For the Year Ended March 31, 2012
Raw Material	379,673,009	285,162,249
Capital Goods	–	933,156
Garments	1,703,814,652	2,334,108,122
	<u>2,083,487,661</u>	<u>2,620,203,527</u>
c) Component wise consumption of Raw Material		
Fabric	1,026,865,607	1,148,511,005
Others	402,588,241	450,273,918
	<u>1,429,453,848</u>	<u>1,598,784,923</u>

Note 22 : Purchase of Stock in Trade

	(Amount in ₹)	
	For the Year Ended March 31, 2013	For the Year Ended March 31, 2012
Finished Goods Purchased	<u>1,755,165,867</u>	<u>2,446,850,968</u>
	<u>1,755,165,867</u>	<u>2,446,850,968</u>
a) Details of Purchases		
Readymade Garments	1,703,814,652	2,334,108,122
Fabric	40,466,307	91,592,457
Others	10,884,908	21,150,389
	<u>1,755,165,867</u>	<u>2,446,850,968</u>

Note 23 : Increase/(decrease) in inventories

	(Amount in ₹)	
	For the Year Ended March 31, 2013	For the Year Ended March 31, 2012
Inventories at the beginning of the year		
– Work-in-progress	125,749,249	131,279,351
– Finished goods	647,151,079	735,763,706
	<u>772,900,328</u>	<u>867,043,057</u>
Inventories at the end of the year		
– Work-in-progress	128,739,017	125,749,249
– Finished goods	728,856,682	647,151,079
	<u>857,595,699</u>	<u>772,900,328</u>
	<u>(84,695,371)</u>	<u>94,142,729</u>

a) Details of Inventory

Work in progress		
Garments	119,378,783	125,749,249
Shoe Upper	9,360,234	–
Finished goods		
Garments	718,275,084	647,151,079
Shoe Upper	10,581,598	–

Note 24 : Employee Benefit Expense

	(Amount in ₹)	
	For the Year Ended March 31, 2013	For the Year Ended March 31, 2012
Salaries & Wages	471,018,481	477,173,588
Gratuity	3,930,365	6,873,673
Leave Encashment	9,285,817	8,214,474
Contribution to Provident and Other funds	36,347,693	30,996,539
Staff Welfare Expenses	25,190,643	15,967,132
	<u>545,772,999</u>	<u>539,225,406</u>

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 and ESI 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 ₹ 23,967,776.00 (March 31, 2012: ₹ 20,239,167.44) for provident fund contributions & ₹ 10,083,333.00 (March 31, 2012: ₹ 8,290,555.72) for ESI in the Statement of Profit and Loss. The contributions payable to these plans by the company are at rates specified in the rules of the schemes.

(ii) Defined Benefit Plan

- Contribution to Gratuity Funds through defined benefit plan with Life Insurance Corporation of India in case of Gurgaon unit
- Contribution to Gratuity (Unfunded) in case of Chennai unit
- Leave encashment/ Compensated absence (Long Term)

In accordance with Accounting Standard 15 (revised 2005), an actuarial valuation was carried out in respect of the aforesaid defined benefit plans and other long term benefits based on assumptions given in table with sub heading 'e' below.

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 in ₹)

Particulars	As at March 31, 2013			As at March 31, 2012		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned Leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned Leave (Unfunded)
Defined benefit obligations at beginning of the year	23,616,022	4,403,906	11,882,544	23,414,015	5,442,441	11,518,568
Interest Cost	1,889,282	352,312	950,603	1,873,121	462,607	979,079
Service Cost	4,569,046	2,502,227	5,231,933	5,489,400	1,768,778	3,957,338
Benefits Paid	(3,691,582)	(1,927,134)	(8,217,628)	(7,188,551)	(1,185,852)	(7,850,498)
Gain / Loss	(1,288,882)	463,712	3,103,281	28,037	(1,669,761)	3,278,059
Defined benefit obligations at year end	25,093,886	5,795,023	12,950,733	23,616,022	4,818,213	11,882,546

Note: In case of unfunded gratuity, there is a variance of Rs. 414,307 in Actuarial Certificate in defined benefit obligation as on March 31, 2012 vis-à-vis defined benefit obligation as on April 1, 2012. The variance is due to excess expense charged of Rs. 414,307 for the year ended March 31, 2012.

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

(Amount in ₹)

Particulars	As at March 31, 2013			As at March 31, 2012		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned Leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned Leave (Unfunded)
Fair value of plan assets at beginning of the year	9,591,222	N.A	N.A	10,674,150	N.A	N.A
Expected Return on plan assets	4,557,332	-	-	1,078,509	-	-
Contributions	2,527	-	-	5,027,114	-	-
Benefits Paid	(3,691,582)	-	-	(7,188,551)	-	-
Actuarial gain/(loss) on plan assets	-	-	-	-	-	-
Fair value of plan assets at the year end	10,459,499	N.A	N.A	9,591,222	N.A	N.A

(c) Reconciliation of fair value of assets and obligations

(Amount in ₹)

Particulars	As at March 31, 2013			As at March 31, 2012		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned Leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned Leave (Unfunded)
Fair Value of plan assets as at the end of the period	10,459,499	-	-	9,591,222	-	-
Present Value of Obligation	25,093,886	5,795,023	12,950,733	23,616,022	4,818,213	11,882,544
Funded status/ Difference	(14,634,387)	(5,795,023)	(12,950,733)	(14,024,800)	(4,818,213)	(11,882,544)
Excess of actual over estimated	-	-	-	-	-	-
Net assets/(liability) recognized in balance sheet	(14,634,387)	(5,795,023)	(12,950,733)	(14,024,800)	(4,818,213)	(11,882,544)

(Amount in ₹)

Particulars	As at March 31, 2011			As at March 31, 2010		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned Leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned Leave (Unfunded)
Fair Value of plan assets as at the end of the period	7,472,335	-	-	7,952,931	-	-
Present Value of Obligation	20,668,365	5,442,441	9,546,664	2,928,303	3,856,435	8,225,630
Funded status/ Difference	(13,196,030)	(5,442,441)	(9,546,664)	5,024,628	(3,856,435)	(8,225,630)
Excess of actual over estimated	-	-	-	-	-	-
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)

(Amount in ₹)

Particulars	As at March 31, 2009		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned Leave (Unfunded)
Fair Value of plan assets as at the end of the period	1,229,290	-	-
Present Value of Obligation	11,158,713	2,098,708	2,160,372
Funded status/Difference	(9,929,423)	(2,098,708)	(2,160,372)
Excess of actual over estimated	-	-	-
Net assets/(liability) recognized in balance sheet	(9,929,423)	(2,098,708)	(2,160,372)

(d) Expenses recognized during the year

(Amount in ₹)

Particulars	For the year ended March 31, 2013			For the year ended March 31, 2012		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned Leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned Leave (Unfunded)
Current Service Cost	4,569,046	2,502,227	5,231,933	5,489,400	1,768,778	3,957,336
Interest Cost	1,889,282	352,312	950,603	1,873,121	462,607	979,079
Past Service Cost	-	-	-	-	-	-
Expected return on plan assets	(4,557,332)	-	-	(1,078,509)	-	-
Actuarial (Gain)/Loss	(1,288,882)	463,712	3,103,281	28,037	(1,669,761)	3,278,059
Net Cost	612,114	3,318,251	9,285,817	6,312,049	561,624	8,214,474

(e) Actuarial Assumptions

Particulars	For the year ended March 31, 2013			For the year ended March 31, 2012		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned Leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned Leave (Unfunded)
Discount Rate (per annum)	8.00%	8.00%	8.50%	8.00%	8.50%	8.00%
Future increase in compensation	5.50%	5.50%	5.50%	6.00%	6.00%	6.00%
In Service Mortality	LIC (1994-96)	LIC (1994-96)	LIC (1994-96)	LIC (1994-96)	LIC (1994-96)	LIC (1994-96)
Retirement age	58 Years	58 Years	58 Years	58 Years	58 Years	58 Years
Withdrawal rates:-						
- Upto 30 years	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
- Upto 44 years	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
- Above 44 years	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

Note:

Actuarial's valuation is based on escalation in future salary on account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Expected rate of return on Plan Assets is based on expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

Note 25 : Finance Cost

	(Amount in ₹)	
	For the Year Ended March 31, 2013	For the Year Ended March 31, 2012
Interest Expense	100,818,013	117,531,594
Interest on Director's Loan	3,399,232	948,398
Other borrowing costs	42,251,774	35,958,690
	<u>146,469,018</u>	<u>154,438,683</u>

Note 26 : Other Expenses

	(Amount in ₹)	
	For the Year Ended March 31, 2013	For the Year Ended March 31, 2012
Manufacturing Expenses	1,143,375,041	1,095,675,317
Consumption of Stores & Spare Parts	70,793,197	40,323,236
Power & Fuel	87,459,176	81,916,499
Rent	54,505,273	53,393,591
Rates & Taxes	10,021,952	3,845,174
Travelling & Conveyance	60,639,587	49,929,974
Inward Freight & Clearing Charges	80,956,970	86,605,527
Repairs -Buildings	2,361,176	4,216,822
– Machinery	8,193,257	6,329,459
– Others	16,151,233	14,487,887
Legal & Professional Charges	19,684,038	16,566,680
Security Charges	16,334,672	15,055,176
Bank Charges	39,389,052	57,743,419
Payment to the Auditors (Refer details below)	3,480,229	2,880,413
Foreign Exchange Fluctuation	65,764,541.67	–
Commission	23,867,650	11,903,547
Provision for Doubtful Debts	5,010,990	–
Loss on sale of fixed assets	551,326	–
Miscellaneous Expenses	94,508,831	88,900,894
	<u>1,803,048,191</u>	<u>1,629,773,615</u>

a) Payment to Auditors

As Auditor:

– Audit Fees	1,300,000	1,050,000
– Tax Audit Fees	250,000	250,000

In other Capacity:

– Other Matters	1,547,389	1,311,435
– Service Tax	382,840	268,978
	<u>3,480,229</u>	<u>2,880,413</u>

b) Expenditures in Foreign Currency

Foreign Travelling	5,916,152	1,886,093
EDI Expenses	1,707,510	4,398,343
Shipping Software Charges	2,475,004	–
Others	286,312	621,032
	<u>10,384,978</u>	<u>6,905,468</u>

c) Prior Period Items

Travelling	560,055	–
Bank Charges	1,124,667	–
Sample Development	996,112	–
Freight	637,632	–
Others	280,095	–
	<u>3,598,561</u>	<u>–</u>

Note 27 : Exceptional Items

	(Amount in ₹)	
	For the Year Ended March 31, 2013	For the Year Ended March 31, 2012
Excess Depreciation Written back	5,355,239	–
Profit on disposal of a Subsidiary (HOPFL US)	11,139,098	–
Loss from Partnership Firm(Hopp Fashion)	(20,783)	–
Profit on sale of fixed assets	–	25,696,357
	<u>16,473,554</u>	<u>25,696,357</u>

Note 28 : Earning per share (EPS)

	(Amount in ₹)	
	For the Year Ended March 31, 2013	For the Year Ended March 31, 2012
Profit /(Loss) attributable to the equity shareholders	38,946,470	36,636,025
Number/weighted average number of equity shares outstanding at the end of the year	21,663,937	21,663,937
Nominal value of Equity shares	10	10
Basic/Diluted Earning per share	1.80	1.69

Note 29: Contingent Liabilities and Commitments

a) Contingent Liabilities

i) Corporate guarantees 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 300 million equivalent to ₹ 2,097,000,000 & GBP 40 Million equivalent to ₹ 3,292,800,000 (March 31, 2012: HKD 300 million equivalent to ₹ 2,004,000,000 & GBP 40 Million equivalent to ₹ 3,272,000,000).
- To HSBC Limited, Indonesia for securing credit facilities to its step down subsidiary PT Pinnacle Industry, Indonesia for USD 2,500,000 equivalent to ₹ 135,975,000 (March 31, 2012: USD 2,500,000 equivalent to ₹ 127,900,000).
- To The Cit Group / Commercial Service 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 Nil (March 31, 2012: USD 400,000 equivalent to ₹ 20,464,000). During the current year, the company was closed & hence there is no outstanding credit facilities.
- To HSBC, Hong Kong for HKD 330 Million, equivalent to ₹ 2,306,700,000 for securing credit facilities to its step down subsidiaries Norwest Industries Ltd., Simple Approach Ltd. and Zamira Fashion Ltd (March 31, 2012:- HKD 330 Million, equivalent to ₹ 2,204,400,000).
- To Standard Chartered Bank, Hong Kong for USD 21,052,840 equivalent to ₹ 1,145,063,968 for securing credit facilities to its step down subsidiary Norwest Industries Ltd (March 31, 2012 :USD 25,800,000 equivalent to ₹ 1,319,928,000).
- To HSBC, Bangladesh for BDT 1,673,367,000 equivalent to ₹ 1,137,889,560 for securing various credit facilities to its subsidiary Norp Knit Industries Ltd (March 31, 2012: BDT 1,673,367,000 equivalent to ₹ 1,037,487,540).
- To The City 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 Nil (March 31, 2012: USD 1,000,000 equivalent to ₹ 51,160,000). During the current year, the company was closed & hence there is no outstanding credit facilities.
- To BNP Paribas, Hong Kong for letter of credit facility to its step down subsidiary Norwest Industries Ltd. for USD 10,000,000 equivalent to ₹ 543,900,000 (March 31, 2012 : USD 8,500,000 equivalent to ₹ 43,486,000).
- To Canara Bank, Hong Kong Branch, for securing various credit facilities to its subsidiary Norwest Industries Ltd. for USD 15,000,000 equivalent to ₹ 815,850,000 (March 31, 2012 : USD 15,000,000 equivalent to ₹ 767,400,000)

- To Bank of Baroda, Hongkong, for securing credit facilities to its step down subsidiary Simple Approach Ltd. for USD 4,000,000 equivalent to ₹ 217,560,000 (March 31, 2012: Nil).
 - To Bank of Baroda, Hongkong, for securing credit facilities to its step down subsidiary Norwest Industries Ltd. for USD 15,000,000 equivalent to ₹ 815,850,000 (March 31, 2012: USD 15,000,000 equivalent to ₹ 767,400,000).
 - To Bank of India, Hongkong Branch for securing credit facilities to its step down subsidiary Simple Approach Ltd. for Nil (March 31, 2012: USD 2,500,000 equivalent to ₹ 127,900,000) EXPIRED ON 29-10-12
 - To Intesa Sanpaolo S.p.A, Hongkong, Branch for securing credit facilities to its step down subsidiary Nor Lanka Manufacturing Ltd. for ₹ Nil (March 31, 2012: USD 6,000,000 equivalent to ₹ 306,960,000).
 - To ICICI Bank Limited, Hong Kong Branch, for securing the derivative limits to its step down subsidiary Norwest Industries Ltd. for USD 3,000,000 equivalent to ₹ 163,170,000 (March 31, 2012 : USD 3,000,000 equivalent to ₹ 153,480,000).
 - To ICICI Bank Limited, Hong Kong Branch, for securing the credit limits to its step down subsidiary Norwest Industries Ltd. and Nor Lanka Manufacturing Limited for USD 15,000,000 equivalent to ₹ 815,850,000 (March 31, 2012 : USD 15,000,000 equivalent to ₹ 767,400,000).
 - To Punjab National Bank, Hong Kong Branch, for securing the credit limits to its step down subsidiary Norwest Industries Ltd. for USD 30,000,000 equivalent to ₹ 1,631,700,000 (March 31, 2012: USD 30,000,000 equivalent to ₹ 1,534,800,000).
 - To Intesa Sanpaolo S.p.A, Hongkong Branch for securing credit facilities to its step down subsidiary Norwest Industries Ltd. or Simple Approach Ltd. or Zamira Fashions Ltd, Hong Kong for USD 18,000,000 equivalent to ₹ 979,020,000 (March 31, 2012 : USD 18,000,000 equivalent to ₹ 920,880,000).
 - To Standard Chartered Bank, Hongkong Branch for securing credit facilities to its wholly owned subsidiary Pearl Global (HK) Ltd, Hong Kong for USD 8,200,000 equivalent to ₹ 445,998,000 (March 31, 2012 : ₹ Nil).
 - To Standard Chartered Bank, Bangladesh Branch for securing credit facilities to its subsidiary Norp Knit Industries Ltd, Bangladesh for BDT 560,000,000 equivalent to ₹ 380,800,000 (March 31, 2012 : ₹ Nil).
- ii. Counter guarantee given by the Company to Axis Bank, Gurgaon for issue of Standby Letter of Credit to HSBC, Bangladesh for securing credit facilities to its subsidiary Norp Knit Industries Ltd, Bangladesh for USD 200,000 equivalent to ₹ 10,878,000 (March 31, 2012 : ₹ Nil).
- iii. Claims against the Company not acknowledged as debts and other matters ₹ 1,061,474 (March 31, 2012: ₹ 1,061,474).
- iv. Export Bills Discounted with banks ₹ 301,478,818.07 (March 31, 2012: ₹ 380,521,957).
- v. Irrevocable letter of credit outstanding with banks ₹ 714,716,962 (March 31, 2012: ₹ 851,898,710).
- vi. Bank Guarantee given to government authorities ₹ 94,907,000 (March 31, 2012: ₹ 55,002,000).
- vii. Counter Guarantees given by the company to the Sales Tax Department for its associates company ₹ 100,000 (March 31, 2012 : ₹ 100,000), for others ₹ 50,000 (March 31, 2012 : ₹ 50,000).

Note 30: The Company was a partner of M/s Hopp Fashion till 31st August 2012 and following are the details:

(Amount in ₹)

Name of the partner	% of Share		Profit/(Loss) during the Period	
	Current Year till August 2012	For the year ended March 31, 2012	Current Year till August 2012	For the year ended March 31, 2012
Mrs. Payal Seth	25%	25%	(4,156.61)	599,385
House of Pearl Fashions Limited	75%	75%	(20,783.04)	1,798,156

Note 31 : Disclosure of Related parties/ Related parties transactions :

A Name of the Related Parties and description of relationship

Nature of Relationship	Name of the Related party
Subsidiary Companies	Lerros Fashions India Ltd.
	PDS Multinational Fashions Ltd.
	Norp Knit Industries Limited
	House of Pearl Fashions (US) Limited*
	Multinational Textile Group Limited
	Pearl Global Fareast Limited
Fellow Subsidiary	Pearl Global (HK) Limited
	Global Textiles Group Limited
	Pacific Supply Chain Limited*
	Zamira Fashions (Europe) Limited*
	Poeticgem Limited
	Pacific Logistics Limited
	FX Imports Company Limited
	Magic Global Fashion Ltd.*
	Poetic Knitwear Limited
	Norwest Industries Limited
	Zamira Fashion Limited
	FX Import Hongkong Ltd.
	PG Group Limited
	PG Home Group Limited
	Pearl GES Home Group SPA
	Simple Approach Limited
	Poeticgem (Canada) Limited
	P.T. Pinnacle Apparels
	Nor Delhi Manufacturing Limited
	Nor Lanka Manufacturing Limited
	Nor India Manufacturing Co. Limited
	Grand Pearl Trading Limited
	Spring Near East Manufacturing Company Ltd
	Razamtazz Limited
	Nahata Limited
	Propur Invest Ltd.
	Casa Forma Ltd.
	Nor Europe MFG Co. Ltd.
	Sino West MFG Co. Ltd.
	PS Sourcing Ltd.*

* Company closed during the year.

Associates	DOMESTIC
	Vau Apparels Pvt Ltd
	Hopp Fashions*
	Little People Education Society
	Pearl Apparels Limited
	Nim Int'l Commerce Pvt. Ltd.
	Grupo Extremo SUR S.A
	Pearl Wears
	Vastras
	Pearl Retail Solutions Pvt Ltd
	Deepak Seth & Sons (HUF)**
Enterprise over which Key Managerial Personnel are able to exercise Significant influence	PS Arts Pvt. Ltd
	Pallas Holdings Limited
	SACB Holdings Limited
	JSM Trading (FZE.)
	Lerros Moden GMBH
	Premier Fashion Garment JSC
	Superb Mind Holdings Limited
	Fru Holdings Ltd.
	NAFS Ltd.

* Company has retired from partnership firm

** HUF dissolved during the year.

Key Management Personnel	Mr. Deepak Seth	Chairman
	Mr. Pallak Seth	Vice Chairman
	Mr. Pulkit Seth	Managing Director
	Mrs. Shaifali Seth	Whole-time Director
	Mr. Vinod Vaish	Whole-time Director

B. Disclosure of Related Parties Transactions:

(i) Subsidiary Companies

(Amount in ₹)

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Purchase of goods	1,301,381,661	1,209,026,209
Sale of goods - Raw Material	54,524,455	72,831,604
Sale of Goods - Readymade Garments	117,391,084	391,164,346
Sale of Samples	–	6,656,772
Sale of Fixed Assets	3,477,551	47,229,829
Investment made	–	60,947,075
Loan given	32,340,000	191,764,050
Loan Received Back	27,159,536	191,777,920
Rent received	–	96,000
Expenses paid by us on their behalf	32,059,888	56,111,820
Expenses reimbursed	28,166,670	46,593,471
Management fee	–	3,250,130
Share application money given	26,237,000	40,847,075
Share Application money received back	–	5,010,670
SAP Income	25,689,566	9,506,895
Sampling Income	11,313,962	12,308,695
Sample Expenses	393,213	–
Rent Paid	979,020	–
Interest Income	17,676,328	13,229,154

Closing Balance

(Amount in ₹)

Particulars	As At March 31, 2013	As At March 31, 2012
Loan to subsidiary	249,157,328	223,505,452
Advance to subsidiaries/Others	–	2,461,909
Sundry Debtors	74,352,953	978,600
Others	(177,158,440)	(281,462,281)

(ii) Associates/ Enterprises over which Key Managerial Personnel exercise significant influence

(Amount in ₹)

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Rent Received	–	1,034,728
Profit/(Loss) from partnership firm	(20,783)	1,788,323
Expenses paid by us on their behalf	367,803	646,372
Expenses reimbursed	(1,268,076)	7,424,284
Interest Income	12,680,759	13,230,416
Loan Given	32,784,150	–
Loan/ Investment Received Back	57,784,150	–
Advance received	–	250,000
Investment	–	10,500,000
Payment Made	400,000	–
Sale of Software	8,150,916	16,635,418

Closing Balance		
Particulars	As At March 31, 2013	As At March 31, 2012
Sundry Debtors	29,678,277	30,653,483
Loan	164,869,175	181,425,180

(iii) Key Management Personnel

(Amount in ₹)

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Remuneration to Managing Director/Whole-Time-Director	10,883,120	6,506,723
Loan From Directors	–	25,000,000
Loan Return Back	29,743,879	2,500,000
Expenses Recovered	625,481	–
Interest Paid (including TDS)	3,399,232	945,807

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

(i) Subsidiary Companies

(Amount in ₹)

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Purchase of goods		
Norp Knits Industries Limited	1,290,316,490	1,129,456,151
Sale of goods - Raw Material		
Norp Knits Industries Limited	54,239,557	68,641,879
Sale of goods - Readymate Garments		
Nor Lanka Manufacturing Limited	–	188,297,858
Norwest Industries Ltd	7,927,615	194,705,136
House of Pearl Fashions (US) Ltd	28,490,292	5,720,996
Poeticgem Limited	20,946,831	–
Pearl Global (HK) Limited	60,026,346	–
Sale of Fixed Assets		
Norp Knits Industries Limited	1,766,294	47,229,829
P.T. Pinnacle Apparels	1,711,256	–
Investments Made		
Lerros Fashion India Limited	–	60,000,000
Loan Given		
Pearl Global (HK) Limited	22,340,000	191,764,050
PDS Multinational Fashions Pvt Ltd	10,000,000	–
Loan Received Back		
House of Pearl Fashions (US) Ltd	27,159,536	191,777,920
Rent Received		
Lerros Fashion India Limited	–	96,000
Expenses paid by them on our behalf		
Norwest Industries Limited	1,265,324	19,503,663
Simple Approach Limited	–	5,090,366
Norp Knits Industries Limited	12,801,923	4,622,648
House of Pearl Fashions (US) Ltd	7,552,809	16,210,428
Pearl Global Far East Ltd	6,199,498	–

(Amount in ₹)

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Expenses paid by us on their behalf		
Norwest Industries Limited	7,023,780	25,078,584
Norp Knits Industries Limited	14,866,870	4,526,780
House of Pearl Fashions (US) Ltd	7,655,738	24,166,976
Share Application Money Given		
Lerros Fashion India Limited	–	39,900,000
Norp Knits Industries Limited	26,237,000	–
SAP Income		
Norwest Industries Limited	6,109,690	4,331,340
Nor Lanka Manufacturing Limited	3,097,734	–
Pearl Global Far East Ltd	3,789,720	–
Norp Knits Industries Limited	8,810,768	–
Poeticgem Limited	2,115,796	2,930,400
Management Fees		
Norpknit Industries Limited	–	3,250,130
Share Application Money Received Back		
Lerros Fashion India Limited	–	5,010,670
Sale of Samples		
House of Pearl Fashions (US) Ltd	–	6,471,598
Interest Income		
Pearl Global (HK) Limited	16,777,309	7,824,234
Multinational Textiles Group Ltd.	–	4,294,321
Sampling Income		
Norwest Industries Limited	11,313,962	12,308,695
Sampling Expenses		
House of Pearl Fashions (US) Ltd	393,213	–
Rent Paid		
House of Pearl Fashions (US) Ltd	979,020	–
Closing Balance		
Lerros Fashion India Limited	–	2,346,199
Nor Lanka Manufacturing Limited	686,070	978,600
Norp Knit Industries Limited	(142,576,632)	(63,927,061)
Norwest Industries Ltd	(3,560,144)	(6,259,162)
Pacific Logistics Limited	–	(4,061,919)
Pearl Global Far East Ltd	(3,609,722)	(9,821,165)
Pearl Global (HK) Limited	262,333,025	199,588,284
Poeticgem Limited	22,099,569	(7,228,500)
P.T. Pinnacle Apparels	(364,466)	(181,142,702)
Simple Approach Limited	559,615	(1,427,591)
House of Pearl Fashions (US) Ltd	–	(7,594,181)
PDS Multinational Fashions Pvt Ltd	10,516,329	115,710
Gem Australia Manufacturing Ltd	294,030	–
PG Group Limited	(2,036)	–
Zamira Fashion Limited	(23,796)	–

(ii) **Associates/ Enterprises over which Key Managerial Personnel exercise significant influence**

(Amount in ₹)

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Rent Received		
Little People Education Society	–	1,034,728
Profit/(Loss)from partnership firm		
HOPP Fashions	(20,783.04)	1,788,323
Investment		
Hopp Fashions	–	10,500,000
Loan Given		
Hopp Fashions	32,784,150	–
Loan/ Investment Received Back		
Hopp Fashions	57,784,150	–
Expenses Reimbursed		
Little People Education Society	1,268,076	7,424,284
Expenses Recovered		
Nim International Commerce Pvt Ltd	115,129	543,312
Vau Apparels Pvt Ltd	2,674	103,060
Little People Education Society	250,000	–
Interest Income		
Little People Education Society	12,680,759	13,230,416
Advance Received		
Vau Apparels Pvt Ltd	–	250,000
Sale of Software		
Lerros Moden GmbH	8,150,916	16,635,418
Closing Balance		
Little People Education Society	164,869,175	181,425,180
HOPP Fashions	–	32,795,101
Nim International Commerce Pvt Ltd	13,310	1,201,529
Lerros Moden GmbH	8,150,916	7,537,902
Vau Apparels Pvt Ltd	21,514,051	21,914,051

(iii) **Key Management Personnel**

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Remuneration to Managing Director/Whole-Time Director		
Mr.Pulkit Seth	4,838,160	4,838,160
Mrs. Shefalli Seth	4,809,360	806,360
Mr. Shelly Cherian	–	657,103
Mr. Vinod Vaish	1,235,600	201,500
Expenses Recovered		
Mr. Pulkit Seth	625,481	–
Loan From Directors		
Mr. Pulkit Seth	–	25,000,000
Loan return back		
Mr. Pulkit Seth	29,743,879	25,000,000
Interest Expenses (including TDS)		
Mr. Pulkit Seth	3,399,232	945,807

Note 32 : Leases**(a) Asset Given on Lease****(i) Minimum Lease Payments Receivables**

The company has given certain assets on operating lease and lease rent (income) amounts to ₹ 65,129,536/- (March 31, 2012 ₹20,159,265/-) has been credited in the Statement of Profit & Loss. Out of this ₹2,218,056 has been credited as rental income on straight line basis in pursuance of Para - 23 of AS-19, "Leases" issued by Companies Accounting Standard Rules 2006. The future minimum lease payments receivable and detail of assets as at 31st March 2013 are as follows:-

(Amount in ₹)

Particulars	As At March 31, 2013	As At March 31, 2012
Not later than 1 year	65,749,412	36,682,020
Later than 1 year but not later than 5 years	198,097,020	122,894,256
Later than 5 years	—	—
	263,846,432	159,576,276

(ii) Gross Investment on Leased Assets

(Amount in ₹)

Particulars	As at March 31, 2013
Gross Investment on leased Assets	442,331,280
Accumulated Depreciation on Lease Assets	14,855,291
Depreciation Charged During the Year	6,742,751

- (iii) In pursuance with Para 23 of AS-19, "Leases" issued by Companies Accounting Standard rules 2006, lease rent under operating leases is recognized under statement of profit and loss on a straight line basis over the lease term. Accordingly Lease Equalisation Asset of ₹2,218,056 as on March 31, 2013 has been created.

Particulars	(Amount ₹)
Lease Rent on Straight line basis (credited to Statement of Profit & Loss through Rent Income A/c pertaining to current year)	1,136,372
Lease Rent on Straight line basis (credited to Statement of Profit & Loss through Rent Income A/c pertaining to earlier years)	1,081,684
Total	2,218,056

(b) Asset Taken on Lease**(i) Minimum Lease Payments Payables**

The Company has taken certain assets on non-cancelable operating lease and lease rent charged to Statement of Profit & Loss amounts to ₹ 54,505,272 (March 31, 2012 : ₹ 53,393,591). Out of this ₹ 4,348,640 has been debited as rent expense on straight line basis in pursuance of Para-23 of AS-19, "Leases" issued by Companies Accounting Standard Rules 2006. The details of future minimum lease payments is as under:

(Amount in ₹)

Particulars	As At March 31, 2013	As At March 31, 2012
Not later than 1 year	43,968,156	41,164,940
Later than 1 year but not later than 5 years	63,385,636	95,713,037
Later than 5 years	—	4,226,880
	107,353,792	141,104,857

- (ii) In pursuance with Para 23 of AS-19, "Leases" issued by Companies Accounting Standard rules 2006, lease rent under operating leases is recognized under statement

of profit and loss on a straight line basis over the lease term. Accordingly Lease Equalisation Liability of ₹ 4,348,640 as on March 31, 2013 has been created.

Particulars	Amount (₹)
Lease Rent on Straight line basis (debited to Statement of Profit & Loss through Rent Expense A/c pertaining to current year)	2,000,227
Lease Rent on Straight line basis (debited to Statement of Profit & Loss through Rent Expense A/c pertaining to earlier years)	2,348,413
Total	4,348,640

Note 33: Currency Derivatives

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. The Company has no outstanding derivative financial instrument as at the balance sheet date except for forward currency contracts as below:

Forward Currency Contracts – Cash Flow Hedges

- a) As 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	As At March 31, 2013 USD	As At March 31, 2012 USD
Forward Foreign Exchange Contract	21,850,000	40,200,000
	(Equivalent to ₹ 1,180,561,250)	(Equivalent to ₹ 1,964,675,750)

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 2014.

- b) The terms of the forward currency contracts has been negotiated to match the terms & commitments. The Cash Flow Hedges of the expected future sales in April 2013 to March 2014 value assessed at a loss of ₹ 43,978,918 (P.Y. ₹ 150,831,448) as on reporting date

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

Note 34: 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, 2013.

Note 35: 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.

Note 36: Amount rounded off to the nearest rupee.

Note 37: The process of obtaining balance confirmation from trade payables & trade receivables is an ongoing process and as at March 31st, 2013, the Company is in process of receiving the confirmation from the parties.

Note 38: Previous year figures have been regrouped & reclassified wherever considered necessary.

For & on behalf of Board of Directors

(PULKIT SETH)
Managing Director
DIN 00003044

(VINOD VAISH)
Whole Time Director
DIN 01945795

Place: New Delhi
Date: 30th May, 2013

(SHAIENDRA SANCHETI) (SANDEEP SABHARWAL)
Group Chief Finance Officer 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	For the previous financial year Profit/(Loss) Amount	For the current financial year Profit/(Loss) Amount	For the previous financial year Profit/(Loss) Amount
Domestic :								
PDS Multinational Fashions Limited	India	2012-13	50,000 Equity Shares of Rs. 10/- each	100%	1,125,984 INR	(126,740) INR	–	–
Lerros Fashions India Limited	India	2012-13	16,483,487 Equity & 5,000,000 Preference Shares of Rs. 10/- each, respectively	59.64% & 100% respectively	(11,324,097) INR	(29,756,999) INR	–	–
Overseas :								
Norp Knit Industries Limited	Bangladesh	2012-13	2,415,587 equity shares of Taka 100 each	99.99%	50,829,556 TK	(55,158,741) TK	–	–
Pearl Global (HK) Ltd.	Hong Kong	2012-13	10,000 Ordinary shares of USD 1 each	100%	(18,24,909)	2,169,371	–	–
Multinational Textile Group Limited	Mauritius	2012-13	21,948,270 Equity Shares of USD 1 each fully paid up	100%	(55,332) USD	167,090 USD	–	–
Global Textile Group Limited #	Mauritius	2012-13	3,987,266 Equity Shares of USD 1 each fully paid up	100%	63,646 USD	11,437 USD	–	–
Poeticgem Limited #	UK	2012-13	50,000 Equity Shares of GBP 1 each fully paid up	100%	277,390 GBP	603,628 GBP	–	–
Pacific Logistics Limited #	UK	2012-13	10,000 Equity Shares of GBP 1 each fully paid up	100%	(63,437) GBP	15,805 GBP	–	–
Poeticgem (Canada) Limited #	Canada	2012-13	100 Common Shares without par value	100%	117,724 USD	102,096 USD	–	–
PT Pinnacle Apprels #	Indonesia	2012-13	149,998 Equity Shares of USD 10 each fully paid up	99.87%	477,688 USD	329,965 USD	–	–
Norwest Industries Limited #	Hong Kong	2012-13	3,400,000 Equity Shares of USD 1 each fully paid up	85%	74,238,279 HKD	42,300,323 HKD	–	–
FX Import Company Limited #	UK	2012-13	18,900 ordinary shares of 1 Pound each	75%	(284,914) GBP	239,726 GBP	–	–
Zamira Fashion Limited #	Hong Kong	2012-13	167,500 shares of US\$ 1 each	67%	(2,000,142) HKD	2,095,903 HKD	–	–
Simple Approach Limited #	HK	2012-13	187,500 Ordinary Shares of USD 1 each	75%	11,700,955 HKD	8,981,550 HKD	–	–
PG Group Limited #	HK	2012-13	510,000 ordinary shares of USD 1 each	51%	512,200 USD	803,470 USD	–	–
PG Home Group Limited #	HK	2012-13	225,000 ordinary shares of USD 1 each	90%	237,027 USD	68,952 USD	–	–
Pearl GES Home Group SPA #	Chile	2012-13	1,000 shares without par value	100%	91,855,595 ChD	(17,891,829) ChD	–	–
Poetic Knitwear Ltd. #	UK	2012-13	100 ordinary shares of GBP 1 each	100%	138 GBP	181,800 GBP	–	–
FX Import Hong Kong Ltd. #	Hong Kong	2012-13	10,000 ordinary shares of HKD 1 each	100%	1,002,798 HKD	308,498 HKD	–	–
Pearl Global Fareast Ltd. #	Hong Kong	2012-13	535,000 ordinary shares of USD 1 each	100%	430,258 HKD	1,485,251 HKD	–	–
Nor Lanka Manufacturing Ltd. #	Hong Kong	2012-13	10,000 shares of HKD 1 each	100%	30,608,293 HKD	24,229,538 HKD	–	–
Razamtazz Limited #	Mauritius	2012-13	1 Ordinary shares of GBP 1 each	100%	(210,915) GBP	(228,555) GBP	–	–
SACB Holdings Limited #	Mauritius	2012-13	25,500 Ordinary shares of USD 1 each	51%	(8,659) USD	(13,295) USD	–	–
Nor India Manufacturing Company Ltd.	Hong Kong	2012-13	10,000 Ordinary shares of USD 1 each	100%	3,271,531 HKD	856,273 HKD	–	–
Spring Near East Manufacturing Company Ltd.	Hong Kong	2012-13	10,000 Ordinary shares of USD 1 each	100%	(261,071) HKD	(7,154,881) HKD	–	–
Casa Forma Limited	UK	2012-13	250,000 Ordinary shares of GBP 1 each	100%	106,025 GBP	(285,684) GBP	–	–
Nor Delhi Manufacturing Limited	Hong Kong	2012-13	200,000 Ordinary shares of HKD 1 each	100%	(556,753) HKD	289,376 HKD	–	–
PDS Asia Star Corporation Ltd.	Hong Kong	2012-13	180,000 Ordinary shares of USD 1 each	60%	(3,363,259)	Nil	–	–
Sino West Manufacturing Company Ltd.	Hong Kong	2012-13	8,000 Ordinary shares of USD 1 each	80%	(6,180,351)	Nil	–	–
Gem Australia Manufacturing Company Ltd.	Hong Kong	2012-13	75,000 Ordinary shares of USD 1 each	75%	(9,740,490)	Nil	–	–
Designed & Sourced Ltd.	Hong Kong	2012-13	120,000 Ordinary shares of USD 1 each	60%	(4,324,190)	Nil	–	–
Nor Europe Manufacturing Company Ltd.	Hong Kong	2012-13	7,000 Ordinary shares of USD 1 each	70%	(3,036,051)	Nil	–	–
Hangzhou Grand Pearl Trading Ltd.	China	2012-13	150,000 USD Total 10,23,675 RMB Yuan	100%	(71,183)	(43,568)	–	–

For & on behalf of Board of Directors

(PULKIT SETH)
Managing Director
DIN 00003044

(VINOD VAISH)
Whole Time Director
DIN 01945795

Place: New Delhi
Date: 30th May, 2013

(SHAIENDRA SANCHETI)
Group Chief Finance Officer

(SANDEEP SABHARWAL)
Company Secretary

DIRECTORS' REPORT

The Directors are pleased to present their report together with the audited financial statements of the Company and the Auditors' Report thereon for the year ended 31st March, 2013.

Principal Activity

The principal activity of the Company is manufacturing of Ready Made Garments at its factory located at Gazipur for 100% export.

Result and dividend

The Company has earned net profit TK. 50,829,556/- for the year ended 31st March, 2013 as against loss of TK. 55,158,741/- during the last year.

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

Statement of Directors' responsibilities in respect of financial statements

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

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

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

By order of the Board

Sd/-
Director

Date: 25th May, 2013

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, 2013 and the related Profit & Loss Account for the period of Twelve Months ended on 31 March, 2013 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, 2013 and its Cash Flow for the period of Twelve Months ended on 31 March, 2013 and comply with the Companies Act, 1994 and other applicable laws and regulations.

We also report that:

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books; and
- the company's Balance Sheet and Profit & Loss Account dealt with by the report are in agreement with the books of account and returns.

Sd/-
G. Biswas & Co.
Chartered Accountants

Place : Dhaka
Date: 25th May, 2013

BALANCE SHEET AS AT 31ST MARCH, 2013

		Amount in Taka	
		As on	As on
Notes	31 March 2013	31 March 2012	
Sources of fund			
Shareholders' Equity			
	4	241,560,700	241,560,700
Share Capital			
Share Money Deposit		96,562,400	56,562,400
Retained Earnings		151,245,999	100,416,443
		<u>489,369,099</u>	<u>398,539,543</u>
Long Term Liabilities			
	5	153,255,436	152,636,967
Term Loan HSBC		<u>642,624,535</u>	<u>551,176,510</u>
Application of funds			
Property, plant and equipment:			
At Cost Less Accumulated Depreciation	6	464,069,021	437,290,919
Current assets:			
Goods in Transit		795,013	686,043
Inventories	7	608,549,520	422,273,651
Trade Receivables	8	211,296,015	96,357,014
Inter-Company Receivables	9	345,079,332	305,545,390
Advances, deposits and prepayments	10	188,271,520	174,374,448
Cash And Bank Balance	11	194,695,611	115,459,057
		<u>1,548,687,011</u>	<u>1,114,695,603</u>
Current liabilities:			
Secured Loans From HSBC		302,235,463	237,325,988
Trade And Other Payables	12	896,361,791	617,868,077
Inter-Company Payables	13	171,534,243	145,615,946
		<u>1,370,131,497</u>	<u>1,000,810,012</u>
Net current assets		178,555,514	113,885,591
Deferred Tax		-	-
		<u>642,624,535</u>	<u>551,176,510</u>

Sd/-
Managing Director

Sd/-
Director

Sd/-
G. Biswas & Co.
Chartered Accountants
Place : Dhaka
Date: 25th May, 2013

PROFIT AND LOSS ACCOUNT FOR THE TWELVE MONTHS ENDED ON 31ST MARCH, 2013

		Amount in Taka	
		01 April 2012	01 April 2011
Notes	31 March 2013	To	To
		31 March 2012	31 March 2012
Turnover			
	14	3,221,961,762	2,232,522,439
Cost of Goods Sold		<u>(2,682,982,644)</u>	<u>(1,968,187,705)</u>
Gross Profit/(Loss)		538,979,118	264,334,734
Administrative, Selling and Distribution Expenses	15	<u>(477,948,082)</u>	<u>(320,810,042)</u>
		61,031,036	(56,475,308)
Other Operating Income:			
Cash Incentive		14,000,000	14,400,000
Other Income	16	314,690	450,162
Net Profit/(Loss) Before Tax		<u>75,345,726</u>	<u>(41,625,146)</u>
Tax Expenses :			
Current Tax		(24,516,170)	(13,533,595)
Deferred Tax		-	-
		<u>(24,516,170)</u>	<u>(13,533,595)</u>
Net Profit/(Loss) for the period		<u>50,829,556</u>	<u>(55,158,741)</u>

Sd/-
Managing Director

Sd/-
Director

Sd/-
G. Biswas & Co.
Chartered Accountants
Place : Dhaka
Date: 25th May, 2013

CASH FLOW STATEMENT FOR THE TWELVE MONTHS ENDED ON 31ST MARCH 2013

	Year Ended 31st March 2013	Year Ended 31st March 2012
Cash flow from operating activities		
Net Profit for the Period	50,829,556	(55,158,741)
Add: Adjustment of items not involving movement of cash		
Pre-operating expenses		
Depreciation	45,599,576	46,984,768
Write off of Deferred Tax	—	—
	<u>45,599,576</u>	<u>46,984,768</u>
Operating Profit before changes in working capital	<u>96,429,132</u>	<u>(8,173,973)</u>
Adjustment for changes in working capital		
Decrease / (Increase) in Inventories	(186,275,869)	(109,526,814)
Decrease / (Increase) in Goods in Transit	(108,970)	12,143,646
Decrease / (Increase) in Trade receivables	(114,939,001)	20,033,018
Decrease / (Increase) in Inter-company receivables	(39,533,942)	(115,691,532)
Decrease/(Increase) in advances, deposits and prepayments	(13,897,072)	(56,111,554)
Increase / (Decrease) in Secured loan	64,909,475	179,295,096
Increase / (Decrease) in Creditors for goods	278,493,714	313,144,153
Increase / (Decrease) in Inter-company payables	25,918,297	15,272,244
	<u>14,566,632</u>	<u>258,558,258</u>
Net cash from Operating Activities	<u>110,995,764</u>	<u>250,384,285</u>
Cash flow from investing activities:		
Purchase of fixed assets	(72,377,679)	(144,222,113)
Sale of Assets	—	—
Net cash used in investing activities	<u>(72,377,679)</u>	<u>(144,222,113)</u>
Cash flow from financing activities:		
Proceeds from issue of shares	—	—
Share Money Deposit Received	40,000,000	—
Loan From HSBC	618,469	(21,935,533)
Net cash flow from financing activities	<u>40,618,469</u>	<u>(21,935,533)</u>
Increase in cash and cash equivalents	<u>79,236,554</u>	<u>84,226,638</u>
Cash and Cash Equivalent at opening	<u>115,459,057</u>	<u>31,232,419</u>
Cash and Cash Equivalent at closing (Note 11)	<u>194,695,611</u>	<u>115,459,057</u>

Place : Dhaka
Date: 25th May, 2013

G. Biswas & Co.
Chartered Accountants

STATEMENT FOR CHANGES IN EQUITY FOR THE PERIOD ENDED AS ON 31ST MARCH, 2013

Particulars	Amount in Taka			Total
	Share Capital	Share Money Deposit	Retained Earnings	
Balance as on March 31, 2010	<u>49,378,100</u>	<u>200,445,000</u>	<u>125,640,148</u>	<u>375,463,248</u>
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 31.03.2011	—	—	29,935,036	29,935,036
Balance as on March 31, 2011	<u>241,560,700</u>	<u>56,562,400</u>	<u>155,575,184</u>	<u>453,698,284</u>
Net profit for the year ended 31.03.2012	—	—	(55,158,741)	(55,158,741)
Balance as on March 31, 2012	<u>241,560,700</u>	<u>56,562,400</u>	<u>100,416,443</u>	<u>398,539,543</u>
Share Money Deposit	—	40,000,000	—	40,000,000
Net Profit for the Period Ended 31.03.2013	—	—	50,829,556	50,829,556
Balance as on March 31st, 2013	<u>241,560,700</u>	<u>96,562,400</u>	<u>151,245,999</u>	<u>489,369,099</u>

NOTES TO THE ACCOUNTS FOR THE TWELVE MONTHS ENDED AS ON 31ST MARCH, 2013
1. Legal status and nature of the Company:

Norp Knit Industries Limited is a Private Company Limited by Shares incorporated on 05th day of May 2004 under the Companies Act, 1994 as adopted in Bangladesh. The shares of the Company are held by Pearl Global Industries Ltd., India (99.9992%), Mr. Pallak Seth (0.0004%) and Mr. Pulkit Seth (0.0004%). The Company is mainly engaged in producing ready made Garments for the purpose of exporting the same. The factory of the Company is located in Gazipur. The Company commenced commercial operation from 18th December, 2004.

2. Statement of Compliance :
2.01 Basis of Preparation :

The Financial Statement of Norp Knit Industries Limited have been prepared in accordance with the Bangladesh Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh. Companies Act, 1994 and other applicable laws.

2.02 Basis of Measurement :

The Financial Statements have been prepared on going concern basis under historical cost convention, using the accrual basis of accounting.

2.03 Functional and presentational currency :

These Financial Statements are prepared in Bangladesh Taka (Taka/TK), which is the Company's functional currency. All financial information presented in taka has been rounded off to the nearest integer.

2.04 Going Concern :

The Company has adequate resources to continue its operation for the foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the accounts. The current resources of the company provide sufficient fund to meet the present requirements of its existing business.

3. Significant Accounting Policies :

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

3.01 Foreign currency translation

Foreign currencies are translated into Taka on a notional rate on the transaction dates. All monetary assets and liabilities are converted into taka at the exchange rate prevailing on the balance sheet date. Exchange gains or losses arising out of translation of assets and liabilities at the closing date are recognised in the income statement.

3.02 Property, Plant and Equipment :

Property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure directly attributable to the acquisition and installation of the Property, Plant and Equipment.

3.03 Depreciation :

Depreciation on fixed assets is charged on straight line method using different rates varying from 10% to 20% on cost of the assets. Depreciation is charged from the month following the month of acquisition/installation of the Property, Plant and Equipment.

3.04 Inventories

Inventories include raw material, work-in-progress and finished goods. These are measured at the lower of cost and net realisable value in accordance with IAS 2. Cost is determined using the first-in-first-out principles. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

3.05 Trade Receivable :

Trade Receivables at the Balance Sheet date are stated at amounts which are considered realisable.

3.06 Trade Payable :

Liabilities are recognised for amounts to be paid in future for goods and services received.

3.07 Provisions :

Provisions are made where an obligation exists for future liability in respect of past event and where the amount of the obligation can be reliably estimated.

3.08 Impairment :

The carrying amounts of the assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the recoverable amount of the asset is estimated. Impairment losses, if any, are recognised in profit and loss account.

3.09 Revenue recognition

Revenue from the sale of goods is recognised when:

- * Significant risk and rewards of ownership is transferred to the buyer.
- * The Company has no managerial involvement of the ownership of goods.
- * The revenue and cost of the transaction can be measured reliably.
- * It is probable that the economic benefits of the transaction will flow to the Company.

3.10 Events after balance sheet date

No material events have occurred between the balance sheet date to the date of issue of these financial statements, that could affect the values stated in the financial statements.

3.11 Taxation

The Company being established as a 100% export oriented unit (EOU), the income of the Company is exempted from tax for a period of five years from the date of commencement of commercial production i.e. from December 18, 2004. The provisions of Section 53BB of the Income Tax Ordinance, 1984 apply to 100% export oriented industries after completion of five years and are taxed as per provision which requires the bank through which export proceeds of an exporter of Knitwear and Woven garments is received shall deduct tax at the rate of 0.80 percent of the total export proceeds at the time of crediting the proceeds to the account of the exporter and will be regarded as final tax liability.

3.12 Deferred tax

The Company has adopted Deferred Tax Accounting Policy as per Bangladesh Accounting Standard. Accordingly, Deferred Tax Liability/ Asset is Accounted for all temporary timing

differences arising between the Tax base of the assets and liabilities and their carrying values for financial Reporting process. In view of 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 2013	As on 31 March 2012
Authorized capital:		
25,00,000 (2010: 25,00,000) ordinary shares 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	241,560,700
The aforesaid capital was subscribed as under:		
<u>Subscribers:</u>	<u>No. of shares</u>	<u>No. of shares</u>
House of Pearl Fashions Ltd.	2,415,587	2,415,587
Mr. Pallak Seth	10	10
Mr. Pulkit Seth	10	10
	2,415,607	2,415,607

5. Loan from HSBC

This represents the amount of TK.153,255,436 received from the Hongkong and Shanghai Banking Corporation Limited for operations.

6. Property, Plant and Equipment As on 31.03.2013

Particulars	Cost				Depreciation				W.D. Value as on 31.03.2013	W.D. Value as on 31.03.2012
	Cost as on 31.03.2012	Addition for the period	Deletion for the period	Cost as on 31.03.2013	Total depreciation as on 31.03.2012	Addition for the period Apr'12- March '13	Depreciation on Disposal of Assets	Total depreciation as on 31.03.2013		
Unit 1										
Building & Civil Works	20,152,434			20,152,434	18,686,433	974,770		19,661,203	491,231	1,466,001
Plant & Machinery	94,578,428	3,149,637		97,728,065	91,576,725	2,038,670		93,615,395	4,112,670	3,001,703
Vehicles	4,614,607			4,614,607	1,812,628	917,946		2,730,574	1,884,033	2,801,979
Furniture & Fixtures	10,821,143	218,000		11,039,143	5,963,521	1,078,412		7,041,933	3,997,210	4,857,622
Office Equipments & Computers	7,300,658	3,956,980		11,257,638	4,602,999	881,168		5,484,167	5,773,471	2,697,659
Telephone Installation & Connection	641,052			641,052	569,901	25,417		595,318	45,734	71,151
Air Conditioners	1,587,100			1,587,100	1,582,493	4,607		1,587,100	-	4,607
Fire extinguisher	501,900			501,900	423,175	26,487		449,662	52,238	78,725
Unit 2										
Building & Civil Works	23,797,153	4,150,000		27,947,153	2,972,265	2,539,419		5,511,684	22,435,469	20,824,888
Plant & Machinery, utility & Electrical Installations	276,365,786	147,638,692		424,004,478	34,654,734	33,085,642		67,740,376	356,264,101	241,711,052
Furniture & Fixtures	25,173,803	3,666,607		28,840,410	2,986,442	2,685,075		5,671,517	23,168,893	22,187,361
Office Equipments & Computers	5,118,036	11,927,001		17,045,037	537,322	745,547		1,282,869	15,762,169	4,580,714
Factory Equipments	569,757	2,398,000		2,967,757	55,034	211,092		266,126	2,701,631	514,723
Telephone Installation & Connection	1,286,018			1,286,018	170,185	128,512		298,697	987,321	1,115,833
Fire extinguisher	2,443,059	660,389		3,103,448	201,178	256,812		457,990	2,645,458	2,241,881
Total	474,950,934	177,765,306	-	652,716,240	166,795,034	45,599,576	-	212,394,611	440,321,629	308,155,900
Capital Work in Progress- Unit 1										
Plant & Machinery	3,149,637		3,149,637	-	-	-		-	-	3,149,637
Capital Work in Progress- Unit 2										
Building & Civil Works	-			-					-	-
Electrical Installations	-			-					-	-
Gas and Utility and Transmission Lines	-			-					-	-
Plant & Machinery	106,687,091	28,788,730	135,475,821	-					-	106,687,091
Capital WIP - CC TV	-			-					-	-
Capital WIP - ETP	9,885,235	13,862,157		23,747,392					23,747,392	9,885,235

Particulars	Cost				Depreciation				W.D. Value as on 31.03.2013	W.D. Value as on 31.03.2012
	Cost as on 31.03.2012	Addition for the period	Deletion for the period	Cost as on 31.03.2013	Total depreciation as on 31.03.2012	Addition for the period Apr'12– March'13	Depreciation on Disposal of Assets	Total depreciation as on 31.03.2013		
Furniture & Fixtures & work-aids	–			–					–	–
Office Equipments & Computers	123,290	2,518,198	2,641,488	–					–	123,290
Factory Equipments	–			–					–	–
SAP Software Installation - CWIP - Unit 1 & 2	9,289,765		9,289,765	–					–	9,289,765
Total	129,135,018	45,169,085	150,556,711	23,747,392	–	–	–	–	23,747,392	129,135,018
Total Fixed Assets	604,085,952	222,934,391	150,556,711	676,463,632	166,795,034	45,599,576	–	212,394,611	464,069,021	437,290,919

Allocation of Depreciation:

	1-Apr-12 to 31-Mar-13	1-Apr-11 to 31-Mar-12
Cost of goods sold	41,014,636	43,060,587
Administrative, selling and distribution expenses	4,584,941	3,924,181
	<u>45,599,576</u>	<u>46,984,768</u>

7. Inventories

	As on 31 March 2013	As on 31 March 2012
Raw Materials	320,405,600	172,171,485
Work-in-progress	176,642,560	182,241,552
Finished goods	111,501,360	67,860,614
	<u>608,549,520</u>	<u>422,273,651</u>

8. Trade Receivables

ATS Apparels	330,619	330,619
AI Libas International Fashions LLC	42,823,526	67,960,269
Anand Fashion International Dubai	16,000,000	14,400,000
New Times Development		–
Coles Group Asia PTY Ltd	12,746,805	–
Celio International	29,792,832	–
Friends International	519,575	1,559,081
Chaps	34,565,022	–
Mustang	25,654,180	–
LI & FUNG (India) Pvt Ltd	4,625,328	–
Target Australia PTY	271,866	–
Redcats Asia Ltd	17,339,873	7,359,393
Ralph Lauren Children	7,947,120	–
Mirdul Enterprise		20,927
Sabuz Enterprise		4,486
ITX Trading	14,104,512	–
Masum Enterprises	246,378	–
Bass Pro Shops	4,328,379	4,722,239
	<u>211,296,015</u>	<u>96,357,014</u>

9. Inter-Company Receivables

Pearl Global Industries Limited-(Sales)	316,037,484	120,559,723
Pearl Global Industries Limited-Chennai(Sales)	–	170,778,552
Pearl Global Industries Limited-Chennai(Exp)	–	2,485,253
Pearl Global Fareast Ltd	668,400	–
Simple Approach Ltd(Sales)	8,041,351	11,721,862
Pearl Global (HK) Ltd	20,332,097	–
	<u>345,079,332</u>	<u>305,545,390</u>

10. Advances, Deposits and Prepayments**Advances (considered good) to:**

	As on 31 March 2013	As on 31 March 2012
- Landlord Against Rent	116,224,940	121,703,903
- Suppliers	7,915,387	10,827,051
- Employees	2,883,753	1,209,634
- Incentive Receivable	15,687,180	13,296,110
- Others	4,915,633	4,135,811
	<u>147,626,893</u>	<u>151,172,509</u>

Deposits

- Margin against L/C and B/G	130,600	130,600
- Security deposits	37,294,345	23,023,934
	<u>37,424,945</u>	<u>23,154,534</u>

Prepayments

- Prepaid insurance	3,219,682	47,405
	<u>3,219,682</u>	<u>47,405</u>
	<u>188,271,520</u>	<u>174,374,448</u>

11. Cash and Bank Balance

Cash in hand	1,878,781	3,160,013
Balance with Bank		
Fixed deposit with United Commercial Bank	2,857,920	2,580,200
Current Account with United Commercial Bank	764,960	767,610
Margin deposit with United Commercial Bank	–	–
Exchange Retention Quota with United Commercial Bank	75,434	75,434
HSBC-001-112432-011	–	–
HSBC-001-112432-012	4,322,878	9,759,846
HSBC-001-112432-067	1,501,580	593,115
HSBC-001-112432-095	–	–
HSBC-001-112432-047	1,030,840	4,871,215
HSBC-001-112432-091	197,746,496	115,846,775
HSBC Margin L/c	–	44,369
HSBC Short term Deposit	–	7,491,530
Funds In Transit	(15,483,278)	(29,731,051)
	<u>192,816,830</u>	<u>112,299,044</u>
	<u>194,695,611</u>	<u>115,459,057</u>

12. Trade and other Payables

	As on 31 March 2013	As on 31 March 2012
Trade Payables:		
Basic Thread Industries Ltd.	3,957,316	–
Coats Bangladesh	644,266	52,381
HTMS Packaging	187,498	137,340
J. R. Fashion	–	222,221
Nice Dyeing Factory	–	33,418,314
Victory City Company Ltd.	14,682,507	16,607,148
Zumana Paper Box	3,948,777	4,859,212
Others	691,432,492	422,968,825
	<u>714,852,856</u>	<u>478,265,441</u>
Other Payables		
Liability for Tax	3,626,201	2,774,853
Withholding Tax Payable	3,059,262	1,447,562
Export bills discounted	62,328,890	49,729,602
Others	112,494,582	85,650,619
	<u>181,508,935</u>	<u>139,602,636</u>
	<u>896,361,791</u>	<u>617,868,077</u>

13. Inter-Company Payables

House of Pearl Fashions Ltd.	–	16,659,400
Poeticgem Ltd	–	15,019,095
Simple Approach Ltd (Expenses)	10,754,477	–
Simple Approach Ltd (Sales)	–	–
Norwest Industries Ltd	1,457,920	4,638,015
Pearl Global (HK) Ltd.	40,584,582	–
Pearl Global Fareast Ltd	–	–
Pearl Global Industries Limited-Chennai (Creditor-Goods)	–	13,323,098
Pearl Global Industries Limited-Chennai (Expenses)	1,844,874	–
Pearl Global Industries Limited (Creditor-Goods)	38,121,045	53,891,490
Pearl Global Industries Limited (Creditors- Expenses)	78,771,345	42,084,848
	<u>171,534,243</u>	<u>145,615,946</u>

14. Cost of Goods Sold

Raw Material Consumed (Note 14.01)	2,063,423,568	1,521,082,734
Wages	392,848,831	288,008,501
Manufacturing Overheads (Note 14.02)	264,751,998	205,224,454
	<u>2,721,024,398</u>	<u>2,014,315,689</u>
Add: Opening Work-in-Progress	182,241,552	107,326,178
	<u>2,903,265,950</u>	<u>2,121,641,867</u>
Less: Closing Work-in-Progress	176,642,560	182,241,552
Cost of Goods Manufactured	<u>2,726,623,390</u>	<u>1,939,400,315</u>
Add: Opening Stock of Finished Goods	67,860,614	96,648,004
Cost of Goods Available For Sale	<u>2,794,484,004</u>	<u>2,036,048,319</u>
Less: Closing Stock of Finished Goods	111,501,360	67,860,614
Cost of Goods Sold	<u>2,682,982,644</u>	<u>1,968,187,705</u>

14.01 Raw Material Consumed

	As on 31st March 2013	As on 31st March 2012
Opening Inventory	172,171,485	108,772,655
Purchases During The Period	2,211,657,683	1,584,481,564
Closing Inventory	320,405,600	172,171,485
	<u>2,063,423,568</u>	<u>1,521,082,734</u>

14.02 Manufacturing Overheads

Stores, Spares & Maintenance	22,504,134	9,836,695
Factory Cleaning & Upkeep	6,463,645	5,087,548
Factory Rent	41,406,600	49,430,283
Security Services	7,700,530	6,750,107
Power & Fuel	29,620,434	23,393,971
Consumables	13,058,688	4,747,598
Compliance Expenses	5,875,746	1,709,835
Testing Charges	25,884,258	10,651,499
Machinery Hire Charges	9,373,916	3,815,451
Clearing and Forwarding Inward Charges	30,181,906	19,770,100
L/C Charges For Inputs	21,074,857	20,073,187
Depreciation (Note 6.01)	41,014,636	43,060,587
Insurance	10,592,650	6,897,593
	<u>264,751,998</u>	<u>205,224,454</u>

15. Administrative, selling and distribution expenses

Salaries	174,522,646	122,568,194
Marketing Expenses	84,015,360	66,904,126
Interest	48,408,357	36,732,330
Communication	5,941,427	4,209,416
Conveyance	3,896,821	1,994,874
Entertainment	1,725,238	648,970
Office Stationery	7,252,346	4,511,933
Stationery Printing	638,720	1,143,247
Clearing & Forwarding Outward	36,386,262	20,938,888
Bank Charges	27,231,082	14,093,396
Travelling Expenses	6,635,406	1,904,588
Vehicle Fuel & maintenance	23,709,294	19,043,719
Courier & postage	24,786,520	7,894,583
Audit fee / Internal Audit	361,585	881,507
Corporate Charges	–	5,078,880
Depreciation (Note 6.01)	4,584,941	3,924,181
Others	27,852,078	8,337,210
	<u>477,948,082</u>	<u>320,810,042</u>

15.01. Salaries

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

Remuneration	32,258	–
Housing	8,065	–
	<u>40,323,00</u>	<u>–</u>

16. Other income

Interest Earned	314,690	450,162
Others	–	–
	<u>314,690</u>	<u>450,162</u>

17. Related Parties

Name of the parties	Nature	Transactions	Transaction value (Taka)			Balance outstanding (Taka)	
			Quarter ended 31st Mar 2013	1st April'12 To 31st Mar 2013	1st April'11 To 31st Mar 2012	At 31st Mar 2013	At 31st Mar 2012
Norwest Industries Ltd.	Group company	Sale of goods	–	–	2,161,715	–	–
		Expenses payable	296,045	1,092,216	15,818,549	1,457,920	4,638,015
		Expenses recoverable	345,000	2,692,891	9,341,000	–	–
Pearl Global Industries Ltd.	Group Company	Sale of goods	560,703,620	1,600,980,294	1,010,777,845	316,037,484	120,559,723
		Purchases	30,071,426	78,247,193	95,913,940	38,121,045	53,891,490
		Expenses Payable	9,561,909	17,762,213	5,912,892	78,771,345	42,084,848
		Expenses recoverable	2,388,518	6,559,670	2,996,454	–	–
Pearl Global Industries Ltd -Chennai	Group company	Sale of goods	–	275,318,099	686,535,493	–	170,778,552
		Purchases	–	3,421,105	3,945,282	–	13,323,098
		Expenses Payable	39,840	16,521,654	3,917,081	1,844,874	2,485,253
		Expenses recoverable	197,737	11,915,388	1,957,751	–	–
Pearl Global (HK) Ltd	Group company	Sale of goods	76,704,432	117,192,221	–	40,584,582	–
		Expenses Payable	4,350,628	9,251,376	–	–	–
		Expenses recoverable	32,827,534	36,157,920	–	20,332,097	–
Pearl Global Fareast Ltd	Group company	Expenses Payable	926,143	3,246,514	–	–	–
		Expenses recoverable	–	–	–	668,400	–
Poeticgem Ltd.	Group company	Sale of goods	–	–	–	–	15,019,095
Simple Approach Ltd	Group Company	Sale of goods	49,906,384	80,550,094	191,002,293	8,041,351	11,721,862
		Expenses payable	1,617,334	14,000,726	15,768,977	10,754,477	–
		Expenses recoverable	–	–	5,530,600	–	–

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

The company purchased raw materials from the group company. The purchases are on the same terms and conditions as those entered into with other suppliers and payable under normal payment terms.

In addition, the company disbursed loan, received advance against sale, received equity money to/from group companies as per normal business norm.

18. Contingent liability

Contingent liability of the company was Tk. 339.326 million as on 31.03.2013 (Tk 211.30 millions as on 31st March 2012) in respect of letters of credit outstanding and Tk 1.885 millions in respect of bank guarantee.

19. Number of employees

The number of employees engaged as on 31.03.13 , who received a total remuneration of Tk. 3,000 per month or above was 4766 Persons (4788 persons as on 31.03.12).

20. Exchange gain/(loss)

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

21. General

Figures are rounded off to nearest Taka.

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

22. Additional information disclosed as requirement of schedule VI

S.N.	Particulars	Financial Year 31st Mar'2013	Financial Year 31st Mar'2012
1	Long Term Borrowings:		
	Payable Within One Year	75,255,436	73,473,120
	Payable After One Year	78,000,000	79,163,847
		<u>153,255,436</u>	<u>152,636,967</u>
2	Trade Payable:		
	Payable Within One Year	886,387,099	623,881,387
	Payable After One Year	–	–
		<u>886,387,099</u>	<u>623,881,387</u>
3	Other Liabilities:		
	Payable Within One Year	181,508,935	136,778,713
	Payable After One Year	–	–
		<u>181,508,935</u>	<u>136,778,713</u>
4	Long Term Provisions:		
	Payable After One Year - Employee Benefits-Gratuity	5,417,576	2,823,923
	Payable After One Year - Others	–	–
		<u>5,417,576</u>	<u>2,823,923</u>

S.N.	Particulars	Financial Year 31st Mar'2013	Financial Year 31st Mar'2012
5	Fixed Assets:		
	Capital Advances Given for following heads	—	—
6	Loans & Advances:		
	Receivable Within One Year		
	Suppliers	7,915,387	10,827,051
	Employees	2,883,753	1,209,634
	Incentives	15,687,180	13,296,110
	Insurance	3,219,682	47,405
		29,706,002	25,380,200
	Receivable After One Year		
	Advance Rent	116,224,940	121,703,903
	Margin Against LC and Bank Guarantee	130,600	130,600
	Security Deposits	37,294,345	23,023,934
	Other Misc Deposits	4,915,633	4,135,811
		158,565,518	148,994,248
	Total	188,271,520	174,374,448

	31st Mar'2013		31st Mar'2012	
	Receivable Within One Year	Receivable After One Year	Receivable Within One Year	Receivable After One Year
7	Debtors:			
	Due Over Six Months	59,154,145	—	82,690,888
	Less: Provisions for Bad Debts	—	—	—
	Net Debtors Due Over 6 Months	59,154,145	—	82,690,888
	Others	497,221,202	—	319,211,516
	Less: Provisions for Bad Debts	—	—	—
	Net Debtors Others	497,221,202	—	319,211,516
	Bank Deposit and Margin Money			
	Receivable Within one Year			
	HSBC Margin L/C	—	—	44,369
	HSBC Short term Deposit	—	—	7,491,530
		—	—	7,535,899
	Receivable After One Year			
	Fixed deposit with United Commercial Bank	2,857,920	—	2,580,200
	Total	2,857,920	—	10,116,099

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2013.

Principal activity

The principal activity of the Company was 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 2013 and its state of affairs at that date are set out in the financial statements on pages 5 to 20.

The directors do not recommend the payment of any dividend in respect of the year.

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.

Share capital

Details of movements in the Company's share capital during the year are set out in note 9 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 of the directors 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

Chairman

Hong Kong
20th May, 2013

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 5 to 20, which comprise the statement of financial position as at 31 March 2013, 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 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 2013, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Certified Public Accountants

Hong Kong
20th May, 2013

STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 MARCH 2013

	Notes	2013 HK\$	2012 HK\$
REVENUE	3	99,298,090	52,052,869
Cost of sales		(87,874,018)	(47,629,312)
Gross profit		11,424,072	4,423,557
Other income	3	4,322	7,252
Administrative expenses		(10,971,694)	(2,945,558)
Other operating expense		(5,012)	–
PROFIT BEFORE TAX	4	451,688	1,485,251
Income tax expenses	6	(21,430)	–
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		430,258	1,485,251

STATEMENT OF FINANCIAL POSITION 31 MARCH 2013

	Notes	2013 HK\$	2012 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	7	8,845	39,744
CURRENT ASSETS			
Trade receivables	8	11,080,960	11,450,922
Prepayments and deposits		–	1,145,908
Due from the immediate holding company	11(b)	734,630	1,638,319
Due from fellow subsidiaries	11(b)	–	39,845
Cash and cash equivalents		3,148,087	2,824,215
Total current assets		14,963,677	17,099,209
CURRENT LIABILITIES			
Other payables and accruals		991,088	34,253
Due to fellow subsidiaries	11(b)	9,814,635	13,389,589
Tax payable		21,430	–
Total current liabilities		10,827,153	13,423,842
NET CURRENT ASSETS		4,136,524	3,675,367
Net assets		4,145,369	3,715,111
EQUITY			
Issued capital	9	4,162,300	4,162,300
Accumulated losses		(16,931)	(447,189)
Total equity		4,145,369	3,715,111

Sd/- Director Sd/- Director

STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31 MARCH 2013

	Issued capital HK\$	Accumulated losses HK\$	Total equity HK\$
At 1 April 2011	3,213,140	(1,932,440)	1,280,700
Total comprehensive income for the year	–	1,485,251	1,485,251
Issue of shares	949,160	–	949,160
At 31 March 2012 and at 1 April 2012	4,162,300	(447,189)	3,715,111
Total comprehensive income for the year	–	430,258	430,258
At 31 March 2013	4,162,300	(16,931)	4,145,369

STATEMENT OF CASH FLOWS YEAR ENDED 31 MARCH 2013

	Notes	2013 HK\$	2012 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		451,688	1,485,251
Adjustments for:			
Interest income	3	(4,322)	(448)
Depreciation	4	30,899	43,065
		478,265	1,527,868
Decrease/(increase) in trade receivables		369,962	(11,450,922)
Decrease/(increase) in prepayments and deposits		1,145,908	(1,133,473)
Decrease/(increase) in an amount due from the immediate holding company		903,689	(842,317)
Decrease in amounts due from fellow subsidiaries		39,845	282,239
Increase/(decrease) in other payables and accruals		956,835	(5,277)
Increase/(decrease) in amounts due to fellow subsidiaries		(3,574,954)	13,389,035
Cash generated from operations		319,550	1,767,153
Interest received		4,322	448
Net cash flows from operating activities		323,872	1,767,601
CASH FLOW FROM A FINANCING ACTIVITY			
Proceeds from issuance of shares		–	949,160
NET INCREASE IN CASH AND CASH EQUIVALENTS		323,872	2,716,761
Cash and cash equivalents at beginning of year		2,824,215	107,454
CASH AND CASH EQUIVALENTS AT END OF YEAR		3,148,087	2,824,215
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		3,148,087	2,824,215

NOTES TO FINANCIAL STATEMENTS 31 MARCH 2013

1. CORPORATE INFORMATION

Pearl Global Fareast Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 10/F, Room B, Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong.

During the year, the Company was engaged in the trading of garments.

The Company is a wholly-owned subsidiary of Pearl Global Limited, a company incorporated in India. In the opinion of the directors, the Company's ultimate holding company is Pearl Global Industries Limited, a company incorporated in India with shares listed on the National Stock Exchange and Bombay Stock Exchange in India.

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Certain new and revised HKFRSs became 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 2013.

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 2013, 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:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Company are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Company are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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 an 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 depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture and fixtures	25%
Office equipment	33 1/3%
Computer equipment	33 1/3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including 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 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.

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.

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:

- 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
- interest income, on an accrual basis using the effective interest method.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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:

	2013 HK\$	2012 HK\$
Interest income	4,322	448
Foreign exchange gain, net	–	3,495
Others	–	3,309
	<u>4,322</u>	<u>7,252</u>

4. PROFIT BEFORE TAX

The Company's profit before tax is arrived at after charging/(crediting):

	2013 HK\$	2012 HK\$
Auditors' remuneration	92,400	90,000
Depreciation	30,899	43,065
Staff costs (excluding directors' remuneration (note 5)):		
Salaries and allowances	80,043	219,487
Pension scheme contributions (defined contribution scheme)	36,474	22,525
	<u>116,517</u>	<u>242,012</u>
Foreign exchange differences, net	<u>5,012</u>	<u>(3,495)</u>

5. DIRECTORS' REMUNERATION

None of the directors received any fees or emoluments in respect of their services rendered to the Company during the year (2012: Nil).

6. 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. No provision for Hong Kong profits tax was made for the prior year as the Company had available tax losses brought forward from prior years to offset the assessable profits generated during that year.

A reconciliation of the tax charge applicable to profit before tax using the Hong Kong statutory rate of 16.5% (2012: 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:

	2013 HK\$	%	2012 HK\$	%
Profit before tax	<u>451,688</u>		<u>1,485,251</u>	
Tax at the statutory tax rate	74,529	16.5	245,066	16.5
Expenses not deductible for tax	18,891	4.2	–	–
Income not subject to tax	(713)	(0.2)	–	–
Tax losses utilised from prior years	(75,503)	(16.7)	(251,438)	(16.9)
Tax losses not recognised	–	–	6,372	0.4
Other	4,226	0.9	–	–
Tax at the effective tax rate	<u>21,430</u>	<u>4.7</u>	<u>–</u>	<u>–</u>

As at 31 March 2012, the Company had unused tax losses of HK\$457,596 which arose in Hong Kong and were fully utilised for offsetting against the taxable profits of the Company during the current year.

As at 31 March 2013, the Company did not recognise any deferred tax assets in respect of deductible temporary differences as the directors consider it uncertain that they will be utilised. As at 31 March 2012, deferred tax assets in respect of unused tax losses were only recognised to the extent to offset the deferred tax liabilities associated with chargeable temporary differences as the directors then considered the availability of future taxable profits for the utilisation of all the unused tax losses was unpredictable.

The net deferred tax assets not recognised are analysed as follows:

	2013 HK\$	2012 HK\$
Unused tax losses	–	75,503
Depreciation in excess of depreciation allowance	2,025	(2,201)
	<u>2,025</u>	<u>73,302</u>

7. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK\$	Office equipment HK\$	Computer equipment HK\$	Total HK\$
31 March 2013				
At 31 March 2012 and at 1 April 2012:				
Cost	95,661	23,311	31,990	150,962
Accumulated depreciation	(62,901)	(20,681)	(27,636)	(111,218)
Net carrying amount	<u>32,760</u>	<u>2,630</u>	<u>4,354</u>	<u>39,744</u>
At 1 April 2012, net of accumulated depreciation	32,760	2,630	4,354	39,744
Depreciation provided during the year	(23,915)	(2,630)	(4,354)	(30,899)
At 31 March 2013, net of accumulated depreciation	<u>8,845</u>	<u>–</u>	<u>–</u>	<u>8,845</u>
At 31 March 2013:				
Cost	95,661	23,311	31,990	150,962
Accumulated depreciation	(86,816)	(23,311)	(31,990)	(142,117)
Net carrying amount	<u>8,845</u>	<u>–</u>	<u>–</u>	<u>8,845</u>

	Furniture and fixtures HK\$	Office equipment HK\$	Computer equipment HK\$	Total HK\$
31 March 2012				
At 1 April 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>
At 1 April 2011, net of accumulated depreciation	56,675	10,400	17,884	84,959
Transfer to a fellow subsidiary	–	–	(2,150)	(2,150)
Depreciation provided during the year	(23,915)	(7,770)	(11,380)	(43,065)
At 31 March 2012, net of accumulated depreciation	<u>32,760</u>	<u>2,630</u>	<u>4,354</u>	<u>39,744</u>
At 31 March 2012:				
Cost	95,661	23,311	31,990	150,962
Accumulated depreciation	(62,901)	(20,681)	(27,636)	(111,218)
Net carrying amount	<u>32,760</u>	<u>2,630</u>	<u>4,354</u>	<u>39,744</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 45 days. The Company seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Company does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

As at the end of the reporting period, all of the Company's trade receivables were neither past due nor individually or collectively considered to be impaired, and these receivables related to a number of diversified customers for whom there was no recent history of default.

9. SHARE CAPITAL

	2013 HK\$	2012 HK\$
Authorised:		
550,000 ordinary shares of US\$1 each	<u>4,279,000</u>	<u>4,279,000</u>
Issued and fully paid:		
535,000 ordinary shares of US\$1 each	<u>4,162,300</u>	<u>4,162,300</u>

10. NOTE TO THE STATEMENT OF CASH FLOWS

Major non-cash transaction

The Company has no major non-cash transaction during the current year. In the prior year, items of property, plant and equipment with an aggregate carrying amount of HK\$2,150 were transferred to a fellow subsidiary for a total consideration of HK\$2,150, which was settled by an increase in an amount due from the fellow subsidiary.

11. RELATED PARTY TRANSACTIONS

- (a) 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:

	Notes	2013 HK\$	2012 HK\$
Fellow subsidiaries:			
Purchases of goods	(i)	87,874,018	47,616,860
Management fees paid	(ii)	37,800	36,000
Rentals paid	(iii)	140,040	140,040
Immediate holding company:			
Sales of goods	(iv)	–	12,453

Notes:

- The purchases were made with reference to the prices and conditions offered by a fellow subsidiary to other major customers.
- The management fees paid to a fellow subsidiary were determined based on terms mutually agreed between the Company and the fellow subsidiary.
- The rentals paid to a fellow subsidiary were according to mutually agreed terms and conditions between the Company and the fellow subsidiary.
- The sales to the immediate holding company were made with reference to the published prices and conditions offered by the Company to its major customers.

(a) Outstanding balances with related parties:

The balances with fellow subsidiaries and the immediate holding company are unsecured, interest-free and have no fixed terms of repayment.

12. FAIR VALUE

At the end of the reporting period, the carrying amounts of the Company's financial assets and financial liabilities approximated to their fair values.

The fair values of financial assets and liabilities are included at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation sale transactions. The fair values of trade receivables, amounts due from the immediate holding company, cash and cash equivalents, other payables and accruals, and amounts due to fellow subsidiaries approximated to their carrying amounts largely due to the short term maturities of these instruments.

The Company did not have any financial assets and liabilities measured at fair value as at the end of each reporting period.

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's exposure to credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Company's financial management policies and practices described below:

Credit risk

The carrying amounts of cash and cash equivalents, amounts due from the immediate holding company and fellow subsidiaries, 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 businesses 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. At the end of the reporting period, all (2012: all) of the Company's trade receivables were due from the Company's top two customers.

The board of directors considers credit risk for the Company's amounts due from the immediate holding company and fellow subsidiaries is minimal as the immediate holding company and fellow subsidiaries have sufficient liquidity to settle these 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 financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, either have no fixed terms of repayment or are repayable within three months subsequent to the end of the reporting period.

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 the 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 its shareholder, return capital to the shareholder or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2013 and 31 March 2012.

14. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 May 2013.

DIRECTORS' REPORT

To the Shareholders,

The Directors of your Company have pleasure in presenting the 6th Annual Report on the business and operations of the Company and the Audited Financial Accounts for the year ended 31st March, 2013.

Financials

The performance of the Company for the financial year ended 31st March, 2013 is summarized below:

PARTICULARS	₹ in Lacs	
	2012 – 2013	2011 – 2012
Revenue from operations	325.19	18.62
Other Income	226.84	10.07
Profit before Tax	258.79	(345.90)
Provision for Tax	372.03	48.33
Profit/(Loss) after Tax	(113.24)	(297.57)
Transfer to General Reserve	–	–

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, would retire by Rotation at the ensuing Annual General Meeting and being eligible offer herself for re-appointment.

Directors Identification Number (DIN)

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

Mrs. Payel Seth – 00003035 Mr. Pulkit Seth – 00003044 Mr. Vinod Vaish – 01945795

Auditors

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

Auditors' Report

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

Public Deposits

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

Notes to Accounts

The observations of the Auditors, if any, have been adequately explained in Notes to Accounts and need no further clarification.

Directors' Responsibility Statement

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

- That in the preparation of the Annual Accounts for the financial year ended 31st March 2013, 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, 2013 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 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

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

There is no Foreign Exchange Earnings and outgo during the year.

The company at present does not envisage any export and has no export plans in next 2 years.

Acknowledgements

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

for and On Behalf of the Board
for **LERROS FASHIONS INDIA LIMITED**

(Pulkit Seth)	(Vinod Vaish)
Director	Director
DIN: 00003044	DIN: 01945795

Place: New Delhi

Date: 30.05.2013

INDEPENDENT AUDITORS' REPORT

To the Shareholders of **M/S LERROS FASHIONS INDIA LIMITED**

- We have audited the accompanying financial statements of **M/S LERROS FASHIONS INDIA LIMITED, ("the Company")**, which comprise the Balance Sheet as at 31st March, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

- Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and 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. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 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 fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, 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 and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2013;

- (b) in the case of the Statement of Profit and **Loss**, of the Loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

6. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

Further, as required by section 227(3) of the Act, 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 Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- (d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement 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 2013 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

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

(SANDEEP DINODIA)
Partner
M. No. 083689

Place: New Delhi
Dated: 30.05.2013

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 6 of our audit report of even date)

M/S LERROS FASHIONS INDIA LIMITED

- i) (a) The company is maintaining records showing particulars including quantitative details and situation of fixed assets which still needs updation.
- (b) As explained to us, physical verification of major fixed assets has been conducted by the management. In our opinion, the frequency of physical verification is reasonable having regard to the size of the company and the nature of its fixed assets. No material discrepancies were noticed on such verification as compared to book records.
- (c) No fixed asset has been disposed off during the year.
- ii) During the year the company does not hold any inventory so clause 4(ii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company.
- 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 are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to sale of services. Further, on the basis of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices, there is no continuing failure to correct the weaknesses in the aforesaid internal control systems.
- v) During the year, the company has not entered in any contracts or arrangements referred to in section 301 of the Act. Hence the provisions of clause 4(v) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- 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 58AA and the other relevant provisions 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 requirement as to maintenance of cost records and accounts prescribed by the Central Government under section 209 (1)(d) of the Companies Act, 1956 is not applicable to the Company. Therefore, the provisions of clause 4(viii) of the Companies (Auditor's Report) Order, 2003 are not applicable to 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 the information and explanations given to us, no undisputed amounts payable in respect of income tax, cess and other material statutory dues applicable to it, were outstanding as at 31st March, 2013 for a period of more than six months from the date they became payable.
- (c) According to the records of the Company examined by us and the information and explanations given to us, there are no dues of Income Tax, cess and other material statutory dues applicable to it, were outstanding as at 31st March, 2013, which have not been deposited on account of any dispute.
- x) The accumulated losses of the company have exceeded the 50% of its net worth. However the company has not incurred any cash losses during the financial year but the company incurred cash losses in the immediately preceding year.
- xi) According to information and explanations given to us we are of opinion that the 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 to the Company.
- 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) The company has not given any guarantee for loans taken by others from banks or financial institutions. Therefore the provisions of clause 4(xv) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- xvi) The Company has not taken and / or utilized any term loan during the year. Therefore, the provisions of clause 4(xvi) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds has been raised by the company on short term basis during the year. Therefore, the provisions of clause 4(xvii) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- xviii) During the year, the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) During the year covered by our audit report, the company has not issued any debentures. Therefore, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xx) According to the information and explanation given to us, the company has not raised any money by way of public issue during the year. Therefore, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.
- xxi) During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, during the year we have neither come across any instance of fraud on or by the Company nor have we been informed of such case by the management.

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

(SANDEEP DINODIA)
Partner
M. No. 083689

Place: New Delhi
Dated: 30.05.2013

BALANCE SHEET AS AT MARCH 31, 2013

PARTICULARS	Note No.	(Amount in ₹)	
		As At March 31, 2013	As At March 31, 2012
EQUITY AND LIABILITIES			
Shareholders' funds			
Share Capital	3	326,391,450	336,391,450
Reserves and surplus	4	(235,646,623)	(224,322,526)
		<u>90,744,827</u>	<u>112,068,924</u>
Non-current liabilities			
Other Long term liabilities	5	—	360,500
		<u>—</u>	<u>360,500</u>
Current liabilities			
Trade payables	6	30,337	3,850,471
Other current liabilities	6	1,108,104	6,931,439
		<u>1,138,441</u>	<u>10,781,910</u>
TOTAL		<u>91,883,268</u>	<u>123,211,334</u>
ASSETS			
Non-current assets			
Fixed assets	7		
Tangible assets		1,695,083	2,223,710
Deferred tax assets (net)	8	44,961,925	82,131,166
Long-term loans and advances	9	567,220	5,176,353
Trade receivable		22,536,936	10,824,563
Other non-current assets	10	190,000	190,000
		<u>69,951,165</u>	<u>100,545,792</u>
Current assets			
Trade receivables	10	12,000,000	7,231,255
Cash and cash equivalents	11	6,866,060	5,239,466
Short-term loans and advances	10	2,691,645	10,037,554
Other current assets	10	374,398	157,267
		<u>21,932,103</u>	<u>22,665,542</u>
TOTAL		<u>91,883,268</u>	<u>123,211,334</u>

Summary of Significant Accounting Policies 2.3

The accompanying notes are an integral part of the financial statements

As per our Audit Report of even date attached
for **S.R. DINODIA & CO.**,
Chartered Accountants
Regn. No. 001478N

(Sandeep Dinodia)

Partner
M. No. 083689

Place : New Delhi
Dated : 30.05.2013

For & on behalf of Board of Directors

(Pulkit Seth)

Director
DIN 00003044

(Vinod Vaish)

Director
DIN 01945795

(Rajesh Singh Chahar)
Company Secretary

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED MARCH 31, 2013

PARTICULARS	Note No.	(Amount in ₹)	
		For the year ended March 31, 2013	For the year ended March 31, 2012
Revenue from operations	12	32,519,360	1,861,840
Other income	13	22,684,367	1,007,109
Total Income		<u>55,203,727</u>	<u>2,868,949</u>
Expenses:			
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	14	—	10,850,700
Purchase of Stock-in-Trade	14	—	5,013
Employee benefits expense	15	—	103,608
Depreciation and amortization expense	7	528,627	364,280
Other expenses	16	28,795,988	22,712,387
Total expenses		<u>29,324,615</u>	<u>34,035,988</u>
Profit before exceptional items and tax		<u>25,879,112</u>	<u>(31,167,039)</u>
Exceptional items	17	—	3,423,170
Profit before tax		<u>25,879,112</u>	<u>(34,590,209)</u>
Tax expense:			
Provision for Deferred Tax Liability / (Assets)		37,169,239	(4,833,210)
Income Tax adjustments earlier Years		33,970	—
Profit /(Loss) for the period		<u>(11,324,097)</u>	<u>(29,756,999)</u>

Earnings per equity share:

Basic	20	(0.41)	(2.84)
Diluted		(0.41)	(2.84)

Summary of Significant Accounting Policies 2.3

The accompanying notes are an integral part of the financial statements

As per our Audit Report of even date attached

For & on behalf of Board of Directors

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

(Sandeep Dinodia)

Partner
M. No. 083689

Place : New Delhi
Dated : 30.05.2013

(Pulkit Seth)

Director
DIN 00003044

(Vinod Vaish)

Director
DIN 01945795

(Rajesh Singh Chahar)
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

	(Amount in ₹)	
	For the year ended March 31, 2013	For the year ended March 31, 2012
A. Net Profit Before Tax and Exceptional Items	25,879,112	(34,590,209)
Adjustments :		
Depreciation	528,627	364,280
Loss on sale of Fixed assets	-	3,423,170
Operating Profit/(loss) before working capital changes	26,407,739	(30,802,759)
Adjustments for :		
Trade and Other Receivables	(16,481,118)	24,573,747
Loans & Advances	10,091,281	21,527,020
Inventories	-	10,850,700
Trade Payables	(10,003,969)	(24,773,637)
Cash Generated from operations	10,013,932	1,375,071
Direct Taxes (Paid)/ Refunds	1,612,660	(63,493)
Net Cash Generated / (used) in operating Activities	11,626,592	1,311,578
B. Cash Flow from Investing Operations:		
Cash from investing activities	-	-
C. Cash Flow from Financing Activities		
Redemption of Preference Capital	(10,000,000)	-
Net Proceeds from issue of Share Capital	-	20,100,000
Net Proceeds from issue Share Application	-	(25,110,670)
Net cash Generated/(used) in financing activities	(10,000,000)	(5,010,670)
Increase in Cash/Cash equivalents(A+B+C)	1,626,592	(3,699,092)
Net Increase in Cash/Cash equivalents(A+B+C)	1,626,592	(3,699,092)
Cash / Cash equivalents at the beginning of the year	2,739,468	6,438,560
Cash / Cash equivalents at the close of the year	4,366,060	2,739,468
Components of Cash and Cash equivalents		
Cash and Cheques on hand	1,747	350,243
Balances with Scheduled Banks		
- In Current Accounts	4,364,313	2,389,223
	4,366,060	2,739,468

As per our Audit Report of even date attached for **S.R. DINODIA & CO.,** Chartered Accountants Regn. No. 001478N

(Sandeep Dinodia)
Partner
M. No. 083689
Place : New Delhi
Dated : 30.05.2013

For & on behalf of Board of Directors

(Pulkit Seth) **(Vinod Vaish)**
Director Director
DIN 00003044 DIN 01945795
(Rajesh Singh Chahar)
Company Secretary

Notes to financial statements for the year ended March 31, 2013
Note 1
Corporate Information

Lerros Fashions India Limited is a limited company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The company is primarily engaged in manufacturing, distribution and retailing of ready to wear apparels in India under a brand licensing agreement with Lerros GmbH, Germany.

Note 2
2.1 Basis of Preparation

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

2.2 Uses 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 Statement of Profit & Loss in the year in which the results are known / materialized.

Note 2.3 Summary of Significant Accounting Policies
a. Revenue Recognition

- Revenue is recognized on accrual basis on transfer of risk and reward to the customers. Sales are accounted net of sales return, sales tax and trade discounts.
- Interest income is recognized on time proportion basis.
- Royalty is recognized on accrual basis.

b. Inventory

Inventories of traded goods are valued at lower of procurement cost (calculated on FIFO basis) or estimated net realizable value.

c. Cash Flow Statement

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

d. 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. Fixed assets under construction are shown as capital work in progress and advances paid towards the acquisition of fixed assets are shown as long term capital advances.

Gains or losses arising from sale of fixed assets are measured as the difference between the net proceeds and the carrying amount of the asset and are recognised in the statement of profit & loss in the year in which the asset is sold.

e. 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 ₹ 5,000/- are depreciated fully in the year of purchase.
- Intangible assets are amortized over the period of 5 years or the license period whichever is earlier.
- Leasehold Improvements are amortized over the period of Lease.

f. Foreign Currency Transaction

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 Statement of Profit and Loss.

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 Statement of Profit and Loss.

g. Employee Benefit
(a) Short-term employee benefit

Short-term employee benefits are recognized as an expense at the undiscounted amount in the Statement of Profit and Loss of the year in which related service is rendered. Terminal benefits are recognized as an expense immediately.

(b) Defined Contribution Plan

Contributions payable to recognised provident fund which are substantially defined contribution plans, are recognised as expense in the Statement of Profit and Loss, as they incurred.

(c) Defined Benefit Plan

The Payment of Gratuity Act is currently not applicable to the Company since the number of employees are below the requisite limits as specified in the said Act. Hence no liabilities have been accrued in the financial statements.

(d) Other Long-term Benefits

Currently the Company do not have the policy for the encashment of compensated absences, hence no liability has been accrued in the financial statements.

h. 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 statement of Profit and Loss.
- Rental Income from the assets leased out under operating lease is recognized on accrual basis over the lease term.

i. 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.

j. 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.

k. 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 Statement of Profit & Loss 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.

l. 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.

m. Earning Per Share

Basic Earning per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating Diluted Earning per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

	(Amount in ₹)	
	As at March 31, 2013	As at March 31, 2012

Note 3 : Share Capital

Authorised Share Capital

30,500,000(March 31, 2012: 30,500,000) Equity Shares of ₹ 10/- each	305,000,000	305,000,000
6,000,000(March 31, 2012: 6,000,000)10.5 % Non Cumulative Redeemable Preference Shares of ₹10/- each	60,000,000	60,000,000
	<u>365,000,000</u>	<u>365,000,000</u>

Issued, Subscribed & Paid-up

Equity Share Capital

27,639,145 (March 31, 2012: 27,639,145) Equity Shares of ₹10/- each fully paid up	276,391,450	276,391,450
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Preference Share Capital

5,000,000 (March 31, 2012: 6,000,000)10.5 % Non Cumulative Redeemable Preference Shares of ₹ 10/- each fully paid up	50,000,000	60,000,000
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Total Issued, Subscribed & Paid-up Capital	<u>326,391,450</u>	<u>336,391,450</u>
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a. Share Capital Reconciliation

	March 31, 2013		March 31, 2012	
	No. of Shares	(Amount in ₹)	No. of Shares	(Amount in ₹)
Equity Share Capital				
Balances of Shares at the beginning of the year	27,639,145	276,391,450	27,639,145	276,391,450
Add:- Addition during the year	-	-	-	-
Less:- Buy back during the year	-	-	-	-
Balances of Shares at the end of the year	<u>27,639,145</u>	<u>276,391,450</u>	<u>27,639,145</u>	<u>276,391,450</u>

	March 31, 2013		March 31, 2012	
	No. of Shares	(Amount in ₹)	No. of Shares	(Amount in ₹)
Preference Share Capital				
Balances of Shares at the beginning of the year	6,000,000	60,000,000	3,990,000	39,900,000
Add:- Addition during the year	-	-	6,000,000	60,000,000
Less:- Redeemed during the year	<u>1,000,000</u>	<u>10,000,000</u>	<u>3,990,000</u>	<u>39,900,000</u>
Balances of Shares at the end of the year	<u>5,000,000</u>	<u>50,000,000</u>	<u>6,000,000</u>	<u>60,000,000</u>

b. Terms/rights attached to shares

- Equity

The company has only one class of equity shares having a par value of ₹10 per share. Each holder of Equity shares is entitled to one vote per share. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

- Preference

The company has only one class of preference shares i.e. Non-cumulative Redeemable shares having par value of ₹10 per share and can be redeemed after 6 months of the date of allotment but before 5 years of date of allotment. Each holder of Preference share is entitled to one vote per share only on resolutions placed before the company which directly affect the rights attached to it.

	(Amount in ₹)	
	As at March 31, 2013	As at March 31, 2012

c. Details of shares held by holding company

Pearl Global Industries Limited		
16,483,487(March 31, 2012: 16,483,487) Equity Shares of ₹ 10/- each fully paid	1,634,834,870	1,634,834,870
5,000,000(March 31, 2012: 6,000,000)10.5 % Non Cumulative Redeemable Preference shares of ₹ 10/- each fully paid up	50,000,000	60,000,000

d. Details of shareholders holding more than 5% shares in the company

	March 31, 2013		March 31, 2012	
	No. of Shares	%holding	No. of Shares	%holding
(i) Equity Shares				
Pearl Global Industries Limited	16,483,487	59.64%	16,483,487	59.64%
Lerros Modem GmbH, Germany	11,055,658	40.00%	11,055,658	40.00%
	March 31, 2013		March 31, 2012	
	No. of Shares	%holding	No. of Shares	%holding
(ii) Preference Shares				
Pearl Global Industries Limited	5,000,000	100%	6,000,000	100%

e. Details of Outstanding Preference Shares

Type	No. of Shares March 31, 2013	No. of Shares March 31, 2012	Date of Issue	Terms of Redemption
10.5% Redeemable Preference Shares	2,000,000	3,000,000	19.11.2011	6 months after the date of allotment
10.5% Redeemable Preference Shares	3,000,000	3,000,000	10.03.2012	but not later than 5 years.

	(Amount in ₹)	
	As at March 31, 2013	As at March 31, 2012

Note 4 : Reserves and Surplus

Surplus / Profit & Loss

Balance at the beginning of the year	(224,322,526)	(194,565,527)
(Loss) for the year	<u>(11,324,097)</u>	<u>(29,756,999)</u>
Balance at the close of year	<u>(235,646,623)</u>	<u>(224,322,526)</u>
Total Reserves & Surplus	<u>(235,646,623)</u>	<u>(224,322,526)</u>

Lerros Fashions India Ltd.
Note 5: Other long term Liabilities

Other Liabilities	-	360,500
	-	360,500

Note 6 : Other Current Liabilities
Trade Payables [Refer note (a) below]

- Others	30,337	3,850,471
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Other liabilities:

Security Deposit	-	5,290,260
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Others:

Statutory dues payable	469,287	1,002,362
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Others	638,817	638,817
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	1,108,104	6,931,439
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- a) Pursuant to amendments to schedule VI to Companies Act, 1956 vide notification number GSR 719 (E) dated November 16, 2007, as on March 31st, 2013, there is no amount due to Micro Small & Medium enterprises as defined in MSMED Act, 2006

b) Contingent liabilities

- 1 Claims against the company not acknowledged as debts:

(Amount in ₹)

	As at March 31, 2013	As at March 31, 2012
i) The claim represent a counter claim including interest by one of the distributor against the company's claim of in ₹ 9,979,426 plus interest pending under Arbitration.	17,970,483	17,970,483
ii) The claim represent a counter claim by one of the distributor, Numero Uno Company Limited (NUCL) against the Company's claim of ₹ 118,757,638 pending under Arbitration.	-	128,202,834
2 Sales Tax Liability against non-receipt of 'C' Form from a customer	-	880,192
	17,970,483	147,053,509

NOTE 7 : FIXED ASSETS

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
PARTICULARS	AS AT April 1, 2012	ADDITION	DEDUCTION	AS AT March 31, 2013	AS AT April 1, 2012	FOR THE YEAR	DEDUCTION/ ADJUSTMENTS	AS AT March 31, 2013	AS AT March 31, 2013	AS AT March 31, 2012
A. Tangible Assets										
Plant and Equipment	1,054,968	-	-	1,054,968	175,310	50,111		225,421	829,547	879,658
Furniture and fixtures	4,642,636	-	-	4,642,636	4,236,678	164,347		4,401,025	241,611	405,958
Office Equipments	29,990	-	-	29,990	2,768	1,425		4,193	25,797	27,222
Computers	1,939,000	-	-	1,939,000	1,028,128	312,744		1,340,872	598,128	910,872
Total	7,666,594	-	-	7,666,594	5,442,884	528,627	-	5,971,511	1,695,083	2,223,710
Grand Total	7,666,594	-	-	7,666,594	5,442,884	528,627	-	5,971,511	1,695,083	2,223,710

Note 8 : Deferred Tax Asset/Liability (Net)

(Amount in ₹)

	As at March 31, 2013	As at March 31, 2012	Non - current		Current	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Deferred Tax Assets						
Provision for Doubtful debts / Advances	-	3,155,942				
Preliminary Expenses	-	773				
Brought forward loss	43,165,124	75,575,462				
Brought forward depreciation	1,744,330	3,635,149				
Total A	44,909,454	82,367,326				
Deferred Tax Liability						
Fixed assets: Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting	(52,471)	236,160				
Total B	(52,471)	236,160				
Deferred tax asset/(liability) (net)	44,961,925	82,131,166				

Note 9 : Loans and Advances

(Amount in ₹)

	Non - current		Current	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Security Deposits				
Unsecured - Considered Good	-	2,691,645	2,691,645	597,038
Unsecured - Considered Doubtful	-	1,913,403	-	-
	-	4,605,048	2,691,645	597,038
Less: Provision for Doubtful Deposits	-	1,913,403	-	-
	-	2,691,645	2,691,645	597,038
Advances Recoverable in cash or kind				
Unsecured - Considered Good	69,386	340,244	-	9,432,146

Note 10: Trade Receivables And Other Assets

(Amount in ₹)

	Non - current		Current	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Trade Receivables				
Outstanding for a period exceeding six months from the date they are due for payment				
Unsecured - Considered Good	16,536,936	10,824,563	-	7,231,255
Unsecured - Considered Doubtful	-	18,723,475	-	-
	16,536,936	29,548,038	-	7,231,255
Less: Provision for doubtful receivables	-	18,723,475	-	-
	16,536,936	10,824,563	-	7,231,255

	(Amount in ₹)			
	Non – current		Current	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Others				
Unsecured - Considered Good	6,000,000	–	12,000,000	–
	22,536,936	10,824,563	12,000,000	7,231,255
Others				
Interest Accrued but not due	–	–	374,398	157,267
Non-current bank balances	190,000	190,000	–	–
(Refer Note 11)	190,000	190,000	374,398	157,267
Total Trade receivables and other assets	22,726,936	11,014,563	12,374,398	7,388,522

Note 11 : Cash and Cash equivalents

	(Amount in ₹)			
	Non – current		Current	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Balances with Banks:-				
On current accounts	–	–	4,364,313	2,389,223
Cash on hand	–	–	1,747	350,243
	–	–	4,366,060	2,739,466
Other Balances				
Balance with bank				
Deposits with original maturity for more than 3 months but less than 12 months	190,000	190,000	2,500,000	2,500,000
	190,000	190,000	2,500,000	2,500,000
Amount disclosed under other assets	190,000	190,000	–	–
(Refer note 10 above)	–	–	6,866,060	5,239,466

Note 12 : Revenue from operations

Revenue from - Sale of Product	–	2,564,577
Less: Sales Return	–	(3,852,737)
Other Operating Revenues		
Royalty Income	–	3,150,000
Damages Recovery	32,519,360	–
Total	32,519,360	1,861,840

Note 13 : Other Income

Interest on Fixed Deposits with Bank	261,998	509,758
Others	114,719	–
Sundry Balance Written Back	1,098,992	441,464
Foreign Exchange Fluctuation	–	54,884
Provision for Doubtful Debts written back	21,116,878	–
Misc. Income	91,780	1,003
	22,684,367	1,007,109

	(Amount in ₹)	
	For the year ended on March 31, 2013	For the year ended on March 31, 2012

Note 14: Changes in Inventories of finished goods, work in progress and stock in trade

Inventories at the beginning of the year	–	10,850,700
Inventories at the end of the year	–	–
(Increase) / Decrease in Inventory	–	10,850,700

a) Details of Purchases of Traded Goods

Finished Goods(Readymade Garments)	–	5,013
	–	5,013

Note 15 : Employee benefit expense

Salaries & Wages	–	100,502
Contribution to Provident and Other funds	–	1,856
Staff Welfare Expenses	–	1,250
	–	103,608

Note 16 : Other Expenses

Power & Fuel	–	26,814
Rent	–	105,888
Rates & Taxes	662,659	–
Commission & Brokerage	–	141,666
Selling & Marketing expenses	–	222,965
Legal & Professional Expenses	1,962,348	1,532,949
Payment to Auditors (refer note below)	33,708	55,150
Bad Debts Written Off	22,627,719	–
Sundry Balances Written off	3,471,078	–
Provision for Doubtful Advances	–	20,903,475
Prior Period Items (refer note below)	–	(346,833)
Miscellaneous expenses	38,476	70,313
	28,795,988	22,712,387

a) Payment to Auditors

As Auditor:

Statutory Audit	20,000	50,000
Tax Audit	10,000	–
Service Tax	3,708	5,150
	33,708	55,150

b) Prior Period Items

Trade Discount	–	(346,833)
	–	(346,833)

Note 17 : Exceptional Items

Loss on sale of fixed assets	–	3,423,170
	–	3,423,170

Note 18: Disclosure of Related parties/ Related parties transactions :

A Name of the Related Parties and description of relationship

Nature of Relationship	Name of Related Party
Holding Company	Pearl Global Industries Limited
Enterprises owned or significantly influenced by KMP or their relatives	Little People Education Society
Key Management Personnel	Mr. Pulkit Seth
	Mr.Vinod Vaish

B. Disclosure of Related Parties Transactions:

(Amount in ₹)

Particulars	Holding Company	Enterprises owned or significantly influenced by KMP or their relatives
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Nature of Transaction:

a) Share Application money received	–	–
	(39,900,000)	(–)
b) Share Application money refunded	–	–
	(5,010,668)	(–)
c) Preference Share Capital redeemed	10,000,000	–
	(39,900,000)	(–)
d) Preference Share Capital Issued	–	–
	(60,000,000)	(–)
e) Services Provided	–	–
	(105,888)	(–)
f) Expenses Reimbursed on behalf	–	–
	(57,146)	(–)
g) Refund of Security Paid	–	–
	(–)	(720,000)

Outstanding as on March 31, 2013

a) Other Liabilities	–	–
	(2,403,344)	(–)

Figures in brackets represents figures for the year ended March 31, 2012.

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

(Amount in ₹)

	For the year ended on March 31, 2013	For the year ended on March 31, 2012
a) Share Application money received		
Holding Company Pearl Global Industries Limited	–	39,900,000
b) Share Application money refunded		
Holding Company Pearl Global Industries Limited	–	5,010,668
c) Preference Share Capital redeemed		
Holding Company Pearl Global Industries Limited	10,000,000	39,900,000
d) Preference Share Capital Issued		
Holding Company Pearl Global Industries Limited	–	60,000,000
e) Services Provided Holding Company		
Holding Company Pearl Global Industries Limited	–	105,888
f) Expenses Reimbursed on behalf		
Holding Company Pearl Global Industries Limited	–	57,146
g) Refund of Security Paid Enterprises owned or significantly influenced by KMP or their relatives		
Little People Education Society	–	720,000

Note 19 : Leases**Assets taken on Lease**

The company has taken certain assets on cancellable operating lease and lease rent amounting to ₹ Nil (March 31, 2012: ₹ 105,888) and has been debited to Statement of Profit & Loss.

Note 20 : Earnings per Share

(Amount in ₹)

Particulars	For the year ended on March 31, 2013	For the year ended on March 31, 2012
Profit/(Loss) attributable to the equity shareholders	(11,324,097)	(70,897,017)
Basic/weighted average no. of equity shares outstanding during the period	27,639,145	24,923,368
Nominal value of Equity shares	10	10
Basic/Dilutive Earning per share (₹)	(0.41)	(2.84)

Note 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 in the Balance Sheet as at March 31, 2013.

Note 22: 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.

Note 23: The balances of trade payables & trade receivables are subject to confirmation.

Note 24: Previous year figures have been regrouped & reclassified wherever considered necessary.

Note 24: Figures rounded off to nearest rupee.

For & on behalf of Board of Directors

(Pulkit Seth)
Director
DIN 00003044

(Vinod Vaish)
Director
DIN 01945795

(Rajesh Singh Chahar)
Company Secretary

Place : New Delhi
Dated : 30.05.2013

DIRECTORS' REPORT

To the Shareholders,

The Directors of your Company present the Second Annual Report and Audited Accounts for the year ended 31st March, 2013, together with the Auditors' Report thereon.

FINANCIALS

(₹ in Lacs)

PARTICULARS	2012 – 2013	2011 – 2012
Revenue from operations	183.90	–
Profit before Tax	15.88	–
Provision for Tax	4.62	–
Profit (Loss) after Tax	11.26	–
Transfer to General Reserve	–	–

DIVIDEND

Directors of your Company have not recommended any dividend for the year under report.

DIRECTORS

The Board of Directors, in its meeting held on 25th September, 2012, appointed Mr. Pulkit Seth, Mr. A.K.G. Nair and Mr. Omprakash S Makam as Additional Directors of your Company.

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of your Company, Mrs. Payel Seth and Mr. Pallak Seth, would retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The Company has also received notices for re-appointment of Mr. Pulkit Seth, Mr. A.K.G. Nair and Mr. Omprakash S Makam as Directors of the Company. 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.

Mr. Deepak Seth - 00003021	Mr. Pulkit Seth - 00003044
Mrs. Payel Seth - 00003035	Mr. A.K.G. Nair - 00011177
Mr. Pallak Seth - 00003040	Mr. Omprakash S Makam - 01908522

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 2013, 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 2013 as a "going concern" and on accrual basis.

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 first 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.

FIXED DEPOSITS

Your Company has not accepted any Fixed 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.

PARTICULARS OF EMPLOYEES

The information required in terms of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is NIL.

STATUTORY DISCLOSURES

Details of Conservation of Energy and Technology Absorption

Information pursuant to Section 217 (1)(e) of the Companies Act, 1956, read with Rule 2 of the

Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988 relating to "Energy Conservation" and "Technology Absorption" are not applicable as the Company does not have any manufacturing activity.

Foreign Exchange Earnings and Outgo

- Activities relating to export; initiative taken to increase exports; development of new export markets; and export plans.
The Company is finalizing its plans of garments sourcing and exports to the various countries.
- Total Foreign Exchange used and earned.

Foreign Exchange Earnings

(Amount in ₹)

Particulars	2012-13	2011 – 12
Sale of Service	18,390,085	NIL
Total	18,390,085	NIL

Foreign Exchange outgo-NIL

ACKNOWLEDGEMENT

The Directors of your Company are thankful to Bankers and Business Associates 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 PDS MULTINATIONAL FASHIONS LIMITED

(PULKIT SETH) (OM PRAKASH S MAKAM)
DIRECTOR DIRECTOR
DIN: 00003044 DIN: 01908522

Place: New Delhi
Date: 30 May, 2013

INDEPENDENT AUDITORS' REPORT

To the Shareholders of M/S PDS MULTINATIONAL FASHIONS LIMITED

- We have audited the accompanying financial statements of M/S PDS MULTINATIONAL FASHIONS LIMITED, ("the Company"), which comprise the Balance Sheet as at 31st March, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

- Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and 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. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 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 fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, 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 and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2013;
 - in the case of the Statement of Profit and Loss, of the Profit for the year ended on that date; and

PDS Multinational Fashions Limited

- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

6. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

Further, as required by section 227(3) of the Act, 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 Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- (d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
- (e) On the basis of written representations received from the directors as on 31st March 2013 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

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

(SANDEEP DINODIA)
 PARTNER
 M. NO. 083689

Place: New Delhi
 Dated: 30th May, 2013

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 6 of our audit report of even date)

M/S PDS MULTINATIONAL FASHIONS LIMITED

- i) (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, physical verification of major fixed assets has been conducted by the management at appropriate intervals. In our opinion, the frequency of physical verification is reasonable having regard to the size of the company and the nature of its fixed assets. No material discrepancies were noticed on such verification as compared to book records.
- (c) No fixed assets has been disposed off during the year.
- ii) During the year the company does not hold any inventory so clause (ii) is not applicable to the company.
- iii) (a) The Company had not granted any unsecured loans to parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(iii)(a) to (d) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- (b) The Company had taken unsecured loan from a party covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 10,514,996 and the year end balance of the loan taken by the Company was Rs. 10,514,996
- (c) The rate of interest and other terms and conditions of unsecured loan taken by the Company are prima facie not prejudicial to the interest of the company.
- (d) In respect of loans taken, the principal amount is repayable on demand in accordance with the terms and conditions & the payment of interest has been regular in accordance with such terms & conditions.
- 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 fixed assets and sale of services. Further, on the basis of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices, there is no continuing failure to correct the weaknesses in the aforesaid internal control systems.
- v) (a) 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) The transactions made in pursuance of such contracts or arrangements 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 58AA and the other relevant provisions of the Companies Act, 1956 and rules framed there-under.
- vii) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- viii) The requirement as to maintenance of cost records and accounts prescribed by the Central Government under section 209 (1)(d) of the Companies Act, 1956 is not applicable to the Company. Therefore, the provisions of clause 4(viii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- ix) (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including income tax, cess and other material statutory dues applicable to it. Further, according to the records of the Company examined by us and the information and explanations given to us there are no dues on account of provident fund, investors education and protection fund, employee's state insurance, wealth tax, service tax, sales tax. Custom duty and excise duty.
- (b) According to the records of the Company examined by us and the information and explanations given to us, no undisputed amounts payable in respect of income tax, cess and other material statutory dues applicable to it, were outstanding as at 31st March, 2013 for a period of more than six months from the date they became payable.
- (c) According to the records of the Company examined by us and the information and explanations given to us, there are no dues of Income Tax, cess and other material statutory dues applicable to it, were outstanding as at 31st March, 2013, which have not been deposited on account of any dispute.
- x) The company has not completed its five years from the date of incorporation. Hence The provisions of clause 4(x) are not applicable to the company.
- xi) According to information and explanations given to us during the year, the Company has not taken loan from financial institutions, banks, or debenture holders. Hence the provisions of this clause 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 to the Company.
- 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) According to information and explanations given to us the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi) The Company has not taken and / or utilized any term loan during the year. Therefore, the provisions of clause 4(xvi) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds has been raised by the Company on short term basis during the year. Therefore, the provisions of clause 4(xvii) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- xviii) During the year, the company has not made preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) During the year covered by our audit report, the company has not issued any debentures. Therefore, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xx) According to the information and explanation given to us, the company has not raised any money by way of public issue during the year. Therefore, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.
- xxi) During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, during the year we have neither come across any instance of fraud on or by the Company nor have we been informed of such case by the management.

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

(SANDEEP DINODIA)
 PARTNER
 M. NO. 083689

Place: New Delhi
 Dated: 30th May, 2013

BALANCE SHEET AS AT MARCH 31, 2013

PARTICULARS	Note No.	(Amount in ₹)	
		As At March 31, 2013	As At March 31, 2012
EQUITY AND LIABILITIES			
Shareholders' funds			
Share Capital	3	500,000	500,000
Reserves and surplus	4	999,244	(126,740)
		<u>1,499,244</u>	<u>373,260</u>
Non-current liabilities			
Deferred tax Liability (net)	5	97,376	—
		<u>97,376</u>	<u>—</u>
Current liabilities			
Short-term borrowings	6	10,514,996	—
Trade Payable	7	151,686	126,740
Other current liabilities	7	579,037	—
		<u>11,245,719</u>	<u>126,740</u>
TOTAL		<u>12,842,339</u>	<u>500,000</u>

ASSETS**Non-current assets**

Fixed assets	8		
Tangible assets		5,141,850	—
Intangible assets		103,046	—
Long-term loans and advances	9	1,391,255	—
		<u>6,636,152</u>	<u>—</u>
Current assets			
Short-term loans and advances	9	741,347	—
Trade receivables	10	4,727,269	—
Cash and cash equivalents	11	737,572	500,000
		<u>6,206,188</u>	<u>500,000</u>
TOTAL		<u>12,842,339</u>	<u>500,000</u>

Summary of Significant Accounting Policies 2.3
The accompanying notes are an integral part of the financial statements

As per our report of even date attached **For & on behalf of Board of Directors**

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

(**SANDEEP DINODIA**) (PULKIT SETH) (OM PRAKASH S MAKAM)
Partner Director Director
M. NO. 083689 DIN 00003044 DIN 01908522
Place : New Delhi
Dated: 30th May, 2013

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED MARCH 31, 2013

PARTICULARS	Note No.	(Amount in ₹)	
		For the year ended March 31, 2013	For the year ended March 31, 2012
Revenue from Operation	12	18,390,085	—
Total Income		<u>18,390,085</u>	<u>—</u>
Expenses:			
Employee benefits expense	13	12,207,985	—
Finance costs	14	572,219	—
Depreciation and amortization expense	8	172,016	—
Other expenses	15	3,849,759	126,740
Total expenses		<u>16,801,980</u>	<u>126,740</u>
Profit before tax		<u>1,588,105</u>	<u>(126,740)</u>
Tax expense:			
Current Tax		364,745	—
Provision for Deferred Tax Liability / (Assets)		97,376	—
Profit (Loss) for the year		<u>1,125,984</u>	<u>(126,740)</u>

PARTICULARS	Note No.	(Amount in ₹)	
		For the year ended March 31, 2013	For the year ended March 31, 2012
Earnings per equity share:			
Basic	18	22.52	(2.53)
Diluted		22.52	(2.53)
Summary of Significant Accounting Policies	2.3		
The accompanying notes are an integral part of the financial statements			
As per our report of even date attached For & on behalf of Board of Directors			
For S.R. DINODIA & CO. , Chartered Accountants Regn. No. 001478N			
(SANDEEP DINODIA) (PULKIT SETH) (OM PRAKASH S MAKAM) Partner Director Director M. NO. 083689 DIN 00003044 DIN 01908522 Place : New Delhi Dated: 30th May, 2013			

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013

Particulars	Note No.	(Amount in ₹)	
		For the year ended March 31, 2013	For the year ended March 31, 2012
A. Net Profit Before Tax and Exceptional Items		1,588,105	(126,740)
Adjustments for:			
Depreciation		172,016	—
Net Interest Paid		572,219	—
Operating Profit /(loss) before working capital changes		<u>2,332,341</u>	<u>(126,740)</u>
Adjustments for :			
Trade and Other Receivables		(4,727,269)	—
Loans & Advances		(1,942,347)	126,740
Inventories		—	—
Trade Payables		603,983	—
Cash Generated from operations		<u>(3,733,292)</u>	<u>—</u>
Direct Taxes (Paid)/ Refunds		(555,000)	—
Net Cash Generated /(used) in operating Activities		<u>(4,288,292)</u>	<u>—</u>
B. Cash Flow from Investing Operations:			
(Purchase)/Sale of Fixed Assets		(5,416,913)	—
Cash from investing activities		<u>(5,416,913)</u>	<u>—</u>
C. Cash Flow from Financing Activities			
Net Proceeds from issue of Share Capital		—	500,000
Interest Paid		(572,219)	—
Proceeds from Borrowings		10,514,996	—
Net cash Generated /(used) in financing activities		<u>9,942,777</u>	<u>500,000</u>
Increase in Cash/Cash equivalents(A+B)		<u>237,572</u>	<u>500,000</u>
Net Increase in Cash/Cash equivalents(A+B)		<u>237,572</u>	<u>500,000</u>
Cash / Cash equivalents at the beginning of the year		<u>500,000</u>	<u>—</u>
Cash / Cash equivalents at the close of the year		<u>737,572</u>	<u>500,000</u>
Components of Cash and Cash equivalents			
Balances with Scheduled Banks			
i) In Current Accounts		691,222	500,000
ii) Cash on Hand		46,350	—
		<u>737,572</u>	<u>500,000</u>

Summary of Significant Accounting Policies 2.3
The accompanying notes are an integral part of the financial statements

As per our report of even date attached **For & on behalf of Board of Directors**

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

(**SANDEEP DINODIA**) (PULKIT SETH) (OM PRAKASH S MAKAM)
Partner Director Director
M. NO. 083689 DIN 00003044 DIN 01908522
Place : New Delhi
Dated: 30th May, 2013

Notes to financial statements for the year ended March 31, 2013
Note 1
Corporate Information

PDS Multinational Fashions Limited is a limited Company domiciled in India and incorporated on April 06, 2011 under the provisions of the Companies Act, 1956.

Note 2
2.1 Basis of Preparation

The financial statements have been prepared to comply with the mandatory Accounting Standards and the relevant provisions of the Companies Act, 1956 under the historical cost convention and on accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP). The accounting policies have been consistently applied by the Company unless otherwise stated.

2.2 Uses 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 Statement of Profit & Loss in the year in which the results are known / materialized.

Note 2.3 Summary of Significant Accounting Policies
a) Revenue/Expenditure Recognition

Income is recognized on accrual basis. Service Income comprises amounts billed for Document processing services and support services rendered in accordance with terms of agreements.

b) Fixed Assets & Depreciation

- i) 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. Fixed assets under construction are shown as capital work in progress and advances paid towards the acquisition of fixed assets are shown as long term capital advances. Gains or losses arising from sale of fixed assets are measured as the difference between the net proceeds and the carrying amount of the asset and are recognised in the statement of profit & loss in the year in which the asset is sold.
- (ii) Depreciation is provided on straight line method at the rates and in the manner prescribed in schedule XIV to the companies Act, 1956. The assets costing up to Rs 5,000 are fully depreciated in the year of purchase.

c) Intangible Assets

Intangible assets such as technical know how fees, etc. which do not meet the criterions laid down, in the terms of Accounting Standard 26 on "Intangible Assets" 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. Software is amortized over the period of 5 years which in the opinion of the management is the estimated economic life.

d) Cash Flow Statement

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

e) Foreign Currency Transactions

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Realized gains and losses on foreign exchange transactions during the year are recognized in the Statement of Profit and loss. Foreign currency monetary items are translated at the year end rates and resultant gain/losses on foreign exchanges translations, are recognized in the profit and loss account. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction.

f) Employee Benefit
(a) Short-term employee benefit

Short-term employee benefits are recognized as an expense at the undiscounted amount in the Statement of Profit and Loss of the year in which related service is rendered. Terminal benefits are recognized as an expense immediately.

(b) Defined Contribution Plan

Contributions payable to recognised provident fund which are substantially defined contribution plans, are recognised as expense in the Statement of Profit and Loss, as they incurred.

(c) Defined Benefit Plan

The Payment of Gratuity Act is currently not applicable to the Company since the number of employees are below the requisite limits as specified in the said Act. Hence no liabilities have been accrued in the financial statements.

(d) Other Long-term Benefits

Currently the Company do not have the policy for the encashment of compensated absences, hence no liability has been accrued in the financial statements.

g) Operating Leases

Lease payments under an operating lease are recognized as an expense in the Statement of Profit and loss on straight-line basis over the lease term.

h) Taxes On Income
(i) Income Tax:

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.

(ii) Deferred Tax

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.

i) 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.

j) Earning per Share

Basic earnings per share are computed using the weighted average number of equity shares outstanding during the year. Diluted earnings per share are computed using the weighted average number of equity and dilutive equivalent shares outstanding during the year, except where the results would be anti-dilutive.

Note 3 : Share Capital

(Amount in ₹)

	As at March. 31, 2013	As at March. 31, 2012
Authorised		
500,000 (March 31, 2012: 500,000)	5,000,000	5,000,000
@ ₹ 10/-each fully paid up		
	<u>5,000,000</u>	<u>5,000,000</u>
Issued, Subscribed & Paid-up		
50,000 (March 31, 2012: 50,000)	500,000	500,000
@ ₹ 10/-each fully paid up		
	<u>500,000</u>	<u>500,000</u>

	March 31, 2013		March 31, 2012	
	No. of Shares	Amount (₹)	No. of Shares	Amount (₹)
a. Share Capital Reconciliation				
Equity Share Capital				
Balances of Shares at the beginning of the year	50,000	500,000	-	-
Add:- Addition during the year	-	-	50,000	500,000
Less:- Buy back during the year	-	-	-	-
Balances of Shares at the end of the year	<u>50,000</u>	<u>500,000</u>	<u>50,000</u>	<u>500,000</u>

b. Terms/rights attached to Equity shares

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of Equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. Details of shareholders holding more than 5% shares in the company

	As at March. 31, 2013		As at March 31, 2012	
	No. of Shares	% Holding	No. of Shares	% Holding
Pearl Global Industries Limited (Holding Company)	50,000	100%	50,000	100%

Note 4 : Reserves and surplus

(Amount in ₹)

	As at March 31, 2013	As at March 31, 2012
Surplus / Profit & Loss		
Balances at the beginning of the year	(126,740)	–
Profit/(Loss) for the year	1,125,984	(126,740)
Balances at the close of year	999,244	(126,740)
Total Reserves & Surplus	999,244	(126,740)

Note 5: Deferred tax Liability

(Amount in ₹)

	As at March 31, 2013	As at March 31, 2012
Deferred Tax Assets		
Preliminary Expenses	28,604	–
Total A	28,604	–

Deferred Tax Liabilities

Fixed assets: Impact of difference between tax depreciation and depreciation/amortization charged for the financial reporting

Total B**Deferred tax liability (net) (B-A)****Note 6 : Short Term Borrowings**

(Amount in ₹)

	As at March 31, 2013	As at March 31, 2012
Loans and Advance from Holding Company (Unsecured)	10,514,996	–
	10,514,996	–

The above loan is repayable on demand and carries interest rate @ 12% p.a.

Note 7 : Other Current Liabilities

(Amount in ₹)

	As at March 31, 2013	As at March 31, 2012
Trade Payable (Refer Note Below)	151,686	126,740
Others:		
Statutory Liabilities	579,037	–
	579,037	–
	730,723	126,740

a) Pursuant to amendments to schedule VI to Companies Act, 1956 vide notification number GSR 719 (E) dated November 16, 2007, there is no amount due as of March 31, 2013 due to Micro, Small & Medium Enterprises as defined in Micro Small & Medium Enterprises Development Act, 2006.

NOTE 8 : Fixed Assets

(Amount in ₹)

PARTICULARS	GROSS BLOCK				DEPRECIATION / AMORTIZATION				NET BLOCK	
	AS AT April 1, 2012	ADDITION	DEDUCTION	AS AT March 31, 2013	AS AT April 1, 2012	FOR THE YEAR	DEDUCTION/ ADJUSTMENTS	AS AT March 31, 2013	AS AT March 31, 2013	AS AT March 31, 2012
A. Tangible Assets										
Furniture and fixtures	–	3,226,064	–	3,226,064	–	84,737	–	84,737	3,141,327	–
Office Equipments	–	1,618,106	–	1,618,106	–	33,941	–	33,941	1,584,165	–
Computers	–	455,961	–	455,961	–	39,603	–	39,603	416,358	–
Total	–	5,300,131	–	5,300,131	–	158,281	–	158,281	5,141,850	–
B. Intangible Assets										
Computer software	–	116,782	–	116,782	–	13,736	–	13,736	103,046	–
Total	–	116,782	–	116,782	–	13,736	–	13,736	103,046	–
Grand Total	–	5,416,913	–	5,416,913	–	172,016	–	172,016	5,244,897	

PDS Multinational Fashions Limited
Note 9 : Loans and Advances

(Amount in ₹)

	Non-current		Current	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Security Deposit				
Unsecured - Considered Good	1,201,000	—	—	—
	1,201,000	—	—	—
Advances Recoverable in cash or kind				
Unsecured - Considered Good	—	—	611,200	—
	—	—	611,200	—
Other Loans and Advances				
Prepaid Expenses	—	—	130,147	—
Advance Tax	190,255	—	—	—
[Net of provisions of ₹ 364,745 (March 31 2012: ₹ NIL)]				
	190,255	—	130,147	—
	1,391,255	—	741,347	—

Note 10: Trade Receivables And Other Assets

(Amount in ₹)

	As at March 31, 2013	As at March 31, 2012
Trade Receivables		
Unsecured - Considered Good		
Less Than Six months from the date they are due for payment	4,727,269	—
	4,727,269	—

Note 11: Cash and cash equivalents

(Amount in ₹)

	As at March 31, 2013	As at March 31, 2012
Balances with Banks:-		
On current accounts	691,222	500,000
Cash on hand	46,350	—
	737,572	500,000

Note 12 : Revenue from Operations

(Amount in ₹)

	For the year ended on March 31, 2013	For the year ended on March 31, 2012
Sale of Service	18,390,085	—
	18,390,085	—

a) Earnings in Foreign Currency

Sale of Service	18,390,085	—
	18,390,085	—

Note 13 : Employee benefit expense

(Amount in ₹)

	For the year ended on March 31, 2013	For the year ended on March 31, 2012
Salaries & Wages	12,121,840	—
Contribution to Provident and Other fund	25,421	—
Staff Welfare Expenses	60,724	—
	12,207,985	—

Note 14 : Finance Cost

(Amount in ₹)

	For the year ended on March 31, 2013	For the year ended on March 31, 2012
Interest Expense	572,219	—
	572,219	—

Note 15 : Other Expenses

(Amount in ₹)

	For the year ended on March 31, 2013	For the year ended on March 31, 2012
Power & Fuel	150,338	—
Water Charges	24,555	—
Rent	792,038	—
Rates & Taxes	174,945	—
Security Expenses	173,794	—
Repair & maintenance		
— Building	47,190	—
— Others	63,145	—
Commission & Brokerage	131,110	—
Travel & Conveyance	1,052,746	—
Communication	304,697	—
Printing & Stationery	86,506	—
Legal & Professional Fee	378,656	115,710
Payment to Auditors (refer note below)	168,540	11,030
Bank Charges	21,761	—
Exchange Difference (Net)	193,216	—
Miscellaneous expenses	86,522	—
	3,849,759	126,740

a) Payment to Auditors

(Amount in ₹)

	For the year ended on March 31, 2013	For the year ended on March 31, 2012
As Auditor:		
Statutory Audit Fee	100,000	10,000
Tax Audit Fee	25,000	—
Others	25,000	—
Service Tax	18,540	1,030
	168,540	11,030

Note 16: Disclosure of Related parties/ Related parties transactions :
A Name of the Related Parties and description of relationship

Nature of Relationship	Concerns
Holding Company	Pearl Global Industries Ltd.
Fellow Subsidiaries	Multinational Textile Group Limited
Key Management Personnel	Mr. Pulkit Seth Mr. Om Prakash S Makam

B. Disclosure of Related Parties Transactions:(Amount in ₹)

Particulars	Holding Company	Fellow Subsidiaries
Nature of Transaction:		
a) Equity Share Capital allotted	— (500,000)	— (—)
b) Expenses Reimbursed on behalf	— (115,710)	— (—)
c) Loan Received	10,000,000 (—)	— (—)
d) Interest	514,996 (—)	— (—)
e) Service income	— (—)	18,390,085 (—)
Outstanding as on March 31, 2013		
a) Short Term Borrowings	10,514,996 (—)	— (—)
b) Trade Payable	— (115,710)	— (—)
c) Trade Receivable	— (—)	4,920,485 (—)

Figures in brackets represents figures for the year ended March 31, 2012.

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

	(Amount in ₹)	
	For the year ended on March 31, 2013	For the year ended on March 31, 2012
a) Equity Share Capital allotted Holding Company		
Pearl Global Industries Limited	-	500,000
b) Expenses Reimbursed on behalf Holding Company		
Pearl Global Industries Limited	-	115,710
c) Loan Received Holding Company		
Pearl Global Industries Limited	10,000,000	-
d) Interest Holding Company		
Pearl Global Industries Limited	514,996	-
e) Service income Fellow Subsidiaries		
Multinational Textile Group Limited	18,390,085	-

Note 17 : Leases- Asset Taken on Lease**Minimum Lease Payments Payables**

The company has taken certain assets on non-cancelable operating lease and lease rent charged to Statement of Profit & Loss amounting to ₹ 792,038 (March 31, 2012: ₹ Nil). The details of future minimum lease payments is as under:

(Amount in ₹)

	As At March 31, 2013	As At March 31, 2012
Not later than 1 year	1,476,000	-
Later than 1 year but not later than 5 years	2,343,600	-
Later than 5 years	-	-
	3,819,600	-

Note 18 : Earnings per Share

(Amount in ₹)

Particulars	For the year ended on March 31, 2013	For the year ended on March 31, 2012
Profit/(Loss) attributable to the equity shareholders	1,125,984	(126,740)
Basic/weighted average no. of equity shares outstanding during the year	50,000	50,000
Nominal value of Equity shares	10	10
Basic/Dilutive Earning per share (₹)	22.52	(2.53)

Note 19: In view of the management, the current assets 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 March 31, 2013.

Note 20: 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.

Note 21: The balances of trade payables & trade receivables are subject to confirmation.

Note 22: Amount rounded off to the nearest rupee.

Note 23: Previous year figures have been regrouped & reclassified wherever considered necessary.

for and On Behalf of the Board

(PULKIT SETH) (OM PRAKASH S MAKAM)

Director

DIN 00003044

Director

DIN 01908522

Place : New Delhi
Dated: 30th May, 2013

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended March 31, 2013, which were approved by them at the board meeting held on the date of this report.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and garment trading. The principal activities of subsidiaries are set out in Note (14) to the financial statements.

FINANCIAL RESULTS

The results of the Group for the year ended March 31, 2013 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.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are set out in Note (12) to the financial statements.

DONATION

During the year, the Group made charitable donations of US\$2,500.

DIRECTORS

The directors of the Company who held office during the year and up to date of this report were:

Deepak Kumar Seth

Pulkit Seth

There being no provision in the Company's Articles of Association to the contrary, all directors continue in office for the ensuing year.

DIRECTORS' 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 ultimate holding company, its subsidiaries or its fellow subsidiaries was 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 ultimate holding company, its subsidiaries or 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 20, 2013.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF PEARL GLOBAL (HK) LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the accompanying consolidated financial statements of Pearl Global (HK) Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 5 to 32, which comprise the consolidated statement of financial position as at March 31, 2013 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 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 auditor's 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, the auditor considers 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 the Company's and the Group's affairs as at March 31, 2013 and of the Group's 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/-

Louis Lai & Luk
Certified Public Accountants

Hong Kong, May 20, 2013.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED MARCH 31, 2013

	Notes	2013 US\$	2012 US\$
Turnover	(6)	24,283,300	21,831,903
Other revenue	(6)	888,510	398,127
Gain on disposal of plant and equipment		22,272	—
Cost of goods sold		(19,930,365)	(18,687,204)
Staff costs		(1,787,232)	(1,649,131)
Depreciation		(150,973)	(148,209)
Other operating expenses		(2,002,316)	(1,296,172)
Profit from operation		1,323,196	449,314
Finance costs	(7)	(424,934)	(340,359)
Excess of share of acquired assets over the		—	2,457,935
Purchase consideration of a subsidiary		(92,196)	(45,015)
Share of results of an associate		(2,451,182)	—
Loss on investment in an associate		(1,645,116)	2,521,875
(Loss)/profit before taxation	(8)	(1,799,793)	(352,504)
Taxation	(10)	(1,824,909)	2,169,371
(Loss)/profit for the year		—	—
Other comprehensive income		(1,824,909)	2,169,371
Total comprehensive (expense)/income for the year		(1,824,909)	2,169,371
(Loss)/profit attributable to:			
Equity holders of the Company	(11)	(1,825,531)	2,168,945
Non-controlling interests		622	426
		(1,824,909)	2,169,371

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2013

	Notes	2013 US\$	2012 US\$
ASSETS			
Non-Current Assets			
Property, plant and equipment	(12)	648,663	832,705
Deposits		58,857	61,475
Deferred tax assets	(10)	248,653	173,780
Interest in an associate	(13)	—	3,559,406
		956,173	4,627,366
Current Assets			
Inventories	(15)	1,978,095	921,234
Prepayments		431,900	343,478

Trade deposit paid		381,855	926,436
Trade and other receivables	(16)	4,824,037	2,460,699
Amounts due from fellow subsidiaries	(17)	463,455	400,000
Bank and cash balances		802,827	802,916
		<u>8,882,169</u>	<u>5,854,763</u>
Current Liabilities			
Amounts due to fellow subsidiaries	(18)	60,999	1,162,568
Amount due to ultimate holding company	(18)	5,431,196	4,275,202
Amount due to a director	(18)	1,226	426
Trade and other payables	(19)	1,559,070	1,351,786
Provision for taxation		93,184	57,297
Secured bank borrowings	(20)	2,183,723	1,284,525
		<u>9,329,398</u>	<u>8,131,804</u>
Net Current Liabilities		<u>(447,229)</u>	<u>(2,277,041)</u>
Total Assets less Current Liabilities		508,944	2,350,325

Non-Current Liabilities			
Employee benefits obligation	(21)	154,447	170,119
NET ASSETS		<u>354,497</u>	<u>2,180,206</u>

Represented by:

CAPITAL AND RESERVES

Share capital	(22)	10,000	10,000
Retained profits		339,449	2,164,980
Total equity attributable to equity holders of the company		349,449	2,174,980
Non-controlling interests		5,048	5,226
SHAREHOLDERS' EQUITY		<u>354,497</u>	<u>2,180,206</u>

Approved by the board of directors on may 20, 2013 and signed on behalf of the board by:

Sd/- Director Sd/- Director

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2013

	Notes	2013 US\$	2012 US\$
ASSETS			
Non-Current Assets			
Plant and equipment	(12)	978	–
Interest in an associate	(13)	–	3,559,406
Interests in subsidiaries	(14)	1,544,480	1,541,412
		<u>1,545,458</u>	<u>5,100,818</u>
Current Assets			
Prepayments		100,240	–
Trade and other receivables	(16)	2,444,309	–
Amounts due from fellow subsidiaries	(17)	463,455	–
Bank and cash balances		546,557	137,143
		<u>3,554,561</u>	<u>137,143</u>
Current Liabilities			
Amounts due to fellow subsidiaries	(18)	60,999	1,162,568
Amount due to ultimate holding company	(18)	5,421,671	4,275,750
Amount due to a director	(18)	426	426
Trade and other payables	(19)	440,672	2,314
Provision for taxation		74,610	–
Secured bank borrowings	(20)	993,533	–
		<u>6,991,911</u>	<u>5,441,058</u>
Net Current Liabilities		<u>(3,437,350)</u>	<u>(5,303,915)</u>
NET LIABILITIES		<u>(1,891,892)</u>	<u>(203,097)</u>

	Notes	2013 US\$	2012 US\$
Represented by:			
CAPITAL AND RESERVES			
Share capital	(22)	10,000	10,000
Accumulated losses	(23)	(1,901,892)	(213,097)
SHAREHOLDERS' DEFICIT		<u>(1,891,892)</u>	<u>(203,097)</u>

Approved by the board of directors on may 20, 2013 and signed on behalf of the board by:

Sd/- Director Sd/- Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2013

	Share Capital US\$	(Accumulated Losses)/ Retained Profits US\$	Non- controlling Interests US\$	Total US\$
At April 1, 2011	10,000	(3,965)	–	6,035
Acquisition of non-controlling interests in a subsidiary	–	–	5,333	5,333
Dividends to non-controlling shareholders	–	–	(533)	(533)
Total comprehensive income for the year	–	2,168,945	426	2,169,371
At March 31, 2012 and April 1, 2012	10,000	2,164,980	5,226	2,180,206
Dividends to non-controlling shareholders	–	–	(800)	(800)
Total comprehensive expense for the year	–	(1,825,531)	622	(1,824,909)
At March 31, 2013	<u>10,000</u>	<u>339,449</u>	<u>5,048</u>	<u>354,497</u>

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2013

	2013 US\$	2012 US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(1,645,116)	2,521,875
Adjustments for:		
Bank interest income	(9,791)	(1,081)
Interest expenses	424,934	340,359
Depreciation	389,808	384,405
Gain on disposal of plant and equipment	(22,272)	–
Loss on investment in an associate	2,451,182	–
Share of results of an associate	92,196	45,015
Excess of share acquired assets over the purchase consideration of a subsidiary	–	(2,457,935)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	<u>1,680,941</u>	<u>832,638</u>
Decrease in deposits	2,618	9,232
(Increase)/Decrease in inventories	(1,056,861)	1,025,241
Increase in prepayments	(88,422)	(108,051)
Increase in trade deposit paid	–	(60,726)
Decrease in other current assets	–	17,138
(Increase)/Decrease in trade and other receivables	(2,363,338)	604,893
Decrease in receipt in advance	–	(15,333)
Net receipts from /(payments to) an associate	1,016,028	(750,000)
Net (payments to)/receipts from fellow subsidiaries	(1,165,024)	587,110
Net receipts from ultimate holding company	1,155,994	4,285,202
Net receipts from a director	800	426

	2013 US\$	2012 US\$
Increase in trade and other payables	751,865	186,485
NET CASH (USED IN)/GENERATED FROM OPERATIONS	(65,399)	6,614,255
Bank interest received	9,791	1,081
Interest paid	(424,934)	(340,359)
Income tax paid	(218,779)	(232,206)
Net cash (used in)/generated from operating activities	(699,321)	6,042,771
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of plant and equipment	22,272	–
Payment to acquire property, plant and equipment	(205,766)	(165,129)
(Decrease)/Increase in employee benefits obligation	(15,672)	53,531
Acquisition of interest in an associate	–	(2,854,421)
Net cash outflow for acquisition of a subsidiary	–	(1,032,333)
Net cash used in investing activities	(199,166)	(3,998,352)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts from/(repayments to) secured bank borrowings	899,198	(1,240,970)
Dividend paid to non-controlling interests shareholders	(800)	(533)
Net cash generated from/(used in) financing activities	898,398	(1,241,503)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(89)	802,916
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	802,916	–
CASH AND CASH EQUIVALENTS AT END OF YEAR	802,827	802,916

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

Pearl Global (HK) Limited was incorporated in Hong Kong as a limited liability company. Its principal activities are investment holding and 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 Pearl Global Industries Limited, a company incorporated in India. The shares of the ultimate holding company is listed on the Bombay Stock Exchange and National Stock Exchange in India.

2. PRINCIPAL ACCOUNTING POLICIES

a. Basis of Preparation

These 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 Hong Kong Companies Ordinance.

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 consolidated financial statements are disclosed in Note (5) to the consolidated financial statements.

In 2012, the Group adopted the new and revised HKFRSs below, which are relevant to its operations.

- HKFRS 7 (Amendments) Disclosures - Transfers of Financial Assets
- HKFRS 1 (Amendments) First-time Adoption of Hong Kong Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Date for First-time Adopters
- HKAS 12 (Amendments) Deferred Tax: Recovery of Underlying Assets

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 2012 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.

- HKFRS 1 (Amendments) Government Loans ⁽²⁾
- HKFRS 7 (Amendments) Disclosures - Offsetting Financial Assets and Financial Liabilities ⁽²⁾
- HKFRS 9 Financial Instruments ⁽⁴⁾
- HKFRS 10 Consolidated Financial Statements ⁽²⁾
- HKFRS 11 Joint Arrangements ⁽²⁾
- HKFRS 12 Disclosure of Interests in Other Entities ⁽²⁾
- HKFRS 13 Fair Value Measurement ⁽²⁾
- HKAS 1 (Amendments) Presentation of Items of Other Comprehensive Income ⁽¹⁾
- HKAS 19 (2011) Employee Benefits ⁽²⁾
- HKAS 27 (2011) Separate Financial Statements ⁽²⁾
- HKAS 28 (2011) Investments in Associates and Joint Ventures ⁽²⁾
- HKAS 32 (Amendments) Offsetting Financial Assets and Financial Liabilities ⁽²⁾
- HK(IFRIC) - Int 20 Stripping Costs in the Production Phase of a Surface Mine ⁽²⁾
- HKFRSs (Amendments) Annual Improvements to HKFRSs 2009-2011 Cycle except for the amendments to HKAS 1 ⁽²⁾
- Amendments to HKFRS 9 and HKFRS 7 Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁽⁴⁾
- Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 Consolidated Financial Statements, Joint Arrangements Disclosure of Interests in Other Entities: Transition Guidance ⁽²⁾
- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) Investments Entities ⁽³⁾

Notes:

- (1) Effective for annual periods beginning on or after 1 July 2012
- (2) Effective for annual periods beginning on or after 1 January 2013
- (3) Effective for annual periods beginning on or after 1 January 2014
- (4) Effective for annual periods beginning on or after 1 January 2015

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, 2013 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 made up to March 31. Subsidiary is an entity over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiary is consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balance and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiary have been changes where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the Consolidated Statement of Financial Position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the Consolidated Statement of Comprehensive Income as an allocation of the total profit or loss and total comprehensive income for the year between non controlling interests and the shareholders of the Company.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of the controlling and non-controlling interests within consolidated equity to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received recognised directly in equity and attributed to the owners of the Company.

In the Company's Statements of Financial Position the investments in subsidiary is stated at cost less allowance for impairment losses. The results of subsidiary is accounted for by the Company on the basis of dividends received and receivable.

d. Associates

An associate is an enterprise, not being a subsidiary nor a jointly controlled entity, over which the Group is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee. The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate. The Group discontinues recognising its share of further losses. In the consolidated statement of financial position, interests in associates are stated at the Group's share of net assets of the associates plus goodwill arising on acquisitions taking into effect the policy on goodwill.

e. Property, Plant and Equipment

Property, plant and equipment except land, 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 property, plant and equipment over its expected useful lives.

Infrastructures	5 years
Machineries	5 years
Furniture and fixtures	5 years
Motor vehicles	5 years
Tools and equipment	3 - 5 years
Computer equipment	3 years

Land titles represent usage rights of Taman Pasadenia Apartment at Jakarta ("Hak Milik atas Satuan Rumah Susun") for a maximum period of 20 years and could be extended.

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 property, 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 consolidated financial statements and any resulting gain or loss is included in the Consolidated Statement of Comprehensive Income.

f. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is 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).

g. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised on the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

h. Financial Assets

The Group's financial assets are only classified under loans and receivables category.

i. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At 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.

j. Financial Liabilities

The Group's financial liabilities include account and other payables which are subsequently measured at amortized cost, using the effective interest method.

k. Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's equity instrument represents its issued share capital and is recorded at the share subscription received/receivable at the date of issuance of shares.

l. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the weighted average method.

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 consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in United States Dollars ("US\$"), which is 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 consolidated 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 profit 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 recognised 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 goods are delivered to buyers.
- Interest income from bank deposit is accrued on a time proportion basis on the principal outstanding and at the rate applicable.
- Commission income is recognised when the services are rendered.
- 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.

t. **Employee Benefits Obligation**

Short-term employee benefits are recognised at a discounted amount when an employee has rendered service to the Group during an accounting period. Liabilities and expenses are measured using actuarial techniques which include constructive obligation that arises from the Group's informal practices. In calculating the liabilities, benefits should be discounted by using projected unit credit method.

Termination benefits are recognised when, and only when, the Group 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.

u. **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.

v. **Related Parties**

A related party is a person or entity that is related to the Group.

- A person or a close member of that person's family is related to the Group if that person:
 - has control or joint control over the Group;
 - has significant influence over the Group; or
 - is a member of the key management personnel of the Group or a parent of the Group.
- An entity is related to the Group if any of the following conditions applies:
 - The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - Both entities are joint ventures of the same third party.
 - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - The entity is controlled or jointly controlled by a person identified in (A).
 - A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

w. **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 activities expose it to a variety of financial risks: foreign exchange risk, credit risk and interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

- Foreign exchange risk: the Group exposed to foreign exchange risk from various currency exposures primarily Indonesian Rupiah. The Group has some forward deals with bank to hedge its exposure to foreign currency risk in connection with the recording currency.
- Credit risk: the Group 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 Group has policies that limit the amount of credit exposure to any customers.
- Interest rate risk: the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets.

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 values of current assets and liabilities

The nominal value of current assets and liabilities are assumed to approximate their fair values.

6. **RECOGNITION OF REVENUE**

	GROUP	
	2013 US\$	2012 US\$
Revenue recognised during the year including revenue arising from:		
Turnover:		
Export sales	24,283,300	21,831,903
Other revenue:		
Bank interest income	9,791	1,081
Claim to suppliers	–	80,211
Commission income	450,000	–
Sundry income	428,719	316,835
	888,510	398,127
Total revenue recognised	25,171,810	22,230,030

7. **FINANCE COSTS**

	2013 US\$	2012 US\$
Bank finance charges	5,601	–
Bank interest and bank charges	103,705	147,040
Other interest paid	315,628	193,319
	424,934	340,359

8. (LOSS)/PROFIT BEFORE TAXATION

	2013 US\$	2012 US\$
(Loss)/Profit before taxation is stated after charging and (crediting):		
Auditors' remuneration	22,287	18,219
Depreciation	389,808	384,405
Exchange difference	42,585	(127,799)
Gain on disposal of plant and equipment	(22,272)	–
Staff costs (including directors' remuneration)		
– Salaries and allowance	1,753,168	1,556,621
– Employee benefit	10,029	67,195
– Employee welfare	23,187	25,315
– Mandatory provident fund contribution	848	–

9. DIRECTORS' REMUNERATION

	2013 US\$	2012 US\$
Fees	–	–
Other emoluments	48,000	–
	<u>48,000</u>	<u>–</u>

10. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the current year less taxation loss sustained in previous year. Profits tax of subsidiary has been provided at the prevailing rate of the country the subsidiary operates.

	GROUP		COMPANY	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Hong Kong profits tax				
– current year	74,610	–	74,610	–
Overseas income tax				
– current year	180,056	280,263	–	–
Withholding tax of dividends received	–	–	30,000	79,893
Deferred tax	(74,873)	72,241	–	–
Total	<u>179,793</u>	<u>352,504</u>	<u>104,610</u>	<u>79,893</u>

- a. The tax charge for the year can be reconciled to the (loss)/profit per Consolidated Statement of Comprehensive Income as follows:

	GROUP		COMPANY	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
(Loss)/Profit before taxation	<u>(1,645,117)</u>	<u>2,521,875</u>	<u>(1,584,185)</u>	<u>(129,239)</u>
Tax at the domestic income tax rate	(225,364)	466,485	(261,391)	(21,324)
Tax effect of expenses that are not deductible in determining taxable profit	484,537	75,725	472,148	52,042
Tax effect of income that are not taxable in determining taxable profit	(6,217)	(406,110)	(100,614)	(66,090)
Net tax allowance claimed	7,082	28,898	(161)	–
Tax loss not yet recognised	–	35,372	–	35,372
Utilization of tax loss not previously recognised	(35,372)	–	(35,372)	–
Withholding income tax of dividends received from subsidiary	30,000	79,893	30,000	79,893
Current year deferred tax	(74,873)	72,241	–	–
Taxation expense for the year	<u>179,793</u>	<u>352,504</u>	<u>104,610</u>	<u>79,893</u>

- b. The following is the analysis of deferred tax balance presented on the consolidated statement of financial position.

	GROUP		COMPANY	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Subsidiary:				
Deferred tax assets	<u>248,653</u>	<u>173,780</u>	<u>–</u>	<u>–</u>

At the end of reporting period, the Company has unused tax losses of US\$Nil (2012: 214,382) 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 maybe carried forward indefinitely.

11. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDER

Included in the loss of US\$1,825,531 of (2012: profit of US\$2,168,945) attributable to shareholders of the Group is a loss of US\$1,688,795 (2012: loss of US\$209,132) which is dealt with in the Company's own accounts.

12. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land US\$	Infrastructures US\$	Machineries US\$	Furniture and Fixtures US\$	Motor Vehicles US\$	Tools and Equipment US\$	Computer Equipment US\$	Total US\$
Cost								
Acquisition of a subsidiary	182,932	279,978	1,850,652	155,834	309,995	321,033	–	3,100,424
Additions	–	696	155,888	515	1,362	6,668	–	165,129
Disposal	–	–	–	(561)	–	–	–	(561)
At 31/3/2012 and 1/4/2012	182,932	280,674	2,006,540	155,788	311,357	327,701	–	3,264,992
Additions	–	1,450	35,945	–	107,147	60,157	1,067	205,766
Disposals	–	–	(6,542)	–	(44,745)	–	–	(51,287)
Reclassification	–	–	–	560	–	(560)	–	–
At 31/3/2013	182,932	282,124	2,035,943	156,348	373,759	387,298	1,067	3,419,471
Aggregate Depreciation								
Acquisition of a subsidiary	–	202,007	1,321,920	109,812	171,194	243,510	–	2,048,443
Charge for the year	–	34,961	236,198	21,533	63,021	28,692	–	384,405
Written back on disposal	–	–	–	(561)	–	–	–	(561)
At 31/3/2012 and 1/4/2012	–	236,968	1,558,118	130,784	234,215	272,202	–	2,432,287
Charge for the year	–	37,386	238,835	19,626	60,951	32,921	89	389,808
Written back on disposal	–	–	(6,542)	–	(44,745)	–	–	(51,287)
Reclassification	–	–	–	560	–	(560)	–	–
At 31/3/2013	–	274,354	1,790,411	150,970	250,421	304,563	89	2,770,808
Net Book Value								
At 31/3/2013	182,932	7,770	245,532	5,378	123,338	82,735	978	648,663
At 31/3/2012	182,932	43,706	448,422	25,004	77,142	55,499	–	832,705

Depreciation expenses of US\$238,835 (2012: US\$236,196) has been charged to consolidated statement of comprehensive income within cost of goods sold, and US\$150,973 (2012: US\$148,209) has been charged to consolidated statement of comprehensive income within depreciation expenses.

As of March 31, 2013 and 2012, machineries and equipments are used as collateral for bank loan facilities amounting to US\$1,500,000 and US\$1,800,000 respectively (Note 20).

COMPANY

Cost

Additions and at 31/3/2013 1,067

Aggregate Depreciation

Charge for the year and at 31/3/2013 89

Net Book Value

At 31/3/2013 978

13. INTEREST IN AN ASSOCIATE

GROUP AND COMPANY

	2013 US\$	2012 US\$
Unlisted shares, at cost	–	2,854,421
Share of net results of associate	–	(45,015)
	–	2,809,406
Amount due from an associate	–	750,000
	–	3,559,406

The amount due from an associate is unsecured, interest-free and has no fixed terms of repayments. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

Details of the associate are as follows:

Name	Place of incorporation	Percentage of equity shares held	Principal activity
		2013	2012
House of Pearl Fashions (US) Ltd. *	The United States	23.08%	23.08%

* Not audited by Louis Lai & Luk

The management approved to dissolve associate on January 22, 2013

14. INTERESTS IN SUBSIDIARIES

COMPANY

	2013 US\$	2012 US\$
Unlisted shares, at cost	1,542,697	1,541,412
Amount due from a subsidiary	1,783	–
	1,544,480	1,541,412

The amount due from subsidiary is unsecured, interest-free and has no fixed terms of repayments. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

Details of the subsidiaries are as follows:

Name of subsidiaries	Place of incorporation	Percentage of Equity attributable to the Group	Principal activity
		2013	2012
* PT Pinnacle Apparels (formerly known as PT Norwest Industry)	Indonesia	99.87%	99.87%
* DSSP Global Limited	Hong Kong	100%	–

* Not audited by Louis Lai & Luk

15. INVENTORIES

	GROUP	
	2013 US\$	2012 US\$
Work in progress	1,978,095	921,234

As of March 31, 2013 and 2012, inventories are used as collateral for bank loan facilities amounting to US\$1,500,000 and US\$1,100,000 respectively (Note 20).

16. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Trade receivables (Note (i))	4,242,347	2,399,432	1,940,347	–
Other receivables	77,728	61,267	–	–
Bills receivables	503,962	–	503,962	–
	4,824,037	2,460,699	2,444,309	–
(i) Aging analysis of trade receivables is as follows:				
Neither past due nor impaired	1,027,982	2,321,494	517,519	–
Past due but not impaired	3,214,365	77,938	1,422,828	–
	4,242,347	2,399,432	1,940,347	–

As of March 31, 2013 and 2012, trade receivables are used as collateral for bank loan facilities amounting to US\$2,000,000 and US\$1,600,000 respectively (Note 20).

17. 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 recognised on the amounts due from fellow subsidiaries. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

18. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY/FELLOW SUBSIDIARIES/A DIRECTOR

Apart from a balance with a fellow subsidiary amounting to US\$Nil (2012: US\$412,568) and a balance with ultimate holding company amounting to US\$5,431,196 (2012: US\$4,275,750) which is interest-bearing at a rate of 7% (2012: 9%) and 7% per annum respectively, the remaining amounts are interest-free. The amounts due are unsecured and have no fixed terms of repayment. The ultimate holding company, fellow subsidiaries and director 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.

19. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Trade payables (Note (i))	984,609	893,496	383,105	–
Other payables	55,253	13,364	55,253	–
Accruals	519,208	444,926	2,314	2,314
	1,559,070	1,351,786	440,672	2,314
(i) Maturity of the trade payables is as follows:				
Due for payment:				
Not later than one year	984,609	893,496	383,105	–

20. SECURED BANK BORROWINGS

The carrying amount of the secured bank borrowings at the end of reporting period is analyzed as follows:

	GROUP		COMPANY	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Amount repayable within one year:				
Discounted bills loan	993,533	–	993,533	–
Export loan	644,590	47,078	–	–
Import loan	269,500	960,420	–	–
Packing credit loan	276,100	277,027	–	–
	2,183,723	1,284,525	993,533	–

The bank loan facilities are secured by the Group's machineries and equipments, inventories, trade receivables together with corporate guarantee from ultimate holding company.

21. EMPLOYEE BENEFITS OBLIGATION

	GROUP	
	2013 US\$	2012 US\$
Balance brought forward	170,119	–
Acquisition of a subsidiary	–	116,588
Charged to Consolidated Statement of Comprehensive Income	10,029	67,195
Payment during the year	(25,701)	(13,664)
Balance carried forward	154,447	170,119

22. SHARE CAPITAL

	COMPANY	
	2013 US\$	2012 US\$
Authorised, issued and fully paid up:		
10,000 ordinary shares of US\$1 each	10,000	10,000

23. RESERVES

	COMPANY	
	Accumulated Losses US\$	
Balance at April 1, 2011	(3,965)	
Total comprehensive expense for the year	(209,132)	
Balance at March 31, 2012 and April 1, 2012	(213,097)	
Total comprehensive expense for the year	(1,688,795)	
Balance at March 31, 2013	(1,901,892)	

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	2013 US\$	2012 US\$
Global Textile Group Ltd.	Fellow subsidiary	– Amount due from/(to)	210,299	(750,000)
		– Sundry income	210,299	–
House of Pearl Fashions (US) Ltd.	Associate	– Commission income	450,000	–
		– Sundry income	100,000	–
Multinational Textile Group Ltd., Mauritius	Fellow subsidiary	– Interest paid	7,753	27,569
		– Amount due to	–	(412,568)
Norp Knit Industries Ltd.	Fellow subsidiary	– Amount due from	253,156	–
		– Sundry income	10,310	–
		– Purchases	1,464,859	–
		– Sampling expenses	446,859	–
Norwest Industries Ltd., Hong Kong	Fellow subsidiary	– Amount due to	(60,999)	–
Pearl Global Fareast Ltd.	Fellow subsidiary	– Amount due from	–	400,000
		– Sundry income	4,724	–
Pearl Global Industries Ltd., India	Ultimate holding company	– Interest paid	307,875	165,750
		– Amount due to	(5,431,196)	(4,275,202)
		– Purchases	1,110,765	87,646
		– Sundry income	3,386	–
Poeticgem Ltd., UK	Fellow subsidiary	– Sundry income	100,000	–

25. CONTINGENT LIABILITIES

The Group had the following contingent liabilities not provided for in the consolidated financial statements at the end of reporting period:

	2013 US\$	2012 US\$
Irrevocable letters of credit	5,223,116	–

26. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Company's Board of Director on May 20, 2013.

PT PINNACLE APPARELS
(formerly PT NORWEST INDUSTRY)

INDEPENDENT AUDITORS' REPORT

The Stockholders and Directors

PT Pinnacle Apparels
(formerly PT Norwest Industry)

We have audited the accompanying statements of financial position of PT Pinnacle Apparels (formerly PT Norwest Industry) as of March 31, 2013 and 2012 and the related statements of comprehensive income, changes in 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 audit for the year ended March 31, 2012, the Company has not implemented the Indonesian Statement of Financial Accounting Standards (PSAK) 50 (Revised 2006) "Financial Instruments: Presentation and Disclosures", and PSAK 55 (Revised 2006) "Financial Instruments: Recognition and Measurement", which are applicable and have significant impact for financial statements covering periods beginning on or after January 1, 2010, and PSAK 48 "Impairment of Assets", which is applicable and have significant impact for financial statements covering periods beginning on or after January 1, 2011. The management has informed that impact of these standards on the financial statements has not been determined.

In our opinion, the financial position of PT Pinnacle Apparels (formerly PT Norwest Industry) as of March 31, 2013, and the results of its operations, changes in equity and cash flows for the year then ended in conformity with the Indonesian Financial Accounting Standards. In our opinion, with the exception of the matter described in paragraph 3 above, the financial position of PT Norwest Industry as of March 31, 2012, and the results of its operations, changes in equity and cash flows for the year then ended in conformity with the Indonesian Financial Accounting Standards.

As disclosed in Note 2 to the financial statements, the Company adopted certain PSAKs which became effective on January 1, 2012 and have been applied on prospective or retrospective basis.

The Indonesian Financial Accounting Standards differs in certain significant respects with the International Financial Reporting Standards (IFRS). Information relating to the nature and effect of such differences is presented in Notes 24 and 25 to the financial statements.

Sd/-
Maurice Ganda Naiggolan
Public Accountant License Number: AP0147

Jakarta, April 25, 2013

STATEMENTS OF FINANCIAL POSITION As of March 31, 2013 and 2012

	Notes	2013 USD	2012 USD
ASSETS			
Current Assets			
Cash on Hand and in Banks	3.b, 3.d, 4	256,270	665,773
Accounts Receivable - Third Parties	3.b, 3.d, 3.e, 5	2,302,000	2,399,432
Other Receivables			
Third Parties	6	-	305
Related Parties	3.c, 3.d, 6	77,728	61,510
Inventories	3.f, 3.i, 7	1,978,095	921,234
Advance to Suppliers	8	381,855	1,326,436
Prepaid Taxes	3.l, 14.a	225,022	261,100
Prepaid Expenses	3.g, 9	106,638	82,378
Total Current Assets		5,327,608	5,718,168
Non Current Assets			
Deferred Tax Assets	3.l, 14.d	248,653	173,780
Fixed Assets			
<i>(Net of accumulated depreciation of USD 2,770,719 and USD 2,432,287 as of March 31, 2013 and 2012, respectively)</i>			
	3.h, 3.i, 10	647,685	832,705
Refundable Deposits	11	107,427	99,302
Total Non Current Assets		1,003,765	1,105,787
TOTAL ASSETS		6,331,373	6,823,955
LIABILITIES AND EQUITY			
Current Liabilities			
Bank Loans	12	1,190,191	1,284,525
Accounts Payable	13	601,504	893,496
Other Payables	3.d	9,525	13,364
Taxes Payable	3.l, 14.b	18,574	57,297
Accrued Expenses	3.d, 15	516,894	442,612
Total Current Liabilities		2,336,688	2,691,294
Non Current Liabilities			
Employee Benefits Obligation	3.j, 3.m, 16	154,447	170,119
Total Non Current Liabilities		154,447	170,119
Total Liabilities		2,491,135	2,861,413
EQUITY			
Share Capital - Par Value USD 10 per Share			
Authorized - 200,000 Shares, Issued and Paid Up - 150,198 Shares	17.a	1,501,980	1,501,980
Additional Paid-in Capital		1,980	1,980
Retained Earnings		2,336,278	2,458,582
Total Equity		3,840,238	3,962,542
TOTAL LIABILITIES AND EQUITY		6,331,373	6,823,955

PT PINNACLE APPARELS
(formerly PT NORWEST INDUSTRY)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012

	Notes	2013 USD	2012 USD
REVENUES	3.k, 18	18,400,765	21,831,903
COST OF GOODS SOLD	3.k, 19	14,724,402	18,687,204
GROSS PROFIT		3,676,363	3,144,699
Gain on Sale of Fixed Assets	3.h	22,272	–
Claim from Suppliers		–	80,211
General and Administrative Expenses	3.k,20	(2,924,673)	(2,803,143)
Selling Expenses	3.k,20	(163,232)	(273,762)
Gain (Loss) on Foreign Exchange - Net		(41,284)	127,806
Other Income (Expenses) - Net		(16,575)	326,765
		(3,123,492)	(2,542,123)
INCOME BEFORE TAX		552,871	602,576
INCOME TAX BENEFITS (EXPENSES)			
Current Tax	3.l	(150,056)	(200,370)
Deferred Tax	3.l, 14.d	74,873	(72,241)
Total Income Tax Expenses - Net		(75,183)	(272,611)
NET INCOME FOR THE YEAR		477,688	329,965
OTHER COMPREHENSIVE INCOME		–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		477,688	329,965

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012

	Notes	Share Capital USD	Additional Paid-in Capital USD	Retained Earnings USD	Total Equity USD
Balance as of April 1,2011		1,501,980	1,980	2,528,617	4,032,577
Cash Dividend	17.b	–	–	(400,000)	(400,000)
Net Income For The Year		–	–	329,965	329,965
Balance as of March 31, 2012		1,501,980	1,980	2,458,582	3,962,542
Cash Dividend	17.b	–	–	(599,992)	(599,992)
Net Income For The Year		–	–	477,688	477,688
Balance as of March 31, 2013		1,501,980	1,980	2,336,278	3,840,238

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED MARCH 31, 2013 AND 2012

	Notes	2013 USD	2012 USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Income Before Income Tax		552,871	593,802
Adjustments for:			
Depreciation Expenses		389,719	384,405
Interest Expenses		103,705	155,814
Gain on Sale of Fixed Assets		(22,272)	–
Employee Benefits Obligation		10,029	67,195
Operating Income Before Changes in Working Capital		1,034,052	1,201,216
Changes in Assets and Liabilities:			
Accounts and Other Receivables		81,519	604,345
Inventories		(1,056,861)	1,025,241
Advance to Suppliers		944,581	(451,592)
Other Current Assets		11,818	(17,138)
Accounts and Other Payables		(295,831)	12,152
Accrued Expenses		74,282	526
Taxes Payables Other than Corporate Income Tax		1,208	(108,405)
Cash Generated from Operations		794,768	2,266,345

	Notes	2013 USD	2012 USD
Interest Paid	20	(103,705)	(147,040)
Income Tax Paid		(189,987)	(155,814)
Employee Benefits Obligations Paid		(25,701)	–
Net Cash Flows Provided by Operating Activities		475,375	1,963,491
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Fixed Assets	10	(204,699)	(165,129)
Proceeds from Sale of Fixed Assets		22,272	–
Additional of Refundable Deposits		(8,125)	(698)
Net Cash Flows Used in Investing Activities		(190,552)	(165,827)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Bank Loans - Net		(94,334)	(1,240,970)
Cash Dividend Payment	17.b	(599,992)	(400,000)
Net Cash Flows Used In Financing Activities		(694,326)	(1,640,970)
NET INCREASE IN CASH ON HAND AND IN BANKS		(409,503)	156,694
CASH ON HAND AND IN BANKS AT THE BEGINNING OF THE YEAR		665,773	509,079
CASH ON HAND AND IN BANKS AT THE END OF THE YEAR		256,270	665,773
Cash on Hand and in Banks Consist of:	4		
Cash on Hand		20,862	18,739
Cash in Banks		235,408	647,034
TOTAL		256,270	665,773

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31,2013 AND 2012

1. General

1.a. Background

PT Pinnacle Apparels (formerly 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. C14557. HT.01.01. TH.2002 dated August 5, 2002. Based on notification of approval from the Capital Investment Coordination Board (BKPM) No. 187/I/PMI/2002 dated April 4, 2002 the Company was established within the framework of the Foreign Capital Investment.

Based on notarial deed No. 52 of Popies Savitri Martosuhardjo Pharmanto, SH notary in Jakarta, dated March 31, 2011, Global Textiles Group Limited sells its shares to Pearl Global (HK) Limited. The change in capital structure effectively on April 1, 2011 and has been approved by the Ministry of Justice and Human Rights of the Republic of Indonesia through its letter No. AHU-AH.01.10-13264, dated May 4, 2011.

The Company's Articles of Association have been amended several times, most recently related to changes in capital structure and the change of the Company's name based on Notarial Deed No. 18 of Iswandono Poerwodnotos, SH., Notary in Jakarta, dated March 5, 2012 and has been approved by the Ministry of Justice and Human Rights of the Republic of Indonesia through its Decision Letter No. AHU22067. AH.01.02.Tahun 2012, dated April 26, 2012, and authorized by the Chairman of the Capital Investment Coordinating Board (BKPM) No. 78/II/III/PMI/INDUSTRI/2012.

In accordance with article 3 of Article of Association and Notification of Approval from BKPM, the Company is engaged in garment and textiles Industry.

The Company is domiciled in Jakarta and its factory is located in Tanjung Emas Export Processing Zone, Semarang. The Company started its commercial operations in September 2002.

As of March 31, 2013 and 2012, the Company has 1,925 and 1,949 employees, respectively (unaudited).

1.b. The Company's Management

The Company's managements as of March 31, 2013 and 2012 are as follows:

Commissioner	:	Rajesh Vishnu Ajwani
President Director	:	Pulkrit Seth
Director	:	Amit Kumar

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2. Adoption of Statements and Interpretation of Financial Accounting Standards (PSAK and ISAK)

2.a. Standard Issued which are effective in 2012

The following new standards, revision to the standard and interpretation of the standard that have to be applied mandatory for the first time for the financial year beginning on January 1, 2012:

- PSAK 10 (Revised 2010) "The Effects of Changes in Foreign Exchange Rate".
- PSAK 12 (Revised 2009) "Interests in Joint Ventures".
- PSAK 13 (Revised 2011) "Investment Property"
- PSAK 18 (Revised 2010) "Accounting and Reporting by Retirement Benefit Plans".
- PSAK 24 (Revised 2010) "Employee Benefits"
- PSAK 26 (Revised 2011) "Borrowing Costs"
- PSAK 28 (Revised 2011) "The Accounting for Insurance Losses"
- PSAK 30 (Revised 2011) "Leases"
- PSAK 34 (Revised 2010) "Construction Contracts".
- PSAK 36 (Revised 2010) "The Accounting for Insurance Contracts"
- PSAK 44 (Revised 2010) "The Accounting for Real Estate Activities"
- PSAK 45 (Revised 2010) "Financial Reporting for Not-for-Profit Entity"
- PSAK 46 (Revised 2010) "Income Taxes".
- PSAK 48 (Revised 2009) "Impairment of Assets"
- PSAK 50 (Revised 2010) "Financial Instruments: Presentation".
- PSAK 53 (Revised 2010) "Share-based Payment"
- PSAK 55 (Revised 2011) "Financial Instruments: Recognition and Measurement"
- PSAK 56 (Revised 2010) "Earnings per Share"
- PSAK 57 (revised 2009), "Provisions, Contingent Liabilities and Contingent Assets"
- PSAK 60 "Financial Instrument: Disclosures".
- PSAK 61 "Accounting for Government Grants and Disclosure of Government Assistance".
- PSAK 62 "Insurance Contracts"
- PSAK 63 "Financial Reporting in Hyperinflationary Economy"
- ISAK 13 "Hedges of Net Investment in Foreign Operations".
- ISAK 15 "The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction".
- ISAK 16 "Service Concession Agreements"
- ISAK 18 "Government Assistance - No Specific Relation to Operating Activities".
- ISAK 19 "Applying The Restatement Approach under PSAK 63: Financial Reporting in Hyperinflationary Economy"
- ISAK 20 "Income Taxes - Changes in Tax Status of an Entity or its Shareholders".
- ISAK 22 "Service Concession Agreements: Disclosures"
- ISAK 23 "Rental Operations - Incentives"
- ISAK 24 "Evaluation of Multiple Transactions Involving Substance A Rental Legal Forms"
- ISAK 25 "Land Rights"
- ISAK 26 "Reassessment The Embedded Derivatives"

2.b. Withdrawal of Accounting Standards

Effective on or after January 1, 2012:

- 1) PPSAK 11: Revocation PSAK 39: Accounting for Joint Operations.
- 2) PPSAK 7: Revocation PSAK 44: Accounting for Real Estate Development

3. Summary of Significant Accounting Policies

3.a. Basis of Financial Statements Preparation

The financial statements prepared in conformity with Indonesian Financial Accounting Standards, using going concern, historical cost and accrual basis of accounting concepts. The basis 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.

3.b. Foreign Currency Transactions and Balances

Effective January 1, 2012, the Company applied PSAK 10(Revised 2010), "The Effects of Changes in Foreign Exchange Rate", which supersedes PSAK 10, "Transactions in Foreign Currencies", PSAK 11, "Translation of Financial Statements in Foreign Currencies", PSAK 52, "Reporting Currency", and ISAK 4, "PSAK 10: Alternative Treatment Permitted for Foreign Exchange Differences".

PSAK 10 (Revised 2010) requires an entity to determine and measure its results of operations and financial position in its functional currency. Furthermore, it prescribes how to include foreign currency transactions and foreign operations in the financial statements of an entity and translate financial statements into a presentation currency.

The Company maintains its accounting records in USD currency. Transactions in currencies other than USD are recorded at the prevailing rate of exchange in effect on the date of transaction. Exchange gains and losses arising from translations of foreign currency monetary assets and liabilities are recognized in the current period statement of comprehensive income.

As of statements of financial position date, monetary assets and liabilities denominated in foreign currencies are translated at the approximate prevailing Bank Indonesia middle rate at that date.

Exchange rates used as of March 31, 2013 and 2012:

Currencies	2013	2012
	USD	USD
IDR	9,707	9,504
EUR	0.75	0.75
HKD	7.76	7.76
SGD	1.24	1.26
GBP	0.66	0.64

Exchange gains or losses arising from foreign currency translations are recognized in the current period statements of comprehensive income.

3.c. Transaction with Related Parties

In its normal course of business, the Company enters into transactions with related parties as defined under PSAK 7(Revised 2010), "Related Party Disclosures". All significant transactions and balances with related parties, whether or not made under similar terms and conditions as those conducted with third parties, are disclosed in the notes to financial statements.

Under PSAK 7 (revised 2010) the Company is required to disclose related parties, transactions, and balances, including a commitment. And also to provide a disclosure of key management personnel compensation for each category. The Company had performed an evaluation of the relationship of the related parties to and ensure the financial statements have been prepared using the revised disclosure requirements:

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. Has control or joint control over the reporting entity;
 - ii. Has significant influence over the reporting entity; or
 - iii. Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An Entity is related to the reporting entity if it meets one of the following:
 - i. An entity is a joint venture of a third entity and the other entity is an associate of the third entity;

- ii. The Entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related.
- iii. An Entity is controlled or jointly controlled by a person identified in (a).
- iv. A person identified in (a) (i) has significant influence over the entity (or is a member of the key management personnel).

3.d. Financial Asset and Financial Liabilities

Financial Asset

The Company classifies its financial assets into the following four categories (i) financial assets at fair value through profit or loss, (ii) loans and receivables, (iii) held-to-maturity investments, and (iv) available for sale financial assets.

This classification depends on the purpose of acquisition of financial assets. Management determines the classification of financial assets at its initial recognition.

(i) Financial assets at fair value through profit and loss.

Financial assets at fair value through profit and loss are financial assets that are designated for trading.

Financial assets classified as trading if acquired primarily for the purpose of sale or repurchased in the near future and there is evidence of short-term profit taking. Derivatives classified as assets trading unless designated and effective as hedging instruments. Gains and losses arising from changes in fair value are recognized in "Gains / losses on foreign exchange."

There are no financial assets classified as financial assets for trading.

(ii) Loans and Receivables.

Loans and receivables are non-derivative financial assets with fixed payment or have been determined and does not have quoted price in active market. At the time of initial recognition, loans and receivables are recognized at fair value plus transaction costs and subsequently measured at cost which amortized using the effective interest rate method.

Loans and receivables include cash on hand and in banks, accounts receivable and other receivables.

(iii) Held to maturity investments.

Investments in held to maturity are non-derivative financial assets with fixed payments or have been determined and have defined maturities, and management has the positive intention and ability to have financial assets to maturity, unless:

- a) Investment at initial recognition, designated as financial assets measured at fair value through profit and loss;
- b) The investment specified by the entity classified as available for sale; and
- c) Investments that have the definition of loans and receivables.

At the time of initial recognition, financial assets held to maturity are recognized in at its fair value plus transaction costs and subsequently measured at cost which amortized using the effective interest rate.

There are no financial assets classified as financial assets held to maturity.

(iv) Available for sale financial assets.

Investments available for sale are non-derivative financial assets assigned to held for a specified period which will be sold to fulfill the liquidity or changes in interest rates, foreign exchange or not classified as loans or receivables, investments are classified as held to maturity or financial assets measured at fair value through profit or loss.

At the time of initial recognition, financial assets available for sale are recognized at its fair value plus transaction costs and subsequently measured at fair value where the gain or loss is recognized in the statement of changes in equity, except for impairment losses and foreign exchange income/ loss until the recognition of the financial assets were being stopped. If financial assets available for sale are impaired, the accumulated gains and losses previously recognized in retained earnings are charged to statement of income. However, interest income which is calculated using the effective interest rate method, the profit or loss arising from the changes in exchange rates of monetary assets are classified as group available for sale and are recognized in the statement of income.

There are no financial assets classified as financial assets available for sale.

Financial Liabilities

The Company classifies its financial liabilities in categories (i) financial liabilities measured at fair value through profit and loss and (ii) financial liabilities measured using amortized cost.

(i) Financial liabilities measured at fair value through profit and loss.

The fair values of financial liabilities measured at fair value through profit loss are financial liabilities that are designated for trade. Financial liabilities classified as trading if acquired primarily for purpose of sale or repurchase in the near future and there is evidence of short-term profit taking. Derivatives are classified as trading liabilities unless specified and effective as hedging instruments. There are no financial liabilities classified as financial liabilities for trading.

Gains and losses arising from changes in fair value of derivatives that managed in conjunction with the financial liabilities set forth are recognized in the "profits / losses on foreign exchange."

There are no financial liabilities classified as financial liabilities for trading.

(ii) Financial liabilities are measured using amortized cost.

Financial liabilities which are not classified as financial liabilities measured at fair value through profit and loss are categorized and measured using amortized cost.

There are no financial liabilities classified as financial liabilities measured using amortized cost.

3.e. Accounts Receivable and Allowance for Doubtful Accounts

Account receivable is recorded in net realizable value. The Company determines allowance for doubtful accounts based on the review over accounts balances for each debtor at the end of the year. The write off of relevant account receivable will be done when management believes that such accounts receivable were to be definitely uncollectible.

3.f. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the moving average method.

3.g. Prepaid Expenses

Prepaid expenses are amortized over their beneficial periods using the straight line method.

3.h. Fixed Assets

Effective January 1, 2012, the Company applied PSAK 16 (Revised 2011), "Fixed Assets", which supersedes PSAK 16 (Revised 2007), "Fixed Assets", and PSAK 47, "Accounting for Land".

Fixed Assets, after initial recognition, are measured based on cost method and stated at cost less accumulated depreciation and provision for impairment

Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets as follows:

	Useful lives	%perAnnum
Infrastructures	5	20
Machineries	5	20
Furniture and Fixtures	5	20
Vehicles	5	20
Tools and Equipment	3-5	20-33

The costs of repairs and maintenances is charged to expense as incurred. Significant renewals and improvements are capitalized. Where 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 current year's statements of income. The recoverable amount of an asset is estimated whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Impairments in asset value are recognized as a loss in the current year's statements of income.

3.i Impairment of Non Financial Assets

The Company assess at each annual reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset (i.e., an intangible asset with an indefinite useful life, an intangible

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asset not yet available for use, or goodwill acquired in a business combination) is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of the asset or Cash Generated Unit's (CGU) fair value less costs to sell and its value in use, 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognized in the consolidated statements of comprehensive income as "impairment losses". In assessing the value in use, the estimated net future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used to determine the fair value of the assets. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses of continuing operations, if any, are recognized in the consolidated statements of comprehensive income under expense categories that are consistent with the functions of the impaired assets.

An assessment is made at each annual reporting period as to whether there is any indication that previously recognized impairment losses recognized for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss for an asset other than goodwill is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior period.

Reversal of an impairment loss is recognized in the consolidated statements of comprehensive income. After such a reversal, the depreciation charge on the said asset is adjusted in future periods to allocate the asset revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

3.j. Employee Benefits

Effective January 1, 2012, the Company applied PSAK 24 (Revised 2010), "Employee Benefits", which supersedes PSAK 24 (Revised 2004), "Employee Benefits".

PSAK 24 (Revised 2010) provides guidance for calculation and additional disclosures for employee benefits with some transitional provisions. It provides an option for recognition of actuarial gains or losses in addition to using the corridor approach, that is immediate recognition of actuarial gains or losses in period in which such occur and as part of other comprehensive income.

The Company determines its post-employment benefits obligation under the Labor Law of the Republic of Indonesia No. 13/2003. The cost of providing post-employment benefits is determined using "Projected Unit Credit" method. Actuarial gains or losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceeded the higher of 10% of the defined benefit obligation and 10% of the fair value of plan assets at that date. These gains or losses are recognized on a straight-line basis method over the expected average remaining working lives of the employees. Past service cost arising from the introduction of a defined benefit plan or changes in the benefits obligation of an existing plan are required to be amortized over the period until the benefits concerned become vested.

3.k. Revenues and Expenses Recognition

Revenue is recognized when invoices are made and goods has been delivered to customers at the time of shipment.

Expense is recognized when incurred.

3.l. Taxation

Effective January 1, 2012, the Company applied PSAK 46 (Revised 2010), "Income Taxes", which supersedes PSAK 46, "Accounting for Income Taxes".

Income tax in profit or loss for the period comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or other comprehensive income in which case it is recognized in equity or other comprehensive income. Current (tax expense is provided based on the estimated taxable income for the period.

Deferred tax assets and liabilities are recognized for all temporary differences between the financial and the tax bases of assets and liabilities at each reporting date. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences. Future tax benefits, such as the carry-forward for unused tax losses, are also recognized to the extent that realization of such benefits is probable.

Amendments to tax obligations are recorded when an Tax Assessment Letter is received or, if appealed against by the Company, when the result of the appeal has been determined.

3.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.

4. Cash on Hand and in Banks

	2013 USD	2012 USD
Cash on Hand		
Rupiah	18,126	13,843
USD	2,283	4,502
Poundsterling	210	210
Euro	168	168
HKD	59	–
SGD	16	16
Sub Total	20,862	18,739
Cash in Banks		
Rupiah	136,072	161,102
USD	99,336	485,926
Euro	–	6
Sub Total	235,408	647,034
Total	256,270	665,773

As of March 31, 2013, the Company has money insurance amounting to IDR 19,500,000,000 equivalent with USD 2,008,860 that covered transit loss due to fire and fraud by employee.

5. Accounts Receivable - Third Parties

	2013 USD	2012 USD
Esprit (PGFE)	766,312	1,134,450
Ann Taylor	529,419	–
Ralph Lauren	484,718	–
S.Oliver Bernd Freier GMBH & Co.Kg	453,589	653,083
JC Penney Purch Corp	44,744	368,322
Talbots	17,682	–
MEXX	5,335	–
Express	–	221,042
The Limited	–	8,042
Others (each below USD 5,000)	201	14,493
Total	2,302,000	2,399,432

As of March 31, 2013 and 2012, accounts receivable are used as collateral for bank loan facilities amounting to USD 2,000,000 and USD 1,600,000, respectively (Note 12).

Management believes that all accounts receivable are collectible, accordingly the management does not provide allowance for impairment losses.

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6. Other Receivables

	2013 USD	2012 USD
Third Parties		
Other Receivables	–	305
Sub total	–	305
Related Parties		
Employees	77,728	60,962
House of Pearl Fashions	–	548
Sub total	77,728	61,510
Total	77,728	61,815

As of March 31, 2013 and 2012, other receivables to the third parties mainly represent claim to suppliers and employee loan mainly represent loan which is given by the Company to support the household needs. The employee loan repayment shall be deducted from the monthly salaries.

7. Inventories

	2013 USD	2012 USD
Work in Process	1,978,095	921,234

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 2,950,000 and USD 3,300,000 as of March 31, 2013 and 2012, respectively.

As of March 31, 2013 and 2012, Inventories are used as collateral for bank loan facilities amounting to USD 1,500,000 and USD 1,100,000, respectively (Note 12).

8. Advance to Suppliers

	2013 USD	2012 USD
Uni Sun Textiles Co. Ltd	97,469	–
Express	46,646	83,294
Mandarin Enterprises Inte	39,328	–
Sherizen: Faun Textiles	34,704	–
Jinlun Textiles Company	34,446	–
Marubeni Hong Kong & Sout	31,511	14,753
Hyun Co. Ltd	22,763	–
New Bond Textiles Ltd	21,225	–
E&L Distributors Inc. DBA	8,124	–
Anand Fashion Int Llc	–	451,178
Pearl Global Fareast Limited	–	400,000
Mast Industries (Far East) Limited	–	34,107
Tat Fung Textile Co. Ltd	–	30,931
Benefit Industrial Limited	–	18,443
Esprit	–	17,584
APL Logistic	–	15,810
Winspeed Trading & Service	–	15,225
Global Fashion Sourcing	–	13,959
Talent Weaving Dyeing & P	–	13,910
Winnitex	–	12,490
PT Woojoo Inti Indonesia	–	11,012
Uni Air	–	10,927
Others (each below USD 5,000)	45,639	182,813
Total	381,855	1,326,436

9. Prepaid Expenses

	2013 USD	2012 USD
Factory Rent	57,890	62,290
Work Permit	18,200	12,900
Factory Supplies	17,780	5,018
Office Rent	8,160	–
Others (below USD 2,000)	4,608	2,170
Total	106,638	82,378

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 m².

10. Fixed Assets

	2013				
	Beginning Balance April 1, 2012 USD	Additions USD	Disposals USD	Reclassi- fication USD	Ending Balance March 31, 2013
Direct Ownership					
Cost					
Land Titles	182,932	–	–	–	182,932
Infrastructures	280,674	1,450	–	–	282,124
Machineries	2,006,540	35,945	6,542	–	2,035,943
Furniture and Fixtures	155,788	–	–	560	156,348
Vehicles	311,357	107,147	44,745	–	373,759
Tools and Equipment	327,701	60,157	–	(560)	387,298
	3,264,992	204,699	51,287	–	3,418,404
Accumulated Depreciation					
Infrastructures	236,968	37,386	–	–	274,354
Machineries	1,558,118	238,835	6,542	–	1,790,411
Furniture and Fixtures	130,784	19,626	–	560	150,970
Vehicles	234,215	60,951	44,745	–	250,421
Tools and Equipment	272,202	32,921	–	(560)	304,563
	2,432,287	389,719	51,287	–	2,770,719
Total	832,705				647,685
	2012				
	Beginning Balance April 1, 2011 USD	Additions USD	Disposals USD	Reclassi- fication USD	Ending Balance March 31, 2012
Direct Ownership					
Cost					
Land Titles	182,932	–	–	–	182,932
Infrastructures	279,978	696	–	–	280,674
Machineries	1,850,652	155,888	–	–	2,006,540
Furniture and Fixtures	155,834	515	561	–	155,788
Vehicles	309,995	1,362	–	–	311,357
Tools and Equipment	321,033	6,668	–	–	327,701
	3,100,424	165,129	561	–	3,264,992
Accumulated Depreciation					
Infrastructures	202,007	34,961	–	–	236,968
Machineries	1,321,920	236,198	–	–	1,558,118
Furniture and Fixtures	109,812	21,533	561	–	130,784
Vehicles	171,194	63,021	–	–	234,215
Tools and Equipment	243,510	28,692	–	–	272,202
	2,048,443	384,405	561	–	2,432,287
Total	1,051,981				832,705

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Depreciation expenses were allocated to the following:

	2013 USD	2012 USD
Cost of Goods Sold (Note 19)	238,835	236,196
General and Administrative Expense (Note 20)	150,884	148,209
Total	389,719	384,405

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 financial statements as of March 31, 2013 and 2012, respectively.

Land titles represent building usage rights of Taman Pasadenia 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 3,695,900,00 and USD 2,126,000 as of March 31, 2013 and IDR 3,871,600,000 and USD 2,428,432 as of March 31, 2012. Management believes that sum of insured is adequate to cover possible losses from fire and other risks of related assets.

As of March 31, 2013 and 2012, Machineries and Equipment are used as collateral for bank loan facilities amounting to USD 1,500,000 and USD 1,800,000 respectively (Note 12).

11. Refundable Deposits

	2013 USD	2012 USD
Plants	85,915	81,008
Office	11,269	8,538
Electricity	8,083	7,596
Warehouses	2,160	2,160
Total	107,427	99,302

12. Bank Loans

	2013 USD	2012 USD
The Hongkong and Shanghai Banking Corporation Bank:		
Import	269,500	960,420
Export	644,590	47,078
Packing Credit Loan	276,101	277,027
Total	1,190,191	1,284,525

Based on Corporate Facility Agreement dated August 26, 2010, No. JAK/1 00695/U/1 00604, the Company has obtained credit facilities for import and export from The Hongkong and Shanghai Banking Corporation with combined maximum limit credit 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/120805/U/120806 dated June 5, 2012 with combined maximum limit credit for purchase of raw materials (related import) amounting to USD 4,000,000 and combined maximum limit credit for short term working capital (related to export) amounting to USD 3,000,000. These facilities bear interest of 5.25% per annum below the banks' prime lending rate for import facility and 5.5% per annum for export facility, for the years ended March 31, 2013 and 2012.

The facilities are secured by the followings:

- Fiduciary transfer over Machinery and Equipment of USD 1,500,000 and USD 1,800,000 as of March 31, 2013 and 2012, respectively;
- Fiduciary transfer over Stocks of USD 1,500,000 and USD 1,100,000 as of March 31, 2013 and 2012, Respectively,
- Fiduciary transfer over Accounts Receivable of USD 2,000,000 and USD 1,600,000 as of March 31, 2013 and 2012, respectively;
- Letter of undertaking from shareholders to inject additional equity/subordinated loan to cover losses;
- Letter of undertaking from shareholders to ensure the Tangible Net worth will remain at minimum USD 2,000,000; and
- Corporate guarantee from House of Pearl Fashion Ltd under Indian Law of 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, 2013 and 2012, the Company has fulfilled these covenants.

Packing Credit Loan represents loan against Letter of Credit (LC). As of March 31, 2013 and 2012, the Company using Packing Credit Loan which is part of Export Credit Facilities amounting to USD 192,708 and USD 277,027, respectively.

13. Accounts Payable

	2013 USD	2012 USD
Lamicitra Nusantara	68,930	52,454
PT Atlantik Airsea Expre	36,937	-
Sai Apparel Industries	27,999	-
PT Aryatama Nugraha	27,286	-
PT Maju Jaya Abadi Sejati	24,475	-
PT Artakreasi Danakatama	24,346	-
Berkat Subuh Transport	22,767	-
Atlas Laundry	18,928	27,272
CV Cipta Sukses Jaya	17,624	-
YKK Indonesia	17,215	-
PT Korin Jaya	16,607	-
PT Coats Rejo Indonesia	15,103	-
Paxar Far East Limited	13,417	-
Mainetti Hk	11,924	-
PT Bordir Prima Lestari	11,843	-
CV Anugerah Cipta Kreasi	10,583	-
PT Han LaWashing	10,554	-
Suzhou Jinwoo	-	94,590
BSL International Trading Pte Ltd	-	77,832
Sumber Makmur	-	72,168
Genie Textile Co Ltd	-	55,632
Tat Fung Testile Co Ltd	-	39,556
Express Provision	-	36,281
Gunze Indonesia	-	29,482
Others (each below USD 10,000)	224,966	408,229
Total	601,504	893,496

14. Taxation

	2013 USD	2012 USD
a. Prepaid Taxes		
Value Added Tax - Net	225,022	261,100
Total	225,022	261,100
b. Taxes Payable		
Income Tax Article 21	12,092	11,235
Income Tax Article 23	1,280	955
Income Tax Article 25	-	13,956
Income Tax Article 4 (2)	63	37
Income Tax Article 29	5,139	31,114
Total	18,574	57,297
c. Income Tax Benefit (Expenses)		

PT PINNACLE APPARELS
(formerly PT NORWEST INDUSTRY)

Reconciliation between income before estimated income tax as shown in the statements of comprehensive income and estimated taxable income of the Company is as follows:

	2013 USD	2012 USD
Income before Income Tax as per Statement of Comprehensive Income	552,871	602,576
Permanent Difference:		
Interest Income already Subjected to Final Tax	(517)	(1,490)
Profit on Sales of Vehicles-Commercial	(22,272)	–
Profit on Sales of Vehicles-Fiscal	4,383	–
Non Deductible Expenses		
Depreciation Expenses	28,970	–
Expatriate House Expenses	1,146	–
Motor Vehicle Maintenance	10,814	12,532
Entertainment	5,253	187
Mobile Phone	3,064	3,331
Guest House	2,921	2,224
Expatriate Work Permit	–	5,636
Tax Penalty	–	753
Traveling	–	1,604
Donation	–	122
Other	–	4,882
	33,762	29,781
Timing Difference:		
Depreciation	3,563	115,593
Employee Benefits	10,029	53,531
	13,592	169,124
Taxable Income	600,225	801,481
Income Tax at Tax Rate of 25%	150,056	200,370
Total Income Tax Expense	150,056	200,370
Credit Taxes:		
Income Tax Article 22	1,094	–
Income Tax Article 23	4,025	3,502
Income Tax Article 25	139,798	165,754
Total Credit Taxes	144,917	169,256
Corporate Income Tax Payable	5,139	31,114

d. Deferred Tax Assets

	March 31, 2011 USD	Credited (Charged) to Statement of Comprehensive Income USD	March 31, 2012 USD	Credited (Charged) to Statement of Comprehensive Income USD	March 31, 2013 USD
Fixed Assets	216,874	(85,624)	131,250	78,791	210,041
Employee Benefits Obligations	29,147	13,383	42,530	(3,918)	38,612
Total	246,021	(72,241)	173,780	74,873	248,653

15. Accrued Expenses

	2013 USD	2012 USD
Salaries and Wages	312,967	252,202
Bonus	177,434	161,763
Jamsostek Payable	21,981	22,784
Legal and Professional Fee	4,512	5,863
Total	516,894	442,612

16. Employee Benefits Obligations

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.

The Company calculated employee benefit liabilities as of March 31, 2013 and 2012 based on management estimate. The underlying actuarial assumption used was in accordance with actuary report on March 31, 2012. Management believes there is no significant difference affected to estimated employee benefit as of March 31, 2013 and 2012.

As of March 31, 2013, the liabilities for employee benefits were calculated by an independent actuary, PT Katsir Imam Sapto Aktuaria using the "Projected Unit Credit" method. Those calculation were also used as the basis for March 31, 2013 reporting, in their report dated April 23, 2013, with No.236/KIS/LA/04/2013.

As of March 31, 2012, the liabilities for employee benefits were calculated by an independent actuary, PT Bumi Dharma Aktuaria using the "Projected Unit Credit" method. Those calculation were also used as the basis for March 31, 2013 and 2012 reporting, in their report dated April 5, 2012 with NO.236/KIS/LA/04/2013.

The principal assumptions used in determining employee benefits obligation as of March 31, 2013 and 2012 are as follows:

	March 31, 2013	March 31, 2012
Discount Rate	6%	7%
Future Salary Increase	5%	8%
Number of Employees	1,680	1,955

Other assumptions:

	2013 and 2012
Normal Retirement Age	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: remaining service years of each employee.

The amount recognized in statements of financial position and statements of comprehensive income for period of March 31, 2013 and 2012 areas follow:

	2013 USD	2012 USD
Present Value Obligation	154,447	170,119
Liability in the Statement of financial Position	154,447	170,119

	2013 USD	2012 USD
Unrecognized Service Cost:		
Current Service Cost	34,950	58,118
Interest Cost	16,236	9,077
Difference in Foreign Exchange	(7,811)	–
Amortization of Actuarial Profit/(Loss) Accumulation	(33,346)	–
Net Expense Charged in the Statement of Comprehensive Income	10,029	67,195

Movements in liability recognized in the Statements of Financial Position are as follows:

	2013 USD	2012 USD
Beginning of the Year	170,119	116,588
Charged to Comprehensive Income	10,029	67,195
Actual Benefit Payment	(25,701)	(13,664)
End of the Year	154,447	170,119

PT PINNACLE APPARELS
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17. Share Capital and Cash Dividend

- a. Based on Circular Resolutions of the Shareholders of PT Pinnacle Apparels (formerly PT Norwest Industry) as stipulated on notarial deed No. 52 of Popie Savitri Martosuhardjo Pharmanto, SH, notary in Jakarta, dated March 31, 2011, Global Textiles Group Limited sells its shares to Pearl Global (HK) Limited. The change in capital structure effectively on April 1, 2011 and has been approved by the Ministry of Law and Human Rights of the Republic of Indonesia through its letter No. AHU-AH.01.10-13264, dated May 4, 2011.

The compositions of shareholders' as of March 31, 2013 and 2012 are as follows:

Shareholders	2013 and 2012		
	Shares Issued		Issued and Paid up Capital USD
	Number of Shares	%	
Pearl Global (HK) limited	149,998	99.87	1,499,980
Mr. Pulkit Seth	200	0.13	2,000
Total	150,198	100.00	1,501,980

- b. Based on Circular Resolution dated April 15, 2012, The Company declared cash dividend amounting to USD 599,992. The cash dividend has been paid on January 2013.

Based on Circular Resolution dated September 15, 2011, The Company declared cash dividend amounting to USD 400,000. The cash dividend has been fully paid on October 2011.

18. Revenues

	2013 USD	2012 USD
Export Sales - Third Parties	18,400,765	21,831,903
Total	18,400,765	21,831,903

This account represents export sales of 210,667 dozens in 2013 and 256,069 dozens in 2012.

19. Cost of Goods Sold

	2013 USD	2012 USD
Material	10,039,607	13,691,186
Labor	3,710,217	3,994,457
Overhead Costs:		
Depreciation (Note 10)	238,835	236,196
Factory Rent	210,283	209,446
Power and Fuel	194,629	205,266
Freight Cost	161,111	155,712
Spare Parts	149,336	176,872
Maintenance	20,384	18,069
Total	14,724,402	18,687,204

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.

20. General and Administrative and Selling Expenses

	2013 USD	2012 USD
General and Administrative Expenses		
Salary	1,372,833	1,177,745
Bonus and Allowance	362,763	378,876
Import and Export	261,496	230,611
Telecommunication	235,295	148,238
Depreciation (Note 10)	150,884	148,209

	2013 USD	2012 USD
Bank Interest and Bank Charges	103,705	147,040
Transportation	77,064	76,612
Rent Office & Machine	59,842	62,611
Work Permit	37,810	35,600
Office Maintenance	34,895	54,123
Inspection Charges	29,940	13,866
Insurance	29,765	30,760
Printing and Stationary	29,363	31,601
Legal and Professional Fee	25,391	25,537
Employee Welfare	23,187	25,315
Tax and Duties	22,891	28,848
Travelling	18,717	11,891
Water	16,845	19,011
Employee Benefits	10,029	67,195
Convenyance	8,151	2,673
Office Consumable	7,070	6,149
SAP Expenses	–	57,464
Recruitment and Training	–	12,698
Others (below USD 5,000)	6,737	10,470
Sub Total	2,924,673	2,803,143
Selling Expenses		
Purchase Sampling	107,756	229,611
Travelling Overseas	21,370	21,245
Entertainment	18,075	15,895
Made Sample Expenses	9,582	–
Marketing	3,409	7,011
Purchase Accessories	3,040	–
Sub Total	163,232	273,762
Total	3,087,905	3,076,905

21. Related Parties Transactions

Details item related to transactions with related parties:

	March 31, 2013 USD	March 31, 2012 USD	March 31, 2013	March 31, 2012
Assets				
Other Receivables (Employee)	77,728	61,510	1.23%	0.90%

The percentage above represents comparison with the total assets.

22. 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 some forward deals with HSBC bank to hedge its exposure to foreign currency risk in connection with the recording currency.
- Credit risk: the Company has no significant concentrations of credit risk. It has policies in place to ensure that sales of products 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.

23. Critical Accounting Estimates and Assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- Employee benefits

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality bonds that are denominated in the currency in which the benefits will be paid (Rupiah currency), and that have maturity approximating the terms of the related post employment benefit liability.

- Income taxes

The Company is subject to income tax in Indonesian tax jurisdictions. Significant judgment is required in determining local provision for income tax, among other, non deductible expenses. The Company recognises provision for income tax based on self assessment. Where the final tax outcome as a result of tax audit is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Prepaid taxes are impaired as the carrying amounts may not be recoverable.

- Fair value estimation

The Company determines that the face values less any estimated credit adjustments for loans and receivables with a maturity of less than one year are assumed to approximate their fair values.

a. Trade and Other Receivables

The fair values of trade receivables and other receivables are as follows:

	2013 USD	2012 USD
Accounts Receivable	2,302,000	2,399,432
Other Receivables - Third Parties	-	305
Other Receivables - Related Parties	77,728	61,510
Other Financial Receivables - Refundable Deposits	58,857	61,475
Total	2,438,585	2,522,722

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 debt or 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.

There is no impairment losses of trade receivables was recognized for the year ended March 31, 2013 and 2012.

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.

24. Summary of Significant Differences between Company's Accounting Principles Using the Indonesian Financial Accounting Standards (FAS) and the International Financial Reporting Standard (IFRS)

The financial statements of the Company are prepared and presented in accordance with the Indonesian FAS which differs in certain respects from IFRS. These differences between the Indonesian FAS and IFRS are described below and presented in the accompanying reconciliation of statements of comprehensive income and certain statements of financial position items.

Employee Benefits

Under the Indonesian FAS, 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 the Indonesian FAS, 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 the Indonesian FAS, 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.

25. Reconciliation of Net Income and Equity Determined under the Indonesia FAS and IFRS

The following is a summary of the significant adjustments to statements of comprehensive income (loss) for the years ended March 31, 2013 and 2012 and statements of changes in equity as of March 31, 2013 and 2012 which would be required if IFRS had been applied instead of Indonesian GAAP in the financial statements.

	2013 USD	2012 USD
Net comprehensive income as reported in the statements of comprehensive income	477,688	329,965
Item decreasing reported net income		
Fair value loss from other financial receivables	(10,743)	(9,930)
Net decrease in reported net income	(10,743)	(9,930)
Approximate net income in accordance with IFRS	466,945	320,035
	2013 USD	2012 USD
Equity reported in the statements of financial position	3,840,238	3,962,542
Item decreasing reported in equity		
Fair value loss from other financial receivables	(48,570)	(37,827)
Net decrease in equity	(48,570)	(37,827)
Approximate equity in accordance to IFRS	3,791,668	3,924,715

As a result of the IFRS adjustment to net income and equity, the following tables presents the approximate statements of financial position as of March 31, 2013 and 2012, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended March 31, 2013 and 2012 as determined under IFRS:

a. Statements of Financial Position

	2013 USD	2012 USD
ASSETS		
Current Assets		
Cash on Hand and in Banks	256,270	665,773
Accounts Receivable - Third Parties	2,302,000	2,399,432
Other Receivables	-	-
Third Parties	-	305
Related Parties	77,728	61,510
Inventories	1,978,095	921,234
Advance to Suppliers	381,855	1,326,436
Prepaid Taxes	225,022	261,100
Prepaid Expenses	106,638	82,378
Total Current Assets	5,327,608	5,718,168
Non Current Assets		
Deferred Tax Assets	248,653	173,780

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	2013 USD	2012 USD
Fixed Assets		
(Net of accumulated depreciation of USD 2,770,719 and USD 2,432,287 as of March 31, 2013 and 2012, respectively)	647,685	832,705
Refundable Deposits	58,857	61,475
Total Non Current Assets	955,195	1,067,960
TOTAL ASSETS	6,282,803	6,786,128
LIABILITIES AND EQUITY		
Current Liabilities		
Bank Loans	1,190,191	1,284,525
Accounts Payable	601,504	893,496
Other Payables	9,525	13,364
Taxes Payable	18,574	57,297
Accrued Expenses	516,894	442,612
Total Current Liabilities	2,336,688	2,691,294
Non Current Liabilities		
Employee Benefits Obligation	154,447	170,119
Total Non Current Liabilities	154,447	170,119
Total Liabilities	2,491,135	2,861,413
Equity		
Share Capital- Par Value USD 10 per Share		
Authorized - 200,000 Shares,		
Issued and Paid up - 150,198 Shares	1,501,980	1,501,980
Additional Paid-in Capital	1,980	1,980
Retained Earnings	2,287,708	2,420,755
Total Equity	3,791,668	3,924,715
TOTAL LIABILITIES AND EQUITY	6,282,803	6,786,128
b. Statements of Comprehensive Income		
	2013 USD	2012 USD
REVENUES	18,400,765	21,831,903
COST OF GOODS SOLD	14,724,402	18,687,204
GROSS PROFIT	3,676,363	3,144,699
Gain on Sale of Fixed Assets	22,272	-
Claim from Suppliers	-	80,211
General and Administrative Expenses	(2,924,673)	(2,803,143)
Selling Expenses	(163,232)	(273,762)
Gain (Loss) on Foreign Exchange - Net	(41,284)	127,806
Other Income (Expenses) - Net	(27,318)	316,835
	(3,134,235)	(2,552,053)
INCOME BEFORE TAX	542,128	592,646
INCOME TAX BENEFITS (EXPENSES)		
Current Tax	(150,056)	(200,370)
Deferred Tax	74,873	(72,241)
Total Income Tax Benefits Expenses - Net	(75,183)	(272,611)
NET INCOME FOR THE YEAR	466,945	320,035
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	466,945	320,035
Reconciliation between Indonesia GAAP with IFRS for above statements of comprehensive income is as follow:		
	2013 USD	2012 USD
Net Income as reported in the Statements of Comprehensive Income	477,688	329,965
Item decreasing reported in net income:		
Fair value loss from other financial receivables	(10,743)	(9,930)
Net decrease in reported net income	(10,743)	(9,930)
Approximate Net Income in accordance with IFRS	466,945	320,035

c. Statements of Changes in Equity

	Share Capital USD	Additional Paid-in Capital USD	Retained Earnings USD	Total Equity USD
Balance as of April 1, 2011	1,501,980	1,980	2,500,720	4,004,680
Cash Dividend	-	-	(400,000)	(400,000)
Net Income For The Year	-	-	320,035	320,035
Balance as of March 31, 2012	1,501,980	1,980	2,420,755	3,924,715
Cash Dividend	-	-	(599,992)	(599,992)
Net Income For The Year	-	-	466,945	466,945
Balance as of March 31, 2013	1,501,980	1,980	2,287,708	3,791,668

d. Statements of Cash Flows

	2013 USD	2012 USD
CASH FLOWS FROM OPERATING ACTIVITIES		
Income Before Income Tax	542,128	593,802
Adjustments for:		
Depreciation Expenses	389,719	384,405
Interest Expenses	103,705	155,814
Gain on Sale of Fixed Asset	(22,272)	-
Employee Benefits Obligation	10,029	67,195
Operating Income Before Changes in Working Capital	1,023,309	1,201,216
Changes in Assets and Liabilities:		
Account and Other Receivables	81,519	604,345
Inventories	(1,056,861)	1,025,241
Advance to Suppliers	944,581	(451,592)
Other Current Assets	11,818	(17,138)
Account and Other Payables	(295,831)	12,152
Accrued Expenses	74,282	526
Taxes Payables Other than Corporate Income Tax	1,208	(108,405)
Cash Generated from Operations	784,025	2,266,345
Interest Paid	(103,705)	(147,040)
Income Tax Paid	(189,987)	(155,814)
Employee Benefit Obligations Paid	(25,701)	-
Net Cash Flows Provided by Operating Activities	464,632	1,963,491
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Fixed Assets	(204,699)	(165,129)
Proceeds from Sale of Fixed Assets	22,272	-
Additional of Refundable Deposits	2,618	(698)
Net Cash Flows Used in Investing Activities	(179,809)	(165,827)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Bank Loans - Net	(94,334)	(1,240,970)
Cash Dividend Payment	(599,992)	(400,000)
Net Cash Flows Used In Financing Activities	(694,326)	(1,640,970)
NET INCREASE IN CASH ON HAND AND IN BANKS	(409,503)	156,694
CASH ON HAND AND IN BANKS - AT THE BEGINNING OF THE YEAR	665,773	509,079
CASH ON HAND AND IN BANKS - AT THE END OF THE YEAR	256,270	665,773
Cash on Hand and in Banks consist of:		
Cash on Hand	20,862	18,739
Cash in Banks	235,408	647,034
TOTAL	256,270	665,773

26. Responsibility of the Financial Statements

The management of the Company is responsible for the preparation and content of the financial statements which were authorized for issuing on April 25, 2013.

DIRECTORS' REPORT

The directors are pleased to present their report together with the audited financial statements of Multinational Textile Group Limited (the "Company") for the year ended 31 March 2013.

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 (2012: 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.

Auditors

The auditors, Lancasters Chartered Accountants, have indicated their willingness to continue in office and will be automatically reappointed at the Annual Meeting.

By order of the Board

Sd/-

Director

Date: 29 May 2013

STATEMENT FROM SECRETARY FOR THE YEAR ENDED 31 MARCH 2013

Statement from secretary under Section 166 (d) of the Mauritius Companies Act 2001

In accordance with section 166 (d) of the Mauritius 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 Mauritius Companies Act 2001.

Sd/-

For and on behalf of **KROSS BORDER CORPORATE SERVICES LIMITED**

Company Secretary

Date: 29 May 2013

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 2013, 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.

Management's Responsibility for the Financial Statements

Management is 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, and for such internal control as management determines 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. 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 management, 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 33 give a true and fair view of the financial position of the Company at 31 March 2013 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: 29 May 2013

Pasram Bissessur FCCA, MBA (UK)
Licensed by FRC

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 USD	2012 USD
Revenue	6	6,847,401	4,838,645
Expenses		(6,987,783)	(4,774,234)
(Loss)/profit from operating activities		(140,382)	64,411
Finance income	7	95,457	205,197
Finance costs	7	(10,407)	(102,518)
Net finance income	7	85,050	102,679
(Loss)/profit before taxation		(55,332)	167,090
Taxation	8	—	—
(Loss)/profit for the year		(55,332)	167,090
Other comprehensive income		—	—
Total comprehensive (loss)/ income for the year		(55,332)	167,090

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2013

	Note	2013 USD	2012 USD
Assets			
Investments	9	15,867,136	17,471,426
Receivables	10	3,323,818	4,444,302
Total non-current assets		19,190,954	21,915,728
Other receivables	11	2,439,927	1,836,425
Cash and cash equivalents		472,565	511,739
Total current assets		2,912,492	2,348,164
Total assets		22,103,446	24,263,892
Equity			
Stated capital	12	21,948,270	21,948,270
Revenue deficit		(992,721)	(937,389)
Total equity		20,955,549	21,010,881
Liabilities			
Current liabilities			
Other payables	13	1,147,897	3,253,011
Total current liabilities		1,147,897	3,253,011
Total liabilities		1,147,897	3,253,011
Total equity and liabilities		22,103,446	24,263,892

Approved by the Board on 29 May 2013 and signed on its behalf by

Sd/-
Director

Sd/-
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2013

	Stated capital USD	Revenue deficit USD	Total USD
Balance at 01 April 2011	21,948,270	(1,104,479)	20,843,791
Total comprehensive income for the year			
Profit for the year	—	167,090	167,090
Balance at 31 March 2012	21,948,270	(937,389)	21,010,881
Total comprehensive loss for the year			
Loss for the year	—	(55,332)	(55,332)
Balance at 31 March 2013	21,948,270	(992,721)	20,955,549

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2013

	2013 USD	2012 USD
Cash flows from operating activities		
(Loss)/profit for the year	(55,332)	167,090
<i>Adjustments for:</i>		
Dividend received	(1,700,000)	(340,000)
Interest received	(95,457)	(205,197)
Gain on buy back	(81,235)	—
Interest on loan	—	95,491
Gain on disposal of investment	—	10,098
	(1,932,024)	(272,518)
Change in other receivables	(1,550,627)	(771,731)
Change in other payables	(1,605,114)	1,947,230
Net cash (used in)/ from operating activities	(5,087,765)	902,981
Cash flows from investing activities		
Interest received	95,457	205,197
Disposal of investment	—	243,235
Proceeds from buyback of investment	1,865,525	—
Acquisition of investments	(180,000)	(709,254)
Dividend received	1,700,000	340,000
Net cash from investing activities	3,480,982	79,178
Cash flows from financing activities		
Repayment of loan by subsidiaries	484,790	2,010,107
Loan received from subsidiaries	500,000	—
Buy back	—	1,865,525
Repayment of loan by related parties	1,730,000	173,714
Loans advanced to related parties	(50,000)	(500,000)
Loans advanced to subsidiaries	(1,097,181)	(592,360)
Repayment to Holding Company	—	(3,600,000)
Interest paid	—	(95,491)
Net cash from/ (used in) financing activities	1,567,609	(738,505)
Net movement in cash and cash equivalents	(39,174)	243,654
Cash and cash equivalents at 01 April	511,739	268,085
Cash and cash equivalents at 31 March	472,565	511,739

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013
1. General information

The Company was incorporated as a private limited company on 28 March 2006 and was granted a Category 1 Global Business Licence on 29 March 2006. The principal activity of the Company is the holding of investments.

The Company is a holder of a Category 1 Global Business Licence under the Financial Services Act 2007. 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

The following accounting policies have been consistently applied in dealing with items which are considered material in relation to the Company's financial statements.

(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.

Determination of functional currency

The determination of the functional currency of the Company is critical since recording of transactions and exchange of differences arising thereon are dependent on the

functional currency selected. As described in 2(c), the directors have considered those factors therein and have determined that the functional currency of the Company is USD.

(d) *Use of the estimates and judgement*

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from these estimates.

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

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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, corporate service fees income and consultancy fees income - are accounted for as it accrues.

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 recognised on all 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.

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 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.

Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are 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.

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.

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.

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.

Receivables and other receivables

Receivables and other receivables are stated at amortised cost.

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.

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.

Stated 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.

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.

Multinational Textile Group Limited

Expenses

All expenses are recognised in the statement of comprehensive income on an accrual basis.

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.

New and revised IFRSs with no material effect on the financial statements

The following new and revised IFRSs have been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

New and revised IFRSs Summary of requirement

Amendment to IFRS 7 Financial Instruments: Disclosures, relating to Disclosures on Transfers of Financial Assets

The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendment to IFRS 1 Removal of Fixed Dates for First-time Adopters

The amendments replace references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs.

Amendment to IFRS 1 Severe Hyperinflation

The amendments introduce guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

Amendment to IAS 12 Income Taxes relating to Deferred Tax - Recovery of Underlying Assets

The amendment introduces an exception to the general measurement requirements of IAS 12 Income Taxes in respect of investment properties measured at fair value. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset.

New Standards, Interpretations and amendments to published standards

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2013 and which have not been adopted in these financial statements.

The Company is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application and the impact on the financial statements has not yet been estimated.

These statements, where applicable, will be applied in the year when they are effective.

Standard/Interpretation	Effective date
IFRS 9 Financial Instruments	Annual periods beginning on or after 1 January 2015*
IFRS 10 Consolidated Financial Statements	Annual periods beginning on or after 1 January 2013*
IFRS 11 Joint Arrangements	Annual periods beginning on or after 1 January 2013*
IFRS 12 Disclosure of Interest in Other Entities	Annual periods beginning on or after 1 January 2013*
IFRS 13 Fair Value Measurement	Annual periods beginning on or after 1 January 2013*
IAS 1 amendment Presentation of items of other comprehensive income	Annual periods beginning on or after 1 July 2012*
IAS 19 amendment Employee Benefits (2011)	Annual periods beginning on or after 1 January 2013*

Standard/Interpretation

Effective date

IAS 27 amendment (2011)	Separate Financial Statements	Annual periods beginning on or after 1 January 2013*
IAS 28 amendment	Investments in Associates and Joint Ventures (2011)	Annual periods beginning on or after 1 January 2013*
IAS 32 amendment	Financial Instruments: Presentation	Annual periods beginning on or after 1 January 2013*
IFRS 7 amendment	Financial Instruments: Disclosures	Annual periods beginning on or after 1 January 2013*
IFRS 10 amendment	Consolidated Financial Statements (2012)	Annual periods beginning on or after 1 January 2013*
IFRS 12 amendment	Disclosure of Interest in Other Entities (2012)	Annual periods beginning on or after 1 January 2013*
IAS 27 amendment (2012)	Separate Financial Statements	Annual periods beginning on or after 1 January 2013*
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Annual periods beginning on or after 1 January 2013*

*All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

IFRS 9: Financial Instruments

IFRS 9 will be adopted by the Company for the first time for its financial reporting period ending 31 December 2015. 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.

The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

Under IFRS 9, 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, 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 10 Consolidated Financial Statements

IFRS 10 changes the definition of control, such that the same consolidation criteria will apply to all entities. The revised definition focuses on the need to have both "power" and "variable returns" for control to be present. Power is the current ability to direct the activities that significantly influence returns. Variable returns can be positive, negative or both. The determination of power is based on current facts and circumstances (including substantive potential voting rights) and is continuously assessed. An investor with more than half the voting rights would meet the power criteria in the absence of restrictions or other circumstances. However, an investor could have power over the investee even when it holds less than the majority of the voting rights in certain cases. IFRS 10 provides guidance on participating and protective rights, and brings the notion of "de facto" control firmly within the guidance. The standard also requires an investor with decision making rights to determine if it is acting as a principal or an agent and provides factors to consider. If an investor acts as an agent, it would not have the requisite power and, hence, would not consolidate.

The impact on the financial statements for the Company has not yet been estimated.

IFRS 11 Joint Arrangements

IFRS 11 focuses on the rights and obligations of joint arrangements, rather than the legal form (as it is currently the case). It:

- distinguishes joint arrangements between joint operations and joint ventures; and
- always requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity method or proportionate consolidation.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 sets out the required disclosures for entities reporting under IFRS 10 and IFRS 11. The objective of IFRS 12 is to require entities to disclose information that helps financial statement readers to evaluate the nature, risks, and financial effects associated with the entity's involvement with subsidiaries, associates, joint arrangements, and unconsolidated structured entities. Specific disclosures include the significant judgments and assumptions made in determining control as well as detailed information regarding the entity's involvement with these investees.

IFRS 13 Fair Value Measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price.

Amendment to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income

The amendments:

- require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;
- do not change the existing option to present profit or loss and other comprehensive income in two statements; and
- change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, the entity is still allowed to use other titles.

The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard.

Amendment to IAS 19 Employee Benefits

The amendments include:

- Requiring the recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements (eliminating the 'corridor approach' permitted by the existing IAS 19);
- Introducing enhanced disclosures about defined benefit plans;
- Modifying accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits; and
- Clarifying various miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risksharing and conditional indexation features.

Amendment to IAS 27 Consolidated and Separate Financial Statements

The standard contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The Standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments.

Amendment to IAS 28 Investments in Associates and Joint Ventures

IAS 28 makes the following amendments:

- IFRS 5 applies to an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and

- On cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not remeasure the retained interest.

Amendment to IAS 32 Financial Instruments: Presentation

The amendment clarifies certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off';
- the application of simultaneous realisation and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

Amendment to IFRS 7 Financial Instruments: Disclosures

The amendments require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. These disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

Amendment to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosures of Interests in Other Entities and IAS 27 Separate Financial Statements

The amendments relate to the following:

- provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: *Recognition and Measurement*;
- require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries; and
- require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The Interpretation clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognised as an asset, how the asset is initially recognised, and subsequent measurement.

The Interpretation requires stripping activity costs which provide improved access to ore are recognised as a non-current 'stripping activity asset' when certain criteria are met. The stripping activity asset is depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity, using the units of production method unless another method is more appropriate.

4. Determination of fair values

The Company's accounting policies and disclosures requires the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Receivables and other receivables

The fair value of receivables and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. Financial risk management

Introduction and preview

Financial instruments carried on the statement of financial position include receivables, other receivables, cash and cash equivalents, 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.

Risk management is carried out by the Board of directors through board meetings. The Company provide principles for overall risk management.

Overview

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

- Market risk
- Credit risk
- Liquidity risk

Market risk

Market risk represents the potential loss that can be caused by a change in the market value of financial instruments. The Company's exposure to market risk is determined by a number of factors, including interest rates, foreign currency exchange rates and market volatility. The Company conducts its investment operations in a manner that seeks to exploit the potential gains in the market, while limiting its exposure to market declines.

- Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company has no significant exposure to interest rate risk other than relating to its bank balances.

- Currency risk

The Company has no currency risk as all its transactions are denominated in United States Dollar (USD).

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:

	2013 USD	2012 USD
Investments	320,600	320,600
Receivables	3,323,818	4,444,302
Other receivables	2,439,187	1,831,955
Cash and cash equivalents	472,565	511,739
	6,556,170	7,108,596

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 year USD
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31 March 2013

Financial liabilities

Other payables	1,147,897	-
Total Financial liabilities	1,147,897	-

31 March 2012

Financial liabilities

Other payables	3,253,011	-
Total Financial liabilities	3,253,011	-

Currency risk

The Company invests in stocks denominated in Great Britain Pound (GBP) and Hong Kong Dollar (HKD). Consequently, the Company is exposed to the risk that the exchange rate of the US Dollar relative to the Great Britain Pound and Hong Kong Dollar may change in a manner, which has a material effect on the reported values of the Company's assets and liabilities, which are denominated in GBP and HKD.

Currency profile

	Financial assets 2013 USD	Financial liabilities 2013 USD	Financial assets 2012 USD	Financial liabilities 2012 USD
USD	2,953,316	614,832	4,090,351	2,723,603
GBP	1,543,824	416,608	446,395	416,608
HKD	2,059,030	116,457	2,571,850	112,800
	6,556,170	1,147,897	7,108,596	3,253,011

A 10% strengthening of USD against the following currencies at 31st March 2013 would have increased net loss before tax by USD 306,979 (2012: USD 248,884). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis in 2012.

Sensitivity Analysis:

Currency	2013 USD	2012 USD
GBP	112,722	245,905
HKD	194,257	2,979
Total	306,979	248,884

Similarly a 10 percent weakening of the USD against the above currencies at 31st March 2013 would have had the exact reverse effect.

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 2013 USD	Fair value 2013 USD	Carrying amount 2012 USD	Fair value 2012 USD
Financial Assets				
Investments	320,600	320,600	320,600	320,600
Receivables	3,323,818	3,323,818	4,444,302	4,444,302
Other receivables	2,439,187	2,439,187	1,831,955	1,831,955
Cash and cash equivalents	472,565	472,565	511,739	511,739
Total Financial Assets	6,556,170	6,556,170	7,108,596	7,108,596
Financial Liabilities				
Other payables	1,147,897	1,147,897	3,253,011	3,253,011
Total Financial Liabilities	1,147,897	1,147,897	3,253,011	3,253,011

6. Revenue

Revenue represents:

	2013 USD	2012 USD
Management fees income	3,239,169	2,269,299
Dividend received	1,700,000	340,000
Professional fees income	1,581,997	2,219,248
Corporate service fees income	125,000	-
Consultancy fees income	120,000	-
Gain on buy back	81,235	-
Gain on disposal of investment	-	10,098
	6,847,401	4,838,645

7. Net Finance income

	2013 USD	2012 USD
Finance Income		
Interest Income	95,457	205,197
Finance Costs		
Loss on Foreign exchange	10,407	7,027
Interest on Borrowings	–	95,491
Net finance income	10,407	102,518
	85,050	102,679

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

	2013 USD	2012 USD
Current year income tax	–	–

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

Reconciliation of effective taxation

	2013 USD	2012 USD
(Loss)/ profit before taxation	(55,332)	167,090
Income tax at 15%	(8,300)	25,064
Exempt income	(12,185)	(1,515)
Foreign tax credit	16,388	(18,839)
Deferred tax assets not recognised	4,097	(4,710)
	–	–

9. Investments

Investments consist of unquoted shares in subsidiaries and other investment.

Investment in subsidiaries

	2013 USD	2012 USD
Cost		
At 01 April	17,150,826	16,762,172
Additions during the year	180,000	388,654
Buyback during the year	(1,784,290)	–
At 31 March	15,546,536	17,150,826

Other investment

	2013 USD	2012 USD
Cost		
At 01 April	320,600	243,235
Additions during the year	–	320,600
Disposal during the year	–	(243,235)
At 31 March	320,600	320,600
Total cost of investment	15,867,136	17,471,426

Name of company	Type of shares	Number of shares	2013 % held	2012 % held	Country of incorporation
Subsidiaries					
Global Textiles Group Limited	Equity	3,987,266	100%	100%	Mauritius
SACB Holdings Limited	Equity	25,500	51%	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
Simple Approach Ltd	Preference	3,190,000	100%	100%	Hong Kong
Nor Delhi Manufacturing Limited	Equity	2,000,000	100%	100%	Hong Kong United
Casa Forma Limited	Equity	250,000	100%	100%	Kingdom
Nahata Ltd	Equity	1	100%	100%	Mauritius
Mahidhulu Investments Limited	Equity	1	100%	100%	Mauritius
Propur Investments Limited	Equity	1	100%	100%	Mauritius
PDS Asia Star Corporation Limited	Equity	180,000	60%	–	Hong Kong

Other investments

Juhu Exchange Limited Preference 200,000 2.17% 2.17% Mauritius

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

	2013 USD	2012 USD
Loan to subsidiaries	2,823,818	2,211,427
Loan to related parties	500,000	2,230,000
Other receivable	–	2,875
	3,323,818	4,444,302

11. Other receivables

	2013 USD	2012 USD
Receivables from subsidiaries	903,737	15,982
Management fees receivable	857,578	262,895
Professional fees receivable	248,950	591,410
Interest receivable	159,207	390,753
Receivables from related parties	149,715	570,915
Consultancy fees receivable	120,000	–
Prepaid expenses	740	4,470
	2,439,927	1,836,425

12. Stated capital

	2013 USD	2012 USD
Stated capital		
21,948,270 ordinary shares of USD 1 each	21,948,270	21,948,270

All shares in issue are fully paid up.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Multinational Textile Group Limited

13. Other payables

	2013 USD	2012 USD
Payable to subsidiaries	612,073	1,978,329
Management fees payable	416,608	416,608
Corporate service fees payable	86,914	–
Non-trade payables and accrued expenses	32,302	40,945
Payable to related party	–	751,736
Consultancy fees payable	–	45,321
Interest on loan	–	20,072
	1,147,897	3,253,011

14. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subject to common control.

One director of the Company, Mr Jayechund Jingree is deemed to have beneficial interests in the Administration Agreement between the Company, the Administrator and Secretary.

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

Name of related companies:	Nature	2013 USD	2012 USD
Global Textiles Group Limited	Loan received	500,000	–
Superb Mind Holdings Ltd	Advances repaid	(45,000)	–
Nor India Manufacturing Limited	Management fees accrued	27,000	–
Nor India Manufacturing Limited	Management fees settled	(34,500)	–
Nor India Manufacturing Limited	Amount repaid	–	(1,772)
Spring Near East Manufacturing Ltd	Management fees accrued	94,043	–
Spring Near East Manufacturing Ltd	Management fees settled	(7,500)	–
Spring Near East Manufacturing Ltd	Amount repaid	–	(1,772)
Nor Lanka Manufacturing Limited	Advances repaid	–	(58,714)
Nor Lanka Manufacturing Limited	Management fees accrued	370,451	216,669
Nor Lanka Manufacturing Limited	Management fees repaid	–	153,334
Nor Lanka Manufacturing Limited	Marketing fees accrued	384,000	1,588,981
Nor Lanka Manufacturing Limited	Marketing fees repaid	(850,000)	(997,571)
Nor Europe	Management fees accrued	37,500	–
Nor Europe	Management fees settled	(18,750)	–
Sino West	Management fees accrued	15,000	–
Seven Fortunes	Amount given	235	–
Priscilla Investment (Mauritius) Ltd	Amount given	235	–
Splendida Holdings Limited	Amount given	244	–
Razamtazz Limited	Amount given	1,705,972	–
Razamtazz Limited	Advances repaid	(818,216)	–
Pallas Holdings Limited	Loan transferred	(2,875)	–
Pallas Holdings Limited	Amount repaid	(24,522)	–
Pallas Holdings Limited	Interest transferred	(20,072)	–
SACB Holdings Limited	Loan advanced	1,097,181	4,665
JSM Trading Limited	Loan repaid	(1,300,000)	–
JSM Trading Limited	Interest accrued	8,220	91,000
JSM Trading Limited	Interest repaid	(246,815)	–
Premier Exim HK	Proceed on disposal	–	253,333
Premier Exim HK	Amount received	–	200,000
Frou Holdings Limited	Interest accrued	34,617	32,727
Global Textiles Group Limited	Interest receivable	–	10,511
Global Textiles Group Limited	Interest repaid	–	(72,124)
Poeticgem Limited	Management fees accrued	–	833,216
Poeticgem Limited	Management fees settled	–	(738,641)

Name of related companies:

	Nature	2013 USD	2012 USD
Poeticgem Limited	Marketing fees accrued	1,109,514	–
Poeticgem Limited	Marketing fees repaid	(985,974)	–
Simple Approach Limited	Management fees accrued	145,000	–
Simple Approach Limited	Management fees settled	(72,500)	–
Simple Approach Limited	Consultancy fees accrued	120,000	–
Zamira Fashion Ltd	Management fees accrued	45,000	50,000
Zamira Fashion Ltd	Management fees settled	(70,000)	(25,000)
Zamira Fashion Ltd	Loan repaid	(105,000)	–
Nor Delhi Manufacturing Limited	Management fees accrued	28,752	–
Nor Delhi Manufacturing Limited	Management fees settled	(59,160)	–
Nor Delhi Manufacturing Limited	Amount transferred	(731)	–
PG Group limited	Loan repaid	(302,000)	(1,150,000)
PG Group limited	Management fees accrued	28,428	–
PG Group limited	Management fees settled	(28,428)	–
Norwest Industries Limited	Management fees accrued	2,455,747	1,626,000
Norwest Industries Limited	Management fees settled	(2,250,000)	1,682,000
Norwest Industries Limited	Marketing fees accrued	79,708	–
Norwest Industries Limited	Marketing fees repaid	(84,095)	–
Global Textiles Group Limited	Management fees accrued	–	90,000
Global Textiles Group Limited	Management fees settled	(111,400)	(120,000)
JSM Trading Limited	Consultancy fees accrued	4,375,675	2,800,000
JSM Trading Limited	Consultancy fees settled	(4,420,996)	(2,841,679)
Pearl Global Industries Limited	Interest payable	–	95,491
Pearl Global Industries Limited	Interest repaid	–	(451,280)
Pearl Global HK limited	Advances given	–	385,000
Pearl Global HK limited	Advances repaid	(385,000)	–
Pearl Global HK limited	Interest accrued	7,753	27,569
Pearl Global HK limited	Interest repaid	(35,322)	–
PDS Multinational Fashion Limited	Corporate service fees accrued	336,914	–
PDS Multinational Fashion Limited	Corporate service fees repaid	(250,000)	–
Simple Approach Limited	Loan repaid	–	105,000
Pearl Global Industries Limited	Loan repaid	–	(3,660,000)
Casa Forma Limited	Loan transferred	–	436,368
Casa Forma Limited	Loan repaid	(77,790)	–
Mahidhulu Investments Limited	Advances given	–	4,035
Propur Investments Limited	Advances given	–	3,905
Pallak Seth	Amount received	–	533,531
Pallak Seth	Amount repaid	(533,531)	–
Faiza Seth	Amount received	–	58,298
Faiza Seth	Amount repaid	(58,298)	–
Deepak Seth	Amount repaid	(152,583)	(146,667)
Frou Holdings Ltd	Loan receivable	500,000	500,000
PG Group limited	Loan receivable	948,000	1,250,000
JSM Trading Limited	Loan receivable	–	1,300,000
Frou Holdings Ltd	Interest receivable	159,207	124,590
JSM Trading limited	Interest receivable	–	238,595
Superb Mind Holdings Ltd	Amount receivable	–	45,000
Seven Fortunes	Amount receivable	235	–
Priscilla Investment (Mauritius) Ltd	Amount receivable	235	–
Splendida Holdings Limited	Amount receivable	244	–
Razamtazz Limited	Amount receivable	887,756	–
SACB Holdings Limited	Amount receivable	1,517,240	420,059

Name of related companies:	Nature	2013 USD	2012 USD
Pallas Holdings Limited	Amount receivable	–	2,875
Nor Lanka Manufacturing Limited	Amount receivable	8,042	8,042
Nor Lanka Manufacturing Limited	Management fees receivable	478,786	108,335
Nor Lanka Manufacturing Limited	Marketing fees receivable	125,410	591,410
Nor Delhi Manufacturing Limited	Amount receivable	8,042	8,042
Nor Delhi Manufacturing Limited	Management fees receivable	28,752	59,160
Nor India Manufacturing Limited	Management fees receivable	–	7,500
Nor Europe	Management fees receivable	18,750	–
Sino West	Management fees receivable	15,000	–
Spring Near East manufacturing Limited	Management fees receivable	94,043	7,500
Simple Approach Limited	Management fees receivable	72,500	–
Simple Approach Limited	Consultancy fees receivable	120,000	–
Zamira Fashion Ltd	Management fees receivable	–	25,000
Norwest Industries Limited	Management fees receivable	149,747	–
Norwest Industries Limited	Marketing fees receivable	4,388	–
Global Textiles Group Limited	Management fees receivable	–	111,400
Casa Forma Limited	Amount receivable	358,578	436,368
Poeticgem Limited	Marketing fees receivable	123,540	–
Poeticgem Limited	Management fees payable	416,608	416,608
JSM Trading Limited	Consultancy fees payable	–	45,321
PDS Multinational Fashion Limited	Corporate service fee payable	86,914	–
Pallas Holdings Limited	Amount payable	–	7,325
Pallas Holdings Limited	Interest payable	–	20,072
Nor Delhi Manufacturing Ltd	Loan payable	112,069	112,800
Mahidhulu Investments Limited	Amount receivable	4,035	4,035
Propur Investments Limited	Amount receivable	3,905	3,905
Pearl Global HK limited	Loan receivable	–	385,000
Pearl Global HK limited	Interest receivable	–	27,569
Premier Exim HK	Amount receivable	53,333	53,333
Global Textile Group Limited	Loan payable	500,000	–
Zamira Fashion Limited	Amount receivable	–	105,000
Pallak Seth	Amount payable	–	533,531
Faiza Seth	Amount payable	–	58,298
Deepak Seth	Amount payable	–	152,583

15. Capital management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern. As the Company is part of a larger group, the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

The Company defines "capital" as including all components of equity. Trading balances that

arise as a result of trading transactions with other group Companies are not regarded by the Company as capital.

The Company's capital structure is regularly reviewed and managed with due regard to the capital management practices of the group to which the Company belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Company or the group. The results of the directors' review of the Company's capital structure are used as a basis for the determination of the level of dividends, if any, that are declared.

16. Consolidated financial statements

These are separate financial statements of the Company as required by International Accounting Standards (IAS) 27 and separate consolidated financial statements are prepared incorporating the assets, liabilities, income and expenses of the subsidiary companies which are available at the registered office of the Company.

17. Holding company

The Company is a wholly owned subsidiary of Pearl Global Industries Limited (formerly 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.

	2013 USD	2012 USD
Revenue		
Management fees income	3,239,169	2,269,299
Dividend received	1,700,000	340,000
Professional fees income	1,581,997	2,219,248
Corporate service fees income	125,000	–
Consultancy fees income	120,000	–
Gain on buy back	81,235	–
Gain on disposal of investment	–	10,098
	6,847,401	4,838,645
Expenses		
Consultancy fees	6,572,300	3,307,285
Corporate service fees	336,914	–
Accounting fee	27,730	29,400
Audit fee	19,245	22,975
Bank charges	11,163	10,173
Professional fee	10,350	6,944
Sundry expenses	3,143	9,034
Administration fee	2,875	2,665
Telephone, fax and courier charges	2,170	990
License fees	1,893	1,750
Management fee	–	1,181,048
Monitoring fees	–	200,000
Stamp duties	–	1,970
	6,987,783	4,774,234
(Loss)/profit from operating activities	(140,382)	64,411
Net finance income	85,050	102,679
(Loss)/profit before taxation	(55,332)	167,090

THE DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2013

The directors present their report and the financial statements of the company for the year ended 31 March 2013.

Principal activities and business review

The principal activity of the company during the year was that of interior and architectural design.

This financial year was very exciting for the company under the new management. This is the highest ever profit generated by the company since its inception in 2007 despite the challenging overall market conditions.

During the year the company has continued to secure new projects both within UK and internationally, which has resulted in the strong financial performance. The directors anticipate maintaining the gross profit margin, continue improving the turnover, operating results and cash flow.

Results and dividends

The profit for the year amounted to £106,025 (2012: Loss of £285,684). The directors have not recommended a dividend.

Directors

The directors who served the company during the year were as follows:

Mr. P Seth

Mr. A Banaik

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statement of the parent company.

Auditor

UHY Hacker Young 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 year. 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

Mr. A Banaik

Director

9 May 2013

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CASA FORMA LIMITED

FOR THE YEAR ENDED 31 MARCH 2013

We have audited the financial statements of Casa Forma Limited for the year ended 31 March 2013, 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).

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.

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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by 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 required 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.

Other matter

The financial statements of the company as of 31 March 2012 were audited by another auditor whose report dated 15 May 2012, expressed an unqualified opinion on those statements.

Vinodkumar Vadgama
(Senior Statutory Auditor)
for and on behalf of UHY Hacker Young

10 May 2013

Chartered Accountants
Statutory Auditor

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 £	2012 £
Revenue		2,488,292	954,266
Cost of sales		(1,042,851)	(200,377)
Gross profit		1,445,441	753,889
Administrative expenses		(1,339,416)	(1,039,573)
Profit/ (Loss) before taxation		106,025	(285,684)
Taxation	5	–	–
Profit/ (Loss) for the financial year		106,025	(285,684)

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 2013

	Note	2013 £	2012 £
Non current assets			
Property, plant and equipment	6	36,751	39,040
Current assets			
Inventories	7	39,202	47,861
Trade and other receivables	8	287,466	296,125
Cash and cash equivalents		70,697	6,498
		397,365	350,484
Total assets		434,116	389,524
Current liabilities			
Trade and other payables	9	(621,487)	(682,920)
Net current liabilities		(224,122)	(332,436)
Net assets		(187,371)	(293,396)
Shareholders' equity			
Share capital	12	250,000	250,000
Retained earnings	13	(473,371)	(543,396)
Total equity		(187,371)	(293,396)

These financial statements were approved by the board of directors and authorised for issue on 9 May 2013 and were signed on its behalf by:

Mr. A Banaik
Director

Company Registration Number: 06060342

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2013

	Share capital £	Retained earnings £	Total £
Balance at 1 April 2011	250,000	(257,712)	(7,712)
Total comprehensive income for the year	–	(285,684)	(285,684)
Balance at 1 April 2012	250,000	(543,396)	(293,396)
Total comprehensive income for the year	–	106,025	106,025
Balance at 31 March 2013	250,000	(473,371)	(187,371)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 £	2012 £
Cash flows from operating activities	14	73,465	(135,166)
Cash flows from investing activities			
Payments to acquire property, plant and equipment		(9,266)	(22,043)
Cash flows from financing activities			
Proceeds from issue of share capital		–	150,000
Net increase/ (decrease) in cash and cash equivalents		64,199	(7,209)
Cash and cash equivalents at the start of the year		6,498	13,707
Cash and cash equivalents at end of the year		70,697	6,498
		2013 £	2012 £
Cash and cash equivalents comprise:			
Cash at bank and in hand		70,697	6,498

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

1. ACCOUNTING POLICIES

Basis of accounting

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.

Revenue

The revenue shown in the statement of comprehensive income represents amounts invoiced during the year, exclusive of Value Added Tax.

Property, plant and equipment

All property, plant and equipment are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures & fitting – 20% per annum on reducing balance

Equipment – 25% per annum on reducing balance

Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Fundamental accounting concept

The accounts have been prepared on a going concern basis as, in the opinion of the directors, the immediate parent company, Multinational Textile Group Limited, shall continue to financially support the company in the foreseeable future to meet the liabilities as they fall due.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income 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 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

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 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 cash flow statements are shown under current liabilities.

New IFRSs and interpretations not applied

The IASB has issued the following standards and interpretations which have been endorsed by the European Union to be applied to financial statements with periods commencing on or after the following dates:

	Effective for period beginning on or after
IAS 27 Separate Financial Statements (2011).	1 January 2013
IAS 28 Investments in Associates and Joint Ventures (2011)	1 January 2013
IFRS 9 Financial Instruments	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement.	1 January 2013
Amendments to IAS 19 Employee Benefits	1 January 2013
Amendments to IAS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
Annual improvements to IFRSs (2009 – 2011)	1 January 2013

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the financial statements in the period of initial application and have decided not to adopt early.

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.

2. OPERATING PROFIT

	2013 £	2012 £
Operating profit has been arrived at After charging:		
Staff costs (see note 3)	772,413	558,287
Depreciation of property, plant and equipment	11,555	12,143
Operating lease rentals	50,829	73,399
Fees payable to auditors:		
Audit of annual financial statements	4,000	2,500
Other services – review of the interim financial statements	2,950	–
Other services relating to taxation	–	1,500
Other services relating to payroll	–	931

3. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2013 No	2012 No
Operational	15	15
Management	3	3
	18	18

The aggregate payroll costs of the above were:

	2013 £	2012 £
Wages and salaries	695,607	501,717
Social Security costs	76,806	56,570
	772,413	558,287

4. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were:

	2013 £	2012 £
Remuneration receivable	–	96,994

5. TAXATION

	2013 £	2012 £
Current tax expense:		
UK corporation tax	–	–
Reconciliation of current tax expense to accounting profit/ (loss):		
Profit/ (loss) before taxation	106,025	(285,684)
Notional taxation charge at the UK corporation tax rate of 24% (2012: 20%)	25,445	(57,134)
Tax effects of:		
Expenses not deductible for tax purposes	1,519	2,521
Capital allowances in excess of depreciation	1,002	(5,114)
Unutilised tax losses not recognised as a deferred tax asset	(27,966)	59,727
Total current tax charge for the year	–	–

The company had unused tax losses of approximately £252,052 (2012: £584,280) available to carry forward against future trading profits. 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.

6. PROPERTY, PLANT & EQUIPMENT

	Fixtures & Fittings £	Computer Equipment £	Total £
Cost			
At 1 April 2012	26,830	59,524	86,354
Additions	–	9,266	9,266
At 31 March 2013	26,830	68,790	95,620
Depreciation			
At 1 April 2012	16,400	30,914	47,314
Charge for the year	2,086	9,469	11,555
At 31 March 2013	18,486	40,383	58,869
Net book value			
At 31 March 2013	8,344	28,407	36,751
At 31 March 2012	10,430	28,610	39,040
	Fixtures & Fittings £	Computer Equipment £	Total £
Cost			
At 1 April 2011	24,344	39,967	64,311
Additions	2,486	19,557	22,043
At 31 March 2012	26,830	59,524	86,354
Depreciation			
At 1 April 2011	13,793	21,378	35,171
Charge for the year	2,607	9,536	12,143
At 31 March 2012	16,400	30,914	47,314
Net book value			
At 31 March 2012	10,430	28,610	39,040
At 31 March 2011	10,551	18,589	29,140

7. INVENTORIES

	2013 £	2012 £
Finished goods	39,202	47,861

8. TRADE AND OTHER RECEIVABLES

	2013 £	2012 £
Trade receivables	246,428	259,225
VAT recoverable	5,229	246
Other receivables	27,660	24,669
Prepayments and accrued income	7,079	11,985
Amount due from fellow group undertakings	1,070	–
	287,466	296,125

9. TRADE AND OTHER PAYABLES

	2013 £	2012 £
Trade payables	97,431	66,564
Amounts owed to parent undertaking	230,695	280,695
Amounts owed to fellow group undertakings	161,418	157,076
Other payables	21,293	90,929
Accruals and deferred income	110,650	87,656
	621,487	682,920

10. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2013, the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2013 £	2012 £
Originating leases which expire:		
Within one year	–	50,000
Between 2-5 years	74,000	–

11. RELATED PARTY TRANSACTIONS

At the year end, the company owed the following amounts to its parent and fellow group undertakings:

- Poeticgem Limited - £95,075 (2012: £152,789)
- Pacific Logistics Limited - £Nil (2012: £4,287)
- Norlanka Industries Limited - £112 (2012: £Nil)
- Multinational Textile Group Limited - £230,695 (2012: £280,695)
- Norwest Industries Limited - £66,231 (2012: £Nil)

At the year end, the company owed the following amounts to its fellow group undertakings:

- Nahata Limited £420 (2012: £Nil)
- Razamlazz Limited - £650 (2012: £Nil)

During the year, the company had the following transaction with its fellow group undertakings:

- Sales to Poeticgem Limited of £Nil (2012: £3,500)
- Purchases from Pacific Logistics Limited of £Nil (2012: £3,573)
- Recharge of expenses to Casa Forma London Interiors LLC of £43,188 (2012: £Nil)

12. SHARE CAPITAL

Allotted, called up and fully paid:

	2013 £	2012 £
250,000 Ordinary shares of £1 each	250,000	250,000

13. RETAINED EARNINGS

	2013 £	2012 £
Balance brought forward	(543,396)	(257,712)
Profit/ (loss) for the financial year	106,025	(285,684)
Balance carried forward	(437,371)	(543,396)

14. NOTES TO THE CASH FLOW STATEMENTS**Reconciliation of operating profit to net cash inflow/(outflow) from operating activities**

	2013 £	2012 £
Operating profit/ (loss)	106,025	(285,684)
Depreciation	11,555	12,143
Decrease/ (increase) in stocks	8,659	(47,861)
Decrease in debtors	8,659	183,271
Increase/ (decrease) in creditors	(61,433)	2,965
Net cash inflow/ (outflow) from operating activities	73,465	(135,166)

15. CAPITAL RISK MANAGEMENT

The company manages its capital to ensure that it will be able to continue as a going concern whilst maximizing the return to stakeholders through the optimization of the equity balance. The capital structure of the company consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising of issued capital, reserves and retained earnings.

16. FINANCIAL RISK MANAGEMENT

The following section provides quantitative and qualitative disclosures on the effect that these risks have upon the company.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available the company uses other publicly available financial information. The company's exposure and the credit ratings of its counterparties are continuously monitored.

The company does not have any significant credit risk exposure to any single counterparty or any company of counterparties having similar characteristics.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Management monitors forecasts of the company's liquidity reserve, comprising cash and cash equivalents, on the basis of expected cash flow. At 31 March 2013, the company held cash and cash equivalents of £70,697 (2012: £6,498).

Foreign currency risk

The company's functional and presentation currency and the majority of its spending as well as financing facilities are in GBP. As such, no exchange rate risk exists. The company has no deposit or loan facilities, hence is not affected by interest rate fluctuations.

17. ULTIMATE PARENT COMPANY

The immediate parent company is Multinational Textile Group Limited, a company registered in Mauritius, and the ultimate parent company is Pearl Global Industries Limited, a company registered in India.

Pearl Global Industries Limited prepares group financial statements and copies can be obtained from Corporate Office: 446, Udyog Vihar, Phase-V, Gurgaon – 122 016 (Haryana), India.

Pearl Global Industries Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the period from October 24, 2012 (Date of Incorporation) to March 31, 2013, which were approved by them at the board meeting held on the date of this report.

PRINCIPAL ACTIVITIES

The principal activities of the Company are garment trading and investment holding. The principal activity of subsidiary is set out in Note (12) to the financial statements.

FINANCIAL RESULTS

The results of the Group for the period from October 24, 2012 (Date of Incorporation) to March 31, 2013 and the state of affairs of the Group and the Company as at March 31, 2013 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 (11) to the financial statements.

DIRECTORS

The directors of the Company who held office during the period and up to date of this report were:

Deepak Kumar Seth	(Appointed on October 24, 2012)
Faiza Habeeb Seth	(Appointed on October 24, 2012)
FENG Qing	(Appointed on October 24, 2012)
Pallak Seth	(Appointed on October 24, 2012)

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 (16) to the financial statements, no contracts of significance to which the Company, any of its ultimate holding company, its subsidiary or its fellow subsidiaries was a party and in which the director had a material interest subsisted at the end of the period or at any time during the period. At no time during the period was the Company, any of its ultimate holding company, its subsidiary or 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

During the period, Messrs. Louis Lai & Luk were appointed as auditors of the Company. They now retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

Sd/-
Chairman

Hong Kong, May 9, 2013.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PDS ASIA STAR CORPORATION LIMITED (incorporated in Hong Kong with limited liability)

We have audited the accompanying consolidated financial statements of PDS Asia Star Corporation Limited (the "Company") and its subsidiary (collectively the "Group") set out on pages 5 to 23, which comprise the consolidated statement of financial position as at March 31, 2013 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from October 24, 2012 (Date of Incorporation) to March 31, 2013, 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 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 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 auditor's 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, the auditor considers 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.

FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosure made in Note (2c) to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. The financial statements have been prepared on a going concern basis, the validity of which depends upon ongoing support from the Group's holding company and the attaining of profitable and positive cash flow operations, and the Group may turn to a commercially viable concern. The financial statements do not include any adjustments that may be necessary should the implementation of such measures become unsuccessful.

We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of the Company's and the Group's affairs as at March 31, 2013 and of the Group's loss and cash flows for the period from October 24, 2012 (Date of Incorporation) to March 31, 2013 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 9, 2013.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM OCTOBER 24, 2012 (DATE OF INCORPORATION) TO MARCH 31, 2013

	NOTES	HK\$
TURNOVER		-
OTHER REVENUE	(6)	38
STAFF COSTS		(1,107,593)
DEPRECIATION		(49,790)
OTHER OPERATING EXPENSES		(2,208,545)
LOSS BEFORE TAXATION	(7)	(3,365,890)
TAXATION	(9)	-
LOSS FOR THE PERIOD		(3,365,890)
OTHER COMPREHENSIVE INCOME		
Exchange difference on translating of foreign operations		2,631
TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD		(3,363,259)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2013

	NOTES	HK\$
ASSETS		
Non-Current Assets		
Plant and equipment	(11)	616,219
Current Assets		
Deposit and prepayment		171,163
Trade deposit paid		174,957
Bank balances		1,220,705
		<u>1,566,825</u>
Current Liabilities		
Amounts due to fellow subsidiaries	(13)	2,952,389
Amount due to a director	(13)	254,914
Accruals		5,000
		<u>3,212,603</u>
Net Current Liabilities		<u>(1,645,478)</u>
NET LIABILITIES		<u>(1,029,259)</u>
Represented by:		
CAPITAL AND RESERVES		
Share capital	(14)	2,334,000
Translation reserve		2,631
Accumulated losses		<u>(3,365,890)</u>
SHAREHOLDERS' DEFICIT		<u>(1,029,259)</u>

APPROVED BY THE BOARD OF DIRECTORS ON MAY 9, 2013 AND SIGNED ON BEHALF OF THE BOARD BY:

Sd/- DIRECTOR Sd/- DIRECTOR

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2013

	NOTES	HK\$
ASSETS		
Non-Current Assets		
Property, plant and equipment	(11)	7,315
Interest in subsidiary	(12)	2,019,283
		<u>2,026,598</u>
Current Assets		
Deposit and prepayment		112,743
Trade deposit paid		174,957
Bank balances		131,000
		<u>418,700</u>
Current Liabilities		
Amounts due to fellow subsidiaries	(13)	2,952,389
Amount due to a director	(13)	254,914
Accruals		5,000
		<u>3,212,303</u>
Net Current Liabilities		<u>(2,793,603)</u>
NET LIABILITIES		<u>(767,005)</u>
Represented by:		
CAPITAL AND RESERVES		
Share capital	(14)	2,334,000
Accumulated losses		<u>(3,101,005)</u>
SHAREHOLDERS' DEFICIT		<u>(767,005)</u>

APPROVED BY THE BOARD OF DIRECTORS ON MAY 9, 2013 AND SIGNED ON BEHALF OF THE BOARD BY:

Sd/- DIRECTOR Sd/- DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM OCTOBER 24, 2012 (DATE OF INCORPORATION) TO MARCH 31, 2013

	Share Capital	Translation Reserve	Accumulated Losses	Total
	HK\$	HK\$	HK\$	HK\$
Issuance of share capital	2,334,000	-	-	2,334,000
Total comprehensive expenses for the period	-	2,631	(3,365,890)	(3,363,259)
At March 31, 2013	<u>2,334,000</u>	<u>2,631</u>	<u>(3,365,890)</u>	<u>(1,029,259)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM OCTOBER 24, 2012 (DATE OF INCORPORATION) TO MARCH 31, 2013

	HK\$
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before taxation	(3,365,890)
Adjustments for:	
Depreciation	49,790
OPERATING LOSS BEFORE WORKING CAPITAL CHANGES	<u>(3,316,100)</u>
Increase in deposit and prepayment	(171,163)
Increase in trade deposit paid	(174,957)
Increase in amounts due to fellow subsidiaries	2,952,389
Increase in amount due to a director	254,914
Increase in accruals	5,000
Net cash used in operations and net cash used in operating activities	<u>(449,917)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Issuance of share capital	2,334,000
Payment to acquire plant and equipment	(666,009)
Net cash generated from investing activities	<u>1,667,991</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>1,218,074</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	-
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	2,631
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>1,220,705</u>

NOTES TO THE FINANCIAL STATEMENTS
1. GENERAL

PDS Asia Star Corporation Limited was incorporated in Hong Kong as a limited liability company. Its principal activities are garment trading and investment holding. 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 Pearl Global Industries Limited, a company incorporated in India. The shares of the ultimate holding company are listed on the Bombay Stock Exchange and National Exchange in India.

2. PRINCIPAL ACCOUNTING POLICIES
a. Basis of Preparation

These 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 Hong Kong Companies Ordinance.

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.

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.

- HKFRS 1 (Amendments) Government Loans ⁽²⁾
- HKFRS 7 (Amendments) Disclosures - Offsetting Financial Assets and Financial Liabilities ⁽²⁾
- HKFRS 9 Financial Instruments ⁽⁴⁾
- HKFRS 10 Consolidated Financial Statements ⁽²⁾
- HKFRS 11 Joint Arrangements ⁽²⁾
- HKFRS 12 Disclosure of Interests in Other Entities ⁽²⁾
- HKFRS 13 Fair Value Measurement ⁽²⁾
- HKAS 1 (Amendments) Presentation of Items of Other Comprehensive Income ⁽¹⁾
- HKAS 19 (2011) Employee Benefits ⁽²⁾
- HKAS 27 (2011) Separate Financial Statements ⁽²⁾
- HKAS 28 (2011) Investments in Associates and Joint Ventures ⁽²⁾
- HKAS 32 (Amendments) Offsetting Financial Assets and Financial Liabilities ⁽³⁾
- HK(IFRIC) - Int 20 Stripping Costs in the Production Phase of a Surface Mine ⁽²⁾
- HKFRSs (Amendments) Annual Improvements to HKFRSs 2009-2011 Cycle except for the amendments to HKAS 1 ⁽²⁾
- Amendments to HKFRS 9 and HKFRS 7 Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁽⁴⁾
- Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 Consolidated Financial Statements, Joint Arrangements Disclosure of Interests in Other Entities: Transition Guidance ⁽²⁾
- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) Investments Entities ⁽³⁾

Notes:

- (1) Effective for annual periods beginning on or after 1 July 2012
- (2) Effective for annual periods beginning on or after 1 January 2013
- (3) Effective for annual periods beginning on or after 1 January 2014
- (4) Effective for annual periods beginning on or after 1 January 2015

The directors anticipate that all of the above new and revised standards, amendments or interpretations will be adopted in the Group's and the Company's financial statements for the period commencing April 1, 2013 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. Going Concern

The holding company has confirmed the 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.

d. Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to March 31. Subsidiary is an entity over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiary is consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balance and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiary have been changes where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the Consolidated Statement of Financial

Position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the Consolidated Statement of Comprehensive Income as an allocation of the total profit or loss and total comprehensive income for the year between non controlling interests and the shareholders of the Company.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of the controlling and non-controlling interests within consolidated equity to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received recognised directly in equity and attributed to the owners of the Company.

In the Company's Statements of Financial Position the investments in subsidiary is stated at cost less allowance for impairment losses. The results of subsidiary is accounted for by the Company on the basis of dividends received and receivable.

e. Plant and Equipment

Plant and equipment except land, are stated at cost less accumulated 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.

Computer equipment	33%
Furniture and fixtures	25%
Leasehold improvement	33%
Office equipment	33%

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 consolidated financial statements and any resulting gain or loss is included in the Consolidated Statement of Comprehensive Income.

f. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is 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).

g. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised on the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

h. Financial Assets

The Group's financial assets are only classified under loans and receivables category.

i. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At 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.

j. Financial Liabilities

The Group's financial liabilities include account and other payables which are subsequently measured at amortized cost, using the effective interest method.

k. Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's equity instrument represents its issued share capital and is recorded at the share subscription received/receivable at the date of issuance of shares.

l. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months.

m. Translation of Foreign Currency

(i) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong Dollars ("HK\$"), which is 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.

n. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated 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 consolidated 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 profit 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.

o. Turnover

The Company had no turnover during the period.

p. Recognition of Revenue

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 basis as follows:

Interest income from bank deposit is accrued on a time proportion basis on the principal outstanding and at the rate applicable.

q. 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.

r. Related Parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or a parent of the Group.

(B) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means

that each parent, subsidiary and fellow subsidiary is related to the others).

- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (A).
- (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

s. Financial Risks

The financial risks in connection with the Group's financial instruments include risks as follows.

(i) Market risk includes three types of risk as below:

- **Currency risk:** the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.
- **Fair value interest rate risk:** the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.
- **Price risk:** the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Market risk embodies not only the potential for loss but also the potential for gain.

(ii) **Credit risk:** the risk that the corresponding party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss.

(iii) **Liquidity risk** (also referred to as funding risk): the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

(iv) **Cash flow interest rate risk:** the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

3. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- (i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- (ii) To support the Group's stability and growth; and
- (iii) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

4. FINANCIAL RISK MANAGEMENT

The Group's financial risks are limited by the financial management policies and practices described below.

(a) 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.

(b) Cash flow and fair value interest rate risk

The Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

As the holding company and fellow subsidiaries have confirmed the willingness to provide continuous financial support, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgment are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimate of fair values of current assets and liabilities

The nominal values of current assets and liabilities are assumed to approximate their fair values.

6. RECOGNITION OF REVENUE

	GROUP HK\$
Revenue recognised during the period including revenue arising from:	
Other revenue	
Bank interest income and total revenue recognised	38

7. LOSS BEFORE TAXATION

	HK\$
Loss before taxation is stated after charging:	
Auditors' remuneration	10,000
Depreciation	49,790
Exchange difference	18,965
Staff costs (including directors' remuneration) - Salaries and allowance	1,107,593

8. DIRECTORS' REMUNERATION

Fees	-
Other emoluments	479,149
	479,149

9. TAXATION

No Hong Kong profits tax has been provided in these financial statements as the Group made no estimated assessable profits for the period.

10. LOSS ATTRIBUTABLE TO SHAREHOLDERS

Included in the loss of HK\$3,365,890 attributable to shareholders of the Group is a loss of HK\$3,101,005 which is dealt with in the Company's own accounts.

11. PLANT AND EQUIPMENT

GROUP	Computer equipment HK\$	Furniture and fixtures HK\$	Leasehold improvement HK\$	Office equipment HK\$	Total HK\$
Cost					
Additions and at 31/3/2013	173,426	140,038	181,530	171,015	666,009
Accumulated Depreciation					
Charge for the period and at 31/3/2013	11,659	8,752	15,128	14,251	49,790
Net Book Value					
At 31/3/2013	161,767	131,286	166,402	156,764	616,219

COMPANY	Computer equipment HK\$
Cost	
Additions and at 31/3/2013	7,980
Accumulated Depreciation	
Charge for the period and at 31/3/2013	665
Net Book Value	
At 31/3/2013	7,315

12. INTEREST IN A SUBSIDIARY

	COMPANY HK\$
Unlisted shares, at cost	1,233,000
Amount due from a subsidiary	786,283
	2,019,283

Details of the subsidiary are as follows:

Name of subsidiary	Place of incorporation	Percentage of Equity attributable to the Group	Principal activity
*(PDS Trading (Sanghai) Co. Ltd)	The People's Republic of China	100%	Trading
* Not audited by Louis Lai & Luk			

13. AMOUNTS DUE TO FELLOW SUBSIDIARIES/A DIRECTOR

The amounts are unsecured, interest-free and have no fixed terms of repayment. The fellow subsidiaries and director 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.

14. SHARE CAPITAL

	COMPANY US\$
Authorised, issued and fully paid up:	
300,000 ordinary shares of US\$1 each	300,000
Translated into HK\$	2,334,000

The Company was incorporated on October 24, 2012 with authorized share capital of US\$300,000 divided into 300,000 ordinary shares of US\$1 each. On the date of incorporation, 300,000 ordinary shares of US\$300,000 was issued to the subscribers at par to provide initial working capital to the Company.

15. CURRENCY RISK

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The Group manages currency risks, when it is considered significant, by enter into appropriate currency forward contracts.

(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.

	CNY	GBP	USD
Amount due from a subsidiary	636,718	-	-
Amount due to fellow subsidiaries	-	(1,077)	(15,000)
Deposit and prepayment	83,308	808	-
Trade deposit paid	-	-	22,488
Cash and cash equivalents	-	-	13,142
Net exposure arising from recognised assets and liabilities	720,026	(269)	20,630

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax in response to reasonably possible changes (e.g. ±10%) in the foreign exchange rates to which the Group has significant exposure at the end of reporting period.

	Increase HK\$	Decrease HK\$
Chinese Yuan (CNY)	74,245	(74,245)
British Pounds (GBP)	(275)	275
United States Dollars (USD)	-	-
	73,970	(73,970)

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 end of 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.

16. RELATED PARTY TRANSACTIONS

During normal course of business, the Group had the following transactions with the related party below.

Name of Company	Relationship	Nature of transactions	HK\$
Simple Approach Ltd.	Fellow subsidiary	- Management and service fee	116,700

17. COMMENCEMENT OF BUSINESS

The Company was incorporated on October 24, 2012 and commenced business on the same date.

18. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Company's Board of Director on May 9, 2013.

SACB Holdings Limited

Directors' report

The directors are pleased to present their report together with the audited financial statements of SACB Holdings Limited (the "Company") for the year ended 31 March 2013.

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 (2012: 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.

Auditors

The auditors, Lancasters Chartered Accountants, have indicated their willingness to continue in office and will be automatically reappointed at the Annual Meeting.

By order of the Board

Sd/-

Director

Date: 29 May 2013

SACB Holdings Limited

Certificate from the Secretary

for the year ended 31 March 2013

Secretary's certificate under Section 166 (d) of the Mauritius Companies Act 2001

In accordance with section 166 (d) of the Mauritius 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 Mauritius Companies Act 2001.

Sd/-

For and on behalf of **KROSS BORDER CORPORATE SERVICES LIMITED**

Company secretary

Date: 29 May 2013

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 2013, 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.

Management's Responsibility for the Financial Statements

Management is 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, and for such internal control as management determines 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. 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 management, 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 28 give a true and fair view of the financial position of the Company at 31 March 2013 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: 29 May 2013

Statement of comprehensive income

for the year ended 31 March 2013

	Note	2013 USD	2012 USD
Revenue	6	–	–
Expenses		(8,659)	(13,295)
Loss before taxation		(8,659)	(13,295)
Taxation	7	–	–
Loss for the year		(8,659)	(13,295)
Other comprehensive income		–	–
Total comprehensive loss for the year		(8,659)	(13,295)

Statement of financial position

at 31 March 2013

	Note	2013 USD	2012 USD
Assets			
Investments	8	800,069	800,069
Receivables	9	294,083	75,941
Total non-current assets		1,094,152	876,010
Other receivables	10	507,513	4,469
Cash and cash equivalents		84	1,360
Total current assets		507,597	5,829
Total assets		1,601,749	881,839
Equity			
Stated capital	11	50,000	50,000
Revenue reserve		(22,883)	(14,224)
Total capital and reserves		27,117	35,776
Liabilities			
Loan from holding company	12	1,517,239	420,059
Loan from related party	13	50,714	398,488
Total non-current liabilities		1,567,953	818,547
Current liabilities			
Other payables	14	6,679	27,516
Total liabilities		1,574,632	846,063
Total equity and liabilities		1,601,749	881,839

Approved by the Board on 29 May 2013

Sd/- Sd/-
Director Director

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2013

	Stated capital USD	Revenue reserve USD	Total USD
Balance at 01 April 2011	50,000	(929)	49,071
Total comprehensive loss for the year			
Loss for the year	–	(13,295)	(13,295)
Balance at 31 March 2012	50,000	(14,224)	35,776
Total comprehensive loss for the year			
Loss for the year	–	(8,659)	(8,659)
Balance at 31 March 2013	50,000	(22,883)	27,117

Statement of cash flows

for the year ended 31 March 2013

	2013 USD	2012 USD
Cash flows from operating activities		
Loss for the year	(8,659)	(13,295)
Change in other receivables	3,791	(3,906)
Change in other payables	(20,837)	10,546
Net cash used in operating activities	(25,705)	(6,655)
Cash flows from investing activities		
Share application monies	(506,835)	–
Net cash used in investing activities	(506,835)	–
Cash flows from financing activities		
Loan to related party	(218,142)	–
Loan received from holding company	1,097,180	5,305
Repayment of loan to related party	(398,488)	–
Loan received from related party	50,714	–
Net cash from financing activities	531,264	5,305
Net movement in cash and cash equivalents	(1,276)	(1,350)
Cash and cash equivalents at beginning of year	1,360	2,710
Cash and cash equivalents at end of year	84	1,360

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

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 is a holder of a Category 1 Global Business Licence under the Financial Services Act 2007. 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

The following accounting policies have been consistently applied in dealing with items which are considered material in relation to the Company's financial statements.

(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.

Determination of functional currency

The determination of the functional currency of the Company is critical since recording of transactions and exchange of differences arising thereon are dependent on the functional currency selected. As described in 2(c), the directors have considered those factors therein and have determined that the functional currency of the Company is USD.

(d) Use of estimates and judgements

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 accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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).

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 recognised on all 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.

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 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.

Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are 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.

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.

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.

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.

Receivables and other receivables

Receivables and other receivables are stated at amortised cost.

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.

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 and loan from related company

Loan from holding company and loan from related company are recognised initially at fair value, net of transaction costs incurred. Loan from holding company and loan from related company 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.

Stated 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.

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.

Expenses

All expenses are recognised in the statement of comprehensive income on an accrual basis.

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.

New and revised IFRSs with no material effect on the financial statements

The following new and revised IFRSs have been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

New and revised IFRSs	Summary of requirement
Amendment to IFRS 7 <i>Financial Instruments: Disclosures</i> , relating to Disclosures on Transfers of Financial Assets	The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.
Amendment to IFRS 1 <i>Removal of Fixed Dates for First-time Adopters</i>	The amendments replace references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs.
Amendment to IFRS 1 <i>Severe Hyperinflation</i>	The amendments introduce guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.
Amendment to IAS 12 <i>Income Taxes</i> relating to Deferred Tax – Recovery of Underlying Assets	The amendment introduces an exception to the general measurement requirements of IAS 12 Income Taxes in respect of investment properties measured at fair value. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset.

New Standards, Interpretations and amendments to published standards

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2013 and which have not been adopted in these financial statements.

The Company is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application and the impact on the financial statements has not yet been estimated.

These statements, where applicable, will be applied in the year when they are effective.

Standard/Interpretation	Effective date
IFRS 9 Financial Instruments	Annual periods beginning on or after 1 January 2015*
IFRS 10 Consolidated Financial Statements	Annual periods beginning on or after 1 January 2013*
IFRS 11 Joint Arrangements	Annual periods beginning on or after 1 January 2013*
IFRS 12 Disclosure of Interest in Other Entities	Annual periods beginning on or after 1 January 2013*
IFRS 13 Fair Value Measurement	Annual periods beginning on or after 1 January 2013*
IAS 1 amendment Presentation of items of other comprehensive income	Annual periods beginning on or after 1 July 2012*
IAS 19 amendment Employee Benefits (2011)	Annual periods beginning on or after 1 January 2013*
IAS 27 amendment Separate Financial Statements (2011)	Annual periods beginning on or after 1 January 2013*
IAS 28 amendment Investments in Associates and Joint Ventures (2011)	Annual periods beginning on or after 1 January 2013*

Standard/Interpretation	Effective date
IAS 32 amendment Financial Instruments: Presentation	Annual periods beginning on or after 1 January 2013*
IFRS 7 amendment Financial Instruments: Disclosures	Annual periods beginning on or after 1 January 2013*
IFRS 10 Consolidated Financial Statements (2012)	Annual periods beginning on or after 1 January 2013*
IFRS 12 Disclosure of Interest in Other Entities (2012)	Annual periods beginning on or after 1 January 2013*
IAS 27 amendment Separate Financial Statements (2012)	Annual periods beginning on or after 1 January 2013*
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	Annual periods beginning on or after 1 January 2013*

* All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

IFRS 9: Financial Instruments

IFRS 9 will be adopted by the Company for the first time for its financial reporting period ending 31 December 2015. 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.

The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

Under IFRS 9, 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, 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 10 Consolidated Financial Statements

IFRS 10 changes the definition of control, such that the same consolidation criteria will apply to all entities. The revised definition focuses on the need to have both "power" and "variable returns" for control to be present. Power is the current ability to direct the activities that significantly influence returns. Variable returns can be positive, negative or both. The determination of power is based on current facts and circumstances (including substantive potential voting rights) and is continuously assessed. An investor with more than half the voting rights would meet the power criteria in the absence of restrictions or other circumstances. However, an investor could have power over the investee even when it holds less than the majority of the voting rights in certain cases. IFRS 10 provides guidance on participating and protective rights, and brings the notion of "de facto" control firmly within the guidance. The standard also requires an investor with decision making rights to determine if it is acting as a principal or an agent and provides factors to consider. If an investor acts as an agent, it would not have the requisite power and, hence, would not consolidate.

The impact on the financial statements for the Company has not yet been estimated.

IFRS 11 Joint Arrangements

IFRS 11 focuses on the rights and obligations of joint arrangements, rather than the legal form (as it is currently the case). It:

- distinguishes joint arrangements between joint operations and joint ventures; and
- always requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity method or proportionate consolidation.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 sets out the required disclosures for entities reporting under IFRS 10 and IFRS 11. The objective of IFRS 12 is to require entities to disclose information that helps financial statement readers to evaluate the nature, risks, and financial effects associated with the entity's involvement with subsidiaries, associates, joint arrangements, and unconsolidated structured entities. Specific disclosures include the significant judgments and assumptions made in determining control as well as detailed information regarding the entity's involvement with these investees.

IFRS 13 Fair Value Measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price.

Amendment to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income

The amendments:

- require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;
- do not change the existing option to present profit or loss and other comprehensive income in two statements; and
- change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, the entity is still allowed to use other titles.

The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard.

Amendment to IAS 19 Employee Benefits

The amendments include:

- Requiring the recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements (eliminating the 'corridor approach' permitted by the existing IAS 19);
- Introducing enhanced disclosures about defined benefit plans;
- Modifying accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits; and
- Clarifying various miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features.

Amendment to IAS 27 Consolidated and Separate Financial Statements

The standard contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The Standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments.

Amendment to IAS 28 Investments in Associates and Joint Ventures

IAS 28 makes the following amendments:

- IFRS 5 applies to an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and

- On cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not re-measure the retained interest.

Amendment to IAS 32 Financial Instruments: Presentation

The amendment clarifies certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off';
- the application of simultaneous realisation and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

Amendment to IFRS 7 Financial Instruments: Disclosures

The amendments require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. These disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

Amendment to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosures of Interests in Other Entities and IAS 27 Separate Financial Statements

The amendments relate to the following:

- provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* or IAS 39 *Financial Instruments: Recognition and Measurement*;
- require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries; and
- require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The interpretation clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognised as an asset, how the asset is initially recognised, and subsequent measurement.

The Interpretation requires stripping activity costs which provide improved access to ore are recognised as a non-current 'stripping activity asset' when certain criteria are met. The stripping activity asset is depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity, using the units of production method unless another method is more appropriate.

4. Determination of fair values

The Company accounting policies and disclosures requires the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Receivables and other receivables

The fair value of receivables and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. Financial risk management

Introduction and preview

Financial instruments carried on the statement of financial position include receivables, other receivables, cash and cash equivalents, loan from holding company, loan from related party 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.

Risk management is carried out by the Board of directors through board meetings. The Company provide principles for overall risk management.

Overview

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

- Market risk
- Credit risk
- Liquidity risk

Market risk

Market risk represents the potential loss that can be caused by a change in the market value of financial instruments. The Company's exposure to market risk is determined by a number of factors, including interest rates, foreign currency exchange rates and market volatility. The Company conducts its investment operations in a manner that seeks to exploit the potential gains in the market, while limiting its exposure to market declines.

- *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company has no significant exposure to interest rate risk other than relating to its bank balances.

- *Currency risk*

The Company has no currency risk as all its transactions are denominated in United States Dollar (USD).

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:

	<i>Carrying Amount</i>	
	2013	2012
	USD	USD
Receivables	294,083	75,941
Other receivables	506,835	-
Cash and cash equivalents	84	1,360
	<u>801,002</u>	<u>77,301</u>

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to manage liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Company's reputation.

	Within One year	One to five years	Total
	USD	USD	USD
Year ended March 2013			
Financial liabilities			
Loan from holding company	-	1,517,239	1,517,239
Loan from related party	-	50,714	50,714
Other payables	6,679	-	6,679
Total financial liabilities	<u>6,679</u>	<u>1,567,953</u>	<u>1,574,632</u>

	Within One year	One to five years	Total
	USD	USD	USD
Year ended March 2012			
Financial liabilities			
Loan from holding company	-	420,059	420,059
Loan from related party	-	398,488	398,488
Other payables	27,516	-	27,516
Total financial liabilities	<u>27,516</u>	<u>818,547</u>	<u>846,063</u>

Fair values versus carrying amounts

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

	Carrying amount	Fair value	Carrying amount	Fair value
	2013	2013	2012	2012
	USD	USD	USD	USD
Financial Assets				
Receivables	294,083	294,083	75,941	75,941
Other receivables	506,835	506,835	-	-
Cash and cash equivalents	84	84	1,360	1,360
Total financial assets	<u>801,002</u>	<u>801,002</u>	<u>77,301</u>	<u>77,301</u>
Financial Liabilities				
Loan from holding company	1,517,239	1,517,239	420,059	420,059
Loan from related party	50,714	50,714	398,488	398,488
Other payables	6,679	6,679	27,516	27,516
Total financial liabilities	<u>1,574,632</u>	<u>1,574,632</u>	<u>846,063</u>	<u>846,063</u>

6. Revenue

No revenue was generated for the year under review.

7. Taxation

Income tax

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.

Deferred tax

A deferred tax asset has not been recognised in respect of the tax losses carried forward as the directors consider that it is not probable that future taxable profit will be available against which the unused tax losses can be utilised. Tax losses can be carried forward up to a maximum of five years. The tax loss for 2013 will expire in 2018 (for 2012 will expire in 2017).

Recognised in the statement of comprehensive income

	2013	2012
	USD	USD
Current year income tax	-	-
<i>Reconciliation of effective tax</i>		
Loss before taxation	(8,659)	(13,295)
Income tax at 15%	(1,299)	(1,994)
Foreign tax credit	1,039	1,595
Deferred tax asset not recognised	260	399
Income tax payable	-	-

8. Investments

Investments consist of unquoted shares

	2013	2012
	USD	USD
<i>Cost</i>		
At 01 April/ 31 March	<u>800,069</u>	<u>800,069</u>

<i>Name of company</i>	<i>Type of shares</i>	<i>Number of shares</i>	<i>% held</i>	<i>Country of incorporation</i>
GWD Enterprise.	Equity	100 A shares and 25 B shares	25	United Kingdom
9. Receivables				
			2013	2012
			USD	USD
Unsecured, interest free loan with no fixed repayment terms			<u>294,083</u>	<u>75,941</u>
10. Other receivables				
			2013	2012
			USD	USD
Share application Money			<u>506,835</u>	-
Prepaid expenses			<u>678</u>	<u>4,469</u>
			<u>507,513</u>	<u>4,469</u>
11. Stated capital				
			2013	2012
			USD	USD
50,000 ordinary shares of USD 1 each			<u>50,000</u>	<u>50,000</u>
All shares in issue are fully paid up.				
The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.				
12. Loan from holding company				
			2013	2012
			USD	USD
Unsecured, interest free loan with no fixed repayment terms			<u>1,517,239</u>	<u>420,059</u>
13. Loan from related party				
			2013	2012
			USD	USD
Unsecured, interest free loan with no fixed repayment terms			<u>50,714</u>	<u>398,488</u>
14. Other payables				
			2013	2012
			USD	USD
Non-trade payables and accrued expenses			<u>5,029</u>	<u>25,866</u>
Loan from Transnational Textiles Group			<u>1,650</u>	<u>1,650</u>
			<u>6,679</u>	<u>27,516</u>
15. Related party transactions				
During the year under review, the Company entered into the following related party transactions.				
			2013	2012
			USD	USD
<i>Transactions during the year:</i>		<i>Nature</i>		
Loan to related party – FG4	Loan given	<u>218,142</u>	-	
Loan from related party – MLIB Principle	Loan received	<u>50,714</u>	-	
Loan from holding company	Loan received	<u>1,097,180</u>	5,305	
Repayment of loan by related party	Amount received	<u>398,488</u>	-	
<i>Balances outstanding at 31 March:</i>				
Loan from related party – MLIB Principle	Loan payable	<u>50,714</u>	-	
Loan from related party – Deepak Seth	Loan payable	-	398,488	
Loan from holding company -Multi	Loan payable	<u>1,517,239</u>	420,059	
Loan to related party – FG4	Loan receivable	<u>218,142</u>	-	
Loan to related party - Pallas	Loan receivable	<u>75,941</u>	75,941	
Loan from Transnational Textiles Group	Loan receivable	<u>1,650</u>	<u>1,650</u>	

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.

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 Pearl Global Industries Limited (formerly House of Pearl Fashions Ltd) a Company incorporated in India.

Statement of Comprehensive income

for the year ended 31 March 2013

	2013	2012
	USD	USD
Revenue	-	-
Expenses		
Administration charges	2,875	2,665
License fees	1,955	1,750
Professional fees	1,325	1,150
Bank charges	1,134	50
Accounting and audit fees	700	6,280
Telephone, fax and courier charges	400	1,400
Sundries	270	-
	<u>8,659</u>	<u>13,295</u>
Loss before taxation	<u>(8,659)</u>	<u>(13,295)</u>

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended March 31, 2013, 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, 2013 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

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 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 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, May 16, 2013.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SIMPLE APPROACH LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the financial statements of Simple Approach Limited (the "Company") set out on pages 5 to 27, which comprise the statement of financial position as at March 31, 2013 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 information.

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 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 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 entity'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 entity's internal control. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at March 31, 2013 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 16, 2013.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED MARCH 31, 2013

	NOTES	2013 HK\$	2012 HK\$
Turnover	(6)	478,164,021	332,554,840
Cost Of Sales		(390,038,370)	(272,423,174)
Gross Profit		88,125,651	60,131,666
Other Revenue	(6)	5,580,015	4,679,925
Selling And Distribution Costs		(26,986,648)	(19,662,513)
Depreciation Expenses		(144,389)	(77,919)
Staff Costs		(25,003,165)	(18,719,724)
Other Operating Expenses		(24,366,033)	(13,314,630)
Profit From Operations		17,205,431	13,036,805
Finance Costs	(7)	(4,486,944)	(4,055,255)
Profit Before Taxation	(8)	12,718,487	8,981,550
Taxation	(10)	(1,017,532)	—
Profit For The Year		11,700,955	8,981,550
Other Comprehensive Income		—	—
Total Comprehensive Income For The Year		11,700,955	8,981,550

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2013

	NOTES	2013 HK\$	2012 HK\$
ASSETS			
Non-Current Assets			
Plant and equipment	(11)	404,179	190,272
Current Assets			
Deposits and prepayment		622,522	241,600
Trade and other receivables	(12)	124,650,370	98,205,284
Amounts due from fellow subsidiaries	(13)	20,900,419	31,885,362
Amount due from a director	(14)	4,521,432	5,134,107
Cash and bank balances		13,894,040	11,192,052
		164,588,783	146,658,405
Current Liabilities			
Amount due to ultimate holding company	(15)	79,745	—
Amount due to immediate holding company	(15)	1,497,650	—
Amounts due to fellow subsidiaries	(15)	12,778,649	6,302,932
Trade and other payables	(16)	56,039,859	26,125,490
Secured bank borrowings	(17)	61,815,692	94,060,089
Provision for taxation		720,246	—
		132,931,841	126,488,511

Simple Approach Limited

	NOTES	2013 HK\$	2012 HK\$
Net Current Assets		31,656,942	20,169,894
NET ASSETS		32,061,121	20,360,166
Represented by:			
CAPITAL AND RESERVES			
Share capital	(18)	26,763,200	26,763,200
Retained profits/(Accumulated losses)		5,297,921	(6,403,034)
SHAREHOLDERS' EQUITY		32,061,121	20,360,166

Approved by the Board of Directors on May 16, 2013 and Signed on behalf of the Board by:

Sd/- Sd/-
Director Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2013

	Share Capital HK\$	Retained Profits/ (Accumulated Losses) HK\$	Total HK\$
At April 1, 2011	26,763,200	(15,384,584)	11,378,616
Total comprehensive income for the year	–	8,981,550	8,981,550
At March 31, 2012	26,763,200	(6,403,034)	20,360,166
Total comprehensive income for the year	–	11,700,955	11,700,955
At March 31, 2013	26,763,200	5,297,921	32,061,121

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2013

	2013 HK\$	2012 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	12,718,487	8,981,550
Adjustments for:		
Depreciation	144,389	77,919
Bank interest expenses	4,486,944	1,894,751
Bank interest income	(67,742)	(60,198)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	17,282,078	10,894,022
Increase in deposits and prepayment	(380,922)	(60,876)
Increase in trade and other receivables	(26,445,086)	(34,518,987)
Net receipt from/(payment to) fellow subsidiaries	17,460,660	(19,841,686)
Net receipt from/(payment to) a director	612,675	(83,870)
Net receipt from/(payment to) ultimate holding company	79,745	(418,506)
Net receipt from/(payment to) immediate holding company	1,497,650	(338,897)
Increase in trade and other payables	29,914,369	5,895,854
NET CASH GENERATED FROM/(USED IN) OPERATIONS	40,021,169	(38,472,946)
Bank interest received	67,742	60,198
Bank interest paid	(4,486,944)	(1,894,751)
Hong Kong profits tax paid	(297,286)	–
Net cash generated from/(used in) operating activities	35,304,681	(40,307,499)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment and net cash used in investing activities	(358,296)	(143,313)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (payment to)/receipt from secured bank borrowing and net cash (used in)/generated from financing activities	(32,244,397)	37,507,015
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,701,988	(2,943,797)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,192,052	14,135,849
CASH AND CASH EQUIVALENTS AT END OF YEAR	13,894,040	11,192,052

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

Simple Approach Limited was 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 Pearl Global Industries Limited (formerly known as "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 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 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 2013, the Company adopted the new and revised HKFRSs below, which are relevant to its operations.

- HKFRS 7 (Amendments) Disclosures - Transfers of Financial Assets
- HKFRS 1 (Amendments) First-time Adoption of Hong Kong Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Date for First-time Adopters
- HKAS 12 (Amendments) Deferred Tax: Recovery of Underlying Assets

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 2011 comparatives have been amended as a result from adopting the captioned HKFRSs.

b. Impact of issued but not yet effective HKFRSs

The Company has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

- HKFRS 1 (Amendments) Government Loans ⁽²⁾
- HKFRS 7 (Amendments) Disclosures - Offsetting Financial Assets and Financial Liabilities ⁽²⁾
- HKFRS 9 Financial Instruments ⁽⁴⁾
- HKFRS 10 Consolidated Financial Statements ⁽²⁾
- HKFRS 11 Joint Arrangements ⁽²⁾
- HKFRS 12 Disclosure of Interests in Other Entities ⁽²⁾
- HKFRS 13 Fair Value Measurement ⁽²⁾
- HKAS 1 (Amendments) Presentation of Items of Other Comprehensive Income ⁽¹⁾
- HKAS 19 (2011) Employee Benefits ⁽²⁾
- HKAS 27 (2011) Separate Financial Statements ⁽²⁾
- HKAS 28 (2011) Investments in Associates and Joint Ventures ⁽²⁾
- HKAS 32 (Amendments) Offsetting Financial Assets and Financial Liabilities ⁽³⁾
- HK(IFRIC) - Int 20 Stripping Costs in the Production Phase of a Surface Mine ⁽²⁾
- HKFRSs (Amendments) Annual Improvements to HKFRSs 2009-2011 Cycle except for the amendments to HKAS 1 ⁽²⁾
- Amendments to HKFRS 9 and HKFRS 7 Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁽⁴⁾
- Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 Consolidated Financial Statements, Joint Arrangements Disclosure of Interests in Other Entities: Transition Guidance ⁽²⁾
- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) Investments Entities ⁽³⁾

Notes:

- (1) Effective for annual periods beginning on or after 1 July 2012
 (2) Effective for annual periods beginning on or after 1 January 2013
 (3) Effective for annual periods beginning on or after 1 January 2014
 (4) Effective for annual periods beginning on or after 1 January 2015

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, 2013 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 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).

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 recognised 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 recognised 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 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.

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 recognised 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 recognised for all taxable temporary differences, and deferred tax assets are recognised 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 recognised 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 recognised 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 recognised 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.
- Commission income is recognised when the services are rendered.
- Other income is recognised 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 recognised until the time of leave as directors consider that no material liability would arise as a result of such entitlements in the near future.

q. Borrowing Cost

Interest and other borrowing costs incurred in connection with the borrowing of funds are recognised 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 recognised 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 related party is a person or entity that is related to the Company.

- (A) A person or a close member of that person's family is related to the Company if that person:
- (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or a parent of the Company.
- (B) An entity is related to the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (A).
 - (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

t. Financial Risks

The financial risks in connection with the Company's financial instruments include risks as follows.

- (i) Market risk includes three types of risk as below:
- Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.
 - Fair value interest rate risk: the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.
 - Price risk: the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Market risk embodies not only the potential for loss but also the potential for gain.
- (ii) Credit risk: the risk that the corresponding party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss.
- (iii) Liquidity risk (also referred to as funding risk): the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.
- (iv) Cash flow interest rate risk: the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

3. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

- (i) To safeguard the Company's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- (ii) To support the Company's stability and growth; and
- (iii) To provide capital for the purpose of strengthening the Company's risk management capability.

The Company actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Company. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

4. FINANCIAL RISK MANAGEMENT

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 values of current assets and liabilities

The nominal value of current assets and liabilities are assumed to approximate their fair values.

6. RECOGNITION OF REVENUE

	2013 HK\$	2012 HK\$
Revenue recognised during the year are as follows:		
Turnover:		
Sale of goods	478,164,021	332,554,840
Other revenue:		
Bank interest income	67,742	60,198
Commission received	998,214	–
Claim and recovery	2,203,193	3,951,655
Management fee received	1,647,159	660,000
Sundry income	663,707	8,072
	5,580,015	4,679,925
Total revenue recognised	483,744,036	337,234,765
7. FINANCE COSTS		
Bank interest paid	2,440,213	1,894,751
Bank finance charges	2,046,731	2,160,504
	4,486,944	4,055,255

8. PROFIT BEFORE TAXATION

	2013 HK\$	2012 HK\$
Profit before taxation is stated after charging:		
Auditors' remuneration	78,540	68,000
Depreciation	144,389	77,919
Exchange difference	837,033	732,744
Rental payment under operating leases - properties	1,394,402	1,007,320
Staff costs (including directors' remuneration)		
– Salaries and allowance	23,089,119	17,268,708
– Contribution to retirement benefit scheme - MPF	431,569	353,811
– Director's quarter expenses	1,209,291	1,060,560
– Recruitment expenses	273,186	36,645

9. DIRECTORS' REMUNERATION

	2013 HK\$	2012 HK\$
Fees	–	–
Other emoluments	2,546,055	2,512,560
	<u>2,546,055</u>	<u>2,512,560</u>

10. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the current year less taxation loss sustained in previous years.

	2013 HK\$	2012 HK\$
Hong Kong Profits Tax		
– Current year	1,017,532	–

At the end of reporting period, the Company has unused tax losses of HK\$Nil (2012: HK\$6,528,504) available for offset against future profits.

The tax charge for the year can be reconciled to the profit per the Statement of Comprehensive Income as follows:

	2013 HK\$	2012 HK\$
Profit before taxation	12,718,487	8,981,550
Tax at the domestic income tax rate of 16.5%	2,098,550	1,481,956
Tax effect of income that are not taxable in determining taxable profits	(423)	(236)
Tax effect of expenses that are not deductible in determining taxable profits	5,695	–
Net tax allowance claimed	(9,087)	(8,134)
Utilization of tax loss not previously recognised	(1,077,203)	(1,473,586)
Taxation expense for the year	<u>1,017,532</u>	<u>–</u>

11. PLANT AND EQUIPMENT

	Office Equipment HK\$	Furniture and Fixtures HK\$	Computer Equipment HK\$	Leasehold Improvement HK\$	Total HK\$
Cost					
At 1/4/2011	73,198	24,170	318,510	28,600	444,478
Additions	75,325	–	67,988	–	143,313
At 31/3/2012	148,523	24,170	386,498	28,600	587,791
Additions	122,870	115,090	120,336	–	358,296
At 31/3/2013	<u>271,393</u>	<u>139,260</u>	<u>506,834</u>	<u>28,600</u>	<u>946,087</u>

	Office Equipment HK\$	Furniture and Fixtures HK\$	Computer Equipment HK\$	Leasehold Improvement HK\$	Total HK\$
Accumulated Depreciation					
At 1/4/2011	24,925	24,170	260,973	9,532	319,600
Charge for the year	29,926	–	38,460	9,533	77,919
At 31/3/2012	54,851	24,170	299,433	19,065	397,519
Charge for the year	64,456	11,579	58,822	9,532	144,389
At 31/3/2013	<u>119,307</u>	<u>35,749</u>	<u>358,255</u>	<u>28,597</u>	<u>541,908</u>
Net Book Value					
At 31/3/2013	<u>152,086</u>	<u>103,511</u>	<u>148,579</u>	<u>3</u>	<u>404,179</u>
At 31/3/2012	<u>93,672</u>	<u>–</u>	<u>87,065</u>	<u>9,535</u>	<u>190,272</u>

12. TRADE AND OTHER RECEIVABLES

	2013 HK\$	2012 HK\$
Trade receivables (Note (i))	86,764,040	96,684,125
Bills receivable	35,981,851	–
Other receivables	1,904,479	1,521,159
	<u>124,650,370</u>	<u>98,205,284</u>
(i) Aging analysis of trade receivables is as follows:		
Neither past due nor impaired	86,580,992	85,471,594
Past due but not impaired	183,048	11,212,531
	<u>86,764,040</u>	<u>96,684,125</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 recognised 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 1/4/2012	5,134,107
Balance at 31/3/2013	4,521,432
Maximum balance outstanding during the year	5,134,107
Terms : No fixed term of repayments	
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 have no fixed terms of repayment. 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.

Simple Approach Limited

16. TRADE AND OTHER PAYABLES

	2013 HK\$	2012 HK\$
Trade payable (Note (i))	50,139,246	23,286,803
Bills payable	806,003	365,744
Trade deposit received	483,004	–
Other payables and accruals	4,611,606	2,472,943
Total	56,039,859	26,125,490
(i) Maturity of the trade payables is as follows:		
Due for payment:		
Not later than one year	50,139,246	23,195,213
Later than one year	–	91,590
	50,139,246	23,286,803

17. SECURED BANK BORROWINGS

Bank overdraft	270,411	–
Discounted bills loan	26,157,714	47,953,777
Trust receipts loan	24,669,276	38,997,979
Term loan	3,332,952	4,677,336
Factoring loan	7,385,339	2,430,997
	61,815,692	94,060,089

18. SHARE CAPITAL

	2013 HK\$	2012 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
	28,708,200	28,708,200
Issued and fully paid-up:		
3,190,000 9% redeemable preference shares of US\$ 1 each	24,818,200	24,818,200
250,000 ordinary shares of US\$ 1 each	1,945,000	1,945,000
	26,763,200	26,763,200

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:

	2013 HK\$	2012 HK\$
Within one year	1,568,238	402,767
In the second to fifth years inclusive	582,668	158,841
	2,150,906	561,608

- (b) Operating lease arrangements represent rental payable by the Company for its rented premises. Leases are negotiated for a term of one to three years.

20. BANKING FACILITIES

General banking facilities granted by a bank were secured by the Company's fixed deposit, 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	2013 HK\$	2012 HK\$
Pearl Global Industries Ltd.	Ultimate holding company	SAP facilities charges	105,030	101,140
		Amount due to	(79,745)	–
Global Textile Group Ltd.	Fellow subsidiary	Consultancy fee	937,241	404,257
		Design fee	778,000	–
		Amount due to	(778,000)	–
Multinational Textiles Group Ltd., Mauritius	Immediate holding company	Consultancy fee	933,600	–
		Management fee	1,128,100	1,431,831
		Amount due to	(1,497,650)	–
Norp Knit Industries Ltd., Bangladesh	Fellow subsidiary	Purchase of goods	7,833,501	20,601,640
		Management fee income	(352,900)	–
		Amount due from/(to)	263,858	(1,266,612)
Norwest Industries Ltd., Hong Kong	Fellow subsidiary	Inspection commission	9,481,548	6,918,700
		Inspection fee	–	41,499
		Management fee	–	34,548
		Rental fee	1,035,000	1,035,000
		Sampling expense	587,857	894,918
		Commission income	(998,214)	–
		Amount due to	(11,156,616)	(2,282,877)
PG Group Ltd., Hong Kong	Fellow subsidiary	Purchase of goods	1,632,672	7,605,320
		Management fee	–	215,319
		Management fee income	(27,559)	–
		Amount due from/(to)	126,349	(1,076,103)
Pearl Global Ltd., India	Fellow subsidiary	Amount due from	–	189,248
Poetigem Limited, Canada	Fellow subsidiary	Sales of goods	(40,113,718)	49,808,871
		Amount due from	19,132,085	31,696,114
Poetigem Limited, UK	Fellow subsidiary	Commission expenses	58,193	–
		Amount due from/(to)	39,815	(1,677,340)
Zamira Fashion Ltd., Hong Kong	Fellow subsidiary	Commission expenses	94,299	–
		Management fee income	(185,878)	(112,000)
		Amount due to	(844,033)	–
Designed and Sourced Limited, Hong Kong	Fellow subsidiary	Management fee income	(116,700)	–
		Amount due from	116,700	–
FX Imports Co Limited, UK	Fellow subsidiary	Amount due from	575,312	–
GEM Australia Manufacturing Co Limited, Hong Kong	Fellow subsidiary	Management fee income	(132,230)	–
		Amount due from	132,230	–
Nor Lanka Manufacturing Limited, Hong Kong	Fellow subsidiary	Management fee income	(318,501)	–
		Amount due from	679	–
Norwest USA Inc	Fellow subsidiary	Management fee income	(132,231)	–
		Amount due from	132,231	–
PDS Asia Star Corporation Limited, Hong Kong	Fellow subsidiary	Management fee income	(116,700)	–
		Amount due from	116,700	–
Sino West Manufacturing Co. Limited, Hong Kong	Fellow subsidiary	Management fee income	(132,230)	–
		Amount due from	132,230	–
Spring Near East Manufacturing Co Limited, Hong Kong	Fellow subsidiary	Management fee income	(132,230)	–
		Amount due from	132,230	–

22. CONTINGENT LIABILITIES

- (a) The Company had the following contingent liabilities not provided for in the financial statements at the end of reporting period:

	2013 HK\$	2012 HK\$
Irrevocable letter of credit	154,090,010	119,185,092

- (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 recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of the exposure are shown in Hong Kong Dollars, translated using the spot rate at the end of reporting period.

	(Expressed in HKD)						Total
	USD	GBP	EURO	RMB	BDT	CAD	
Trade and other receivables	121,108,162	1,790,215	–	–	141,099	–	123,039,476
Cash and cash equivalent	11,668,427	365,336	8,598	–	334,385	1,365,044	13,741,790
Trade and other payables	(51,037,647)	–	–	(96,012)	–	–	(51,133,659)
Bank borrowings	(59,980,172)	(1,565,109)	–	–	–	–	(61,545,281)
Net exposure arising from recognised assets and liabilities	21,758,770	590,442	8,598	(96,012)	475,484	1,365,044	24,102,326
(Expressed in HKD)							
	USD	GBP	EURO	RMB	BDT	CAD	Total
	USD	GBP	EURO	RMB	BDT	CAD	
Trade and other receivables	12,612,305	–	–	–	–	–	12,612,305
Cash and cash equivalent	1,361,565	78	911	–	2,589,338	21,197	3,973,089
Trade and other payables	(3,055,284)	–	–	(90,271)	(638,321)	–	(3,783,876)
Bank borrowings	(12,089,976)	–	–	–	–	–	(12,089,976)
Net exposure arising from recognised assets and liabilities	(1,171,390)	78	911	(90,271)	1,951,017	21,197	711,542

(ii) Sensitivity analysis

The following table indicates the approximate change in the Company's profit after tax in response to reasonably possible changes (e.g. ±10%) in the foreign exchange rates to which the Company has significant exposure at the statement of financial position date.

	2013		2012	
	Increase HK\$	Decrease HK\$	Increase HK\$	Decrease HK\$
United States Dollars	–	–	–	–
British Pound	49,302	(49,302)	7	(7)
Euro Dollars	718	(718)	76	(76)
Chinese Yuan	(8,017)	8,017	(7,538)	7,538
Bangladeshi Taka	39,703	(39,703)	162,910	(162,910)
Canadian Dollar	113,981	(113,981)	1,770	(1,770)
	195,687	(195,687)	157,225	(157,225)

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 2012.

24. INTEREST RATE RISK

	2013 HK\$	2012 HK\$
Financial liabilities bearing variable interests:		
Bank overdraft	270,411	–
Discounted bills loan	26,157,714	47,953,777
Trust receipts loan	24,669,276	38,997,979
Term loan	3,332,952	4,677,336
Factoring loan	7,385,339	2,430,997
	61,815,692	94,060,089

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\$374,660 (2012: HK\$338,613). 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 16, 2013.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended March 31, 2013, 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, 2013 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.

DONATION

During the year, the Group made charitable donations of HK\$2,000.

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.

DIRECTORS' 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 or its fellow subsidiaries was 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 or 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 16, 2013.

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 32, which comprise the consolidated statement of financial position as at March 31, 2013, 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 information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of 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.

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 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 auditor's 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, the auditor considers 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 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 state of the Company's and the Group's affairs as at March 31, 2013 and of the Group's 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/-

Louis Lai & Luk

Certified Public Accountants

Hong Kong, May 16, 2013.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED MARCH 31, 2013

	NOTES	2013 HK\$	2012 HK\$
Turnover	(6)	146,620,724	111,719,559
Purchases and related costs		(125,000,385)	(89,419,615)
Gross profit		21,620,339	22,299,944
Other revenue	(6)	5,479,845	4,942,353
Gain on investment in a subsidiary		13,303	—
Staff costs		(11,468,963)	(9,396,969)
Amortization and depreciation		(122,366)	(358,091)
Other operating expenses		(16,100,064)	(14,307,451)
(Loss)/profit from operation		(577,906)	3,179,786
Finance costs	(7)	(1,406,586)	(1,035,693)
(Loss)/profit before taxation	(8)	(1,984,492)	2,144,093
Taxation	(10)	—	—
(Loss)/profit for the year		(1,984,492)	2,144,093
Other comprehensive expenses			
Exchange differences on translation of financial statements of overseas subsidiary		(15,650)	(48,190)
Total comprehensive (expenses)/income for the year		(2,000,142)	2,095,903

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2013

	NOTES	2013 HK\$	2012 HK\$
ASSETS			
Non-Current Assets			
Plant and equipment	(12)	174,088	155,032
Intangible assets	(13)	–	–
		<u>174,088</u>	<u>155,032</u>
Current Assets			
Deposits and prepayment		559,038	175,422
Trade and other receivables	(15)	27,999,436	8,820,308
Amount due from ultimate holding company	(16)	3,501	–
Amounts due from fellow subsidiaries	(16)	13,687,491	3,512,626
Bank and cash balances		1,651,156	455,141
		<u>43,900,622</u>	<u>12,963,497</u>
Current Liabilities			
Amount due to immediate holding company	(17)	–	1,011,400
Amounts due to fellow subsidiaries	(17)	7,031,390	2,779,346
Amount due to a director	(17)	166,000	–
Trade and other payables	(18)	17,692,084	5,485,914
Secured bank borrowings	(19)	33,205,604	15,771,884
Bank overdraft		48,163	–
Obligation under finance lease	(20)	61,436	138,374
		<u>58,204,677</u>	<u>25,186,918</u>
Net Current Liabilities		<u>(14,304,055)</u>	<u>(12,223,421)</u>
Total Assets less Current Liabilities		<u>(14,129,967)</u>	<u>(12,068,389)</u>
Non-Current Liabilities			
Obligation under finance lease	(20)	–	61,436
		<u>(14,129,967)</u>	<u>(12,129,825)</u>
NET LIABILITIES			
Represented by:			
CAPITAL AND RESERVES			
Share capital	(21)	1,945,000	1,945,000
Accumulated losses	(22)	(16,074,967)	(14,077,172)
SHAREHOLDERS' DEFICIT		<u>(14,129,967)</u>	<u>(12,132,172)</u>
Approved by the board of directors on May 16, 2013 and signed on behalf of the board by:			
Sd/-			Sd/-
Director			Director

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2013

	NOTES	2013 HK\$	2012 HK\$
ASSETS			
Non-Current Assets			
Plant and equipment	(12)	174,088	155,032
Interests in a subsidiary	(14)	–	–
		<u>174,088</u>	<u>155,032</u>
Current Assets			
Deposits and prepayment		559,038	175,422
Trade and other receivables	(15)	27,999,436	8,820,308
Amount due from ultimate holding company	(16)	3,501	–
Amounts due from fellow subsidiaries	(16)	13,687,491	3,512,626
Bank and cash balances		1,651,156	452,794
		<u>43,900,622</u>	<u>12,961,150</u>

	NOTES	2013 HK\$	2012 HK\$
Current Liabilities			
Amount due to immediate holding company	(17)	–	1,011,400
Amounts due to fellow subsidiaries	(17)	7,031,390	2,779,346
Amount due to a director	(17)	166,000	–
Trade and other payables	(18)	17,692,084	5,485,914
Secured bank borrowings	(19)	33,205,604	15,771,884
Bank overdraft		48,163	–
Obligation under finance lease	(20)	61,436	138,374
		<u>58,204,677</u>	<u>25,186,918</u>
Net Current Liabilities		<u>(14,304,055)</u>	<u>(12,225,768)</u>
Total Assets less Current Liabilities		<u>(14,129,967)</u>	<u>(12,070,736)</u>
Non-Current Liabilities			
Obligation under finance lease	(20)	–	61,436
		<u>(14,129,967)</u>	<u>(12,132,172)</u>
NET LIABILITIES			
Represented by:			
CAPITAL AND RESERVES			
Share capital	(21)	1,945,000	1,945,000
Accumulated losses	(22)	(16,074,967)	(14,077,172)
SHAREHOLDERS' DEFICIT		<u>(14,129,967)</u>	<u>(12,132,172)</u>
Approved by the board of directors on May 16, 2013 and signed on behalf of the board by:			
Sd/-			Sd/-
Director			Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2013

	Share Capital HK\$	Translation Reserve HK\$	Accumulat- ed Losses HK\$	Total HK\$
At April 1, 2011	1,945,000	63,840	(16,234,568)	(14,225,728)
Total comprehensive income for the year	–	(48,190)	2,144,093	2,095,903
At March 31, 2012 and April 1, 2012	1,945,000	15,650	(14,090,475)	(12,129,825)
Total comprehensive expenses for the year	–	(15,650)	(1,984,492)	(2,000,142)
At March 31, 2013	<u>1,945,000</u>	<u>–</u>	<u>(16,074,967)</u>	<u>(14,129,967)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2013

	2013 HK\$	2012 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(1,984,492)	2,144,093
Adjustments for:		
Interest income	(1,210)	(1,218)
Interest expenses	1,406,586	1,035,693
Depreciation	122,366	358,091
OPERATING (LOSS)/PROFIT BEFORE WORKING CAPITAL CHANGES	<u>(456,750)</u>	<u>3,536,659</u>
Increase in deposits and prepayment	(383,616)	(60,258)
(Increase)/Decrease in trade and other receivables	(19,179,128)	1,522,770
Net payments to ultimate holding company	(3,501)	–
Net payments to fellow subsidiaries	(5,922,821)	(9,986,011)
Net payments to immediate holding company	(1,011,400)	1,011,400
Net receipts from a director	166,000	–
Increase/(Decrease) in trade and other payables	<u>12,206,170</u>	<u>(1,124,813)</u>

Zamira Fashion Limited

	2013 HK\$	2012 HK\$
NET CASH USED IN OPERATIONS	(14,585,046)	(5,100,253)
Interest received	1,210	1,218
Interest paid	(1,406,586)	(1,035,693)
Net cash used in operating activities	(15,990,422)	(6,134,728)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment and net cash used in investing activities	(141,422)	(86,773)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts of secured bank borrowings	17,433,720	6,029,248
Repayment of obligations under finance lease	(138,374)	(125,568)
Net cash generated from financing activities	17,295,346	5,903,680
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,163,502	(317,821)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	455,141	821,152
EFFECT OF FOREIGN EXCHANGE RATES CHANGES	(15,650)	(48,190)
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,602,993	455,141
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS (NOTE A)	1,602,993	455,141

A) CASH AND CASH EQUIVALENTS AS AT THE END OF REPORTING PERIOD REPRESENTED BY:

	2013 HK\$	2012 HK\$
Cash and bank balances	1,651,156	455,141
Bank overdraft	(48,163)	–
	1,602,993	455,141

NOTES TO THE FINANCIAL STATEMENTS
1. GENERAL

Zamira Fashion Limited was 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 Pearl Global Industries Limited, a company incorporated in India. The shares of the ultimate holding company is listed on the Bombay Stock Exchange and National Stock Exchange in India.

2. PRINCIPAL ACCOUNTING POLICIES
a. Basis of Preparation

These 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 Hong Kong Companies Ordinance.

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 consolidated financial statements are disclosed in Note (5) to the consolidated financial statements.

In 2012, the Group adopted the new and revised HKFRSs below, which are relevant to its operations.

- HKFRS 7 (Amendments) Disclosures - Transfers of Financial Assets
- HKFRS 1 (Amendments) First-time Adoption of Hong Kong Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Date for First-time Adopters
- HKAS 12 (Amendments) Deferred Tax: Recovery of Underlying Assets

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 2012 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.

- HKFRS 1 (Amendments) Government Loans ⁽²⁾
- HKFRS 7 (Amendments) Disclosures - Offsetting Financial Assets and Financial Liabilities ⁽²⁾
- HKFRS 9 Financial Instruments ⁽⁴⁾
- HKFRS 10 Consolidated Financial Statements ⁽²⁾
- HKFRS 11 Joint Arrangements ⁽²⁾
- HKFRS 12 Disclosure of Interests in Other Entities ⁽²⁾
- HKFRS 13 Fair Value Measurement ⁽²⁾
- HKAS 1 (Amendments) Presentation of Items of Other Comprehensive Income ⁽¹⁾
- HKAS 19 (2011) Employee Benefits ⁽²⁾
- HKAS 27 (2011) Separate Financial Statements ⁽²⁾
- HKAS 28 (2011) Investments in Associates and Joint Ventures ⁽²⁾
- HKAS 32 (Amendments) Offsetting Financial Assets and Financial Liabilities ⁽³⁾
- HK(IFRIC) - Int 20 Stripping Costs in the Production Phase of a Surface Mine ⁽²⁾
- HKFRSs (Amendments) Annual Improvements to HKFRSs 2009-2011 Cycle except for the amendments to HKAS 1 ⁽²⁾
- Amendments to HKFRS 9 and HKFRS 7 Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁽⁴⁾
- Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 Consolidated Financial Statements, Joint Arrangements Disclosure of Interests in Other Entities: Transition Guidance ⁽²⁾
- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) Investments Entities ⁽³⁾

Notes:

- ⁽¹⁾ Effective for annual periods beginning on or after 1 July 2012
- ⁽²⁾ Effective for annual periods beginning on or after 1 January 2013
- ⁽³⁾ Effective for annual periods beginning on or after 1 January 2014
- ⁽⁴⁾ Effective for annual periods beginning on or after 1 January 2015

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, 2013 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 made up to March 31. Subsidiary is an entity over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiary is consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balance and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiary have been changes where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group

as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the Consolidated Statement of Financial Position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the Consolidated Statement of Comprehensive Income as an allocation of the total profit or loss and total comprehensive income for the year between non controlling interests and the shareholders of the Company.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of the controlling and non-controlling interests within consolidated equity to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received recognised directly in equity and attributed to the owners of the Company.

In the Company's Statements of Financial Position the investments in subsidiary is stated at cost less allowance for impairment losses. The results of subsidiary is accounted for by the Company on the basis of dividends received and receivable.

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 consolidated financial statements 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 Statement of Financial Position when the Group 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 recognised 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.
- Commission income is recognised in the year when services are rendered.
- 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.

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 related party is a person or entity that is related to the Group.

- (A) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or a parent of the Group.
- (B) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (A).
 - (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

z. Financial Risks

The financial risks in connection with the Group's financial instruments include risks as follows.

- (i) Market risk includes three types of risk as below:
- Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.
 - Fair value interest rate risk: the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.
 - Price risk: the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Market risk embodies not only the potential for loss but also the potential for gain.
- (ii) Credit risk: the risk that the corresponding party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss.
- (iii) Liquidity risk (also referred to as funding risk): the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.
- (iv) Cash flow interest rate risk: the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

3. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- (i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- (ii) To support the Group's stability and growth; and
- (iii) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure

optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

4. FINANCIAL RISK MANAGEMENT

The Group's financial risks are limited by the financial management policies and practices described below.

(a) Market risk - Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollar. Foreign exchange risk arises from future commercial transactions, 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.

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 values of current assets and liabilities

The nominal value of current assets and liabilities are assumed to approximate their fair values.

6. RECOGNITION OF REVENUE

	GROUP	
	2013 HK\$	2012 HK\$
Revenue recognised during the year including revenue arising from:		
Turnover:		
Sales of goods	146,620,724	111,719,559
Other revenue:		
Bank interest income	1,210	1,218
Commission income	2,610,342	3,512,626
Sundry income	2,868,293	1,428,509
	5,479,845	4,942,353
Total revenue recognised	152,100,569	116,661,912

7. FINANCE COSTS

	GROUP	
	2013 HK\$	2012 HK\$
Bank finance charges	772,732	277,105
Finance lease interest	12,274	25,081
Other interest paid	557,576	641,126
Bank loan interest	64,004	92,381
	1,406,586	1,035,693

8. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/Profit before taxation is stated after charging and (crediting):

Auditors' remuneration	94,665	83,000
Depreciation - owned assets	66,989	192,107
- assets held under finance lease	55,377	165,984
Exchange difference	645,463	(576,970)
Rental payments under operating leases	1,001,166	960,801
Staff costs (including director's remuneration)		
- Salaries and allowance	11,224,229	9,046,551
- MPF contribution	202,450	213,108
- Severance payment	-	104,558
- Staff training	-	356
- Staff welfare expenses	42,284	32,396

9. DIRECTOR'S REMUNERATION

Fees	-	-
Other emoluments	1,200,000	1,200,000
	1,200,000	1,200,000

10. TAXATION

- No Hong Kong profits tax has been provided in these financial statements as the Group made no estimated assessable profits for the year.
- The tax charge for the year can be reconciled to the loss per Consolidated Statement of Comprehensive Income as follows:

	GROUP		COMPANY	
	2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$
(Loss)/Profit before taxation	(1,984,492)	2,144,093	(1,997,795)	128,771
Tax at the domestic income tax rate	(327,441)	585,537	(329,636)	21,247
Tax effect of expenses that are not deductible in determining taxable profit	516	339,957	516	339,957
Tax effect of income that are not taxable in determining taxable profit	(2,581)	(593,029)	(386)	(201)
Net tax allowance claimed	(11,862)	16,875	(11,862)	16,875
Tax loss not yet recognised	341,368	-	341,368	-
Utilization of tax loss previously not recognised	-	(349,340)	-	(377,878)
Taxation income for the year	-	-	-	-

At the end of reporting period, the Company has unused tax losses of HK\$12,829,630 (2012: HK\$10,760,735) 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\$1,984,492 (2012: profit of HK\$2,144,093) attributable to shareholders of the Group is a loss of HK\$1,997,795 (2012: profit of HK\$128,771) which is dealt with in the Company's own accounts.

Zamira Fashion Limited

12. PLANT AND EQUIPMENT

GROUP AND COMPANY

	Leasehold Improvement	Furniture and Fixtures	Office Equipment	Motor Vehicle	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Cost					
At 1/4/2011	1,548,200	294,318	464,579	498,000	2,805,097
Additions	–	29,186	57,587	–	86,773
At 31/3/2012 and 1/4/2012	1,548,200	323,504	522,166	498,000	2,891,870
Additions	12,000	92,582	36,840	–	141,422
At 31/3/2013	1,560,200	416,086	559,006	498,000	3,033,292
Aggregate Depreciation					
At 1/4/2011	1,401,613	277,656	422,839	276,639	2,378,747
Charge for the year	126,054	19,733	46,320	165,984	358,091
At 31/3/2012 and 1/4/2012	1,527,667	297,389	469,159	442,623	2,736,838
Charge for the year	22,818	15,423	28,748	55,377	122,366
At 31/3/2013	1,550,485	312,812	497,907	498,000	2,859,204
Net Book Value					
At 31/3/2013	9,715	103,274	61,099	–	174,088
At 31/3/2012	20,533	26,115	53,007	55,377	155,032

The net book value of plant and equipment of HK\$174,088 (2012: HK\$155,032) includes an amount of HK\$ Nil (2012: HK\$55,377) in respect of assets held under hire purchase contracts.

13. INTANGIBLE ASSETS

	Trade Mark and customer list	
	GROUP HK\$	COMPANY HK\$
Cost		
At 1/4/2011	962,287	–
Written off	(962,287)	–
At 31/3/2012 and 31/3/2013	–	–
Impairment Loss		
At 1/4/2011	962,287	–
Written back on written off	(962,287)	–
At 31/3/2012 and 31/3/2013	–	–
Net Book Value		
At 31/3/2013	–	–
At 31/3/2012	–	–

14. INTERESTS IN A SUBSIDIARY

	COMPANY	
	2013 HK\$	2012 HK\$
Unlisted shares, at cost	–	1,128
Less: Provision for impairment on investment in a subsidiary	–	(1,128)
	–	–

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
		2013	2012	
* Zamira Fashions (Europe) Limited	England and Wales	0%	100%	Conduct no business

* Not audited by Louis Lai & Luk

The subsidiary was dissolved on July 17, 2012

15. TRADE AND OTHER RECEIVABLES

	GROUP AND COMPANY	
	2013 HK\$	2012 HK\$
Trade receivables (Note (i))	26,388,201	7,720,362
Other receivables	1,611,235	874,629
Bills receivables	–	225,317
	27,999,436	8,820,308
(i) Aging analysis of trade receivables is as follows:		
Neither past due nor impaired	26,240,893	7,666,201
Past due but not impaired	147,308	54,161
	26,388,201	7,720,362

Trade receivables are due within 90 days from date of billing.

16. AMOUNTS DUE FROM ULTIMATE HOLDING COMPANY/FELLOW SUBSIDIARIES

The amounts due from ultimate holding company/fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayments. No provisions for bad and doubtful debts have been recognised on the amounts due. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

17. AMOUNTS DUE TO IMMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES/A DIRECTOR

Apart from a balance with a fellow subsidiary amounting HK\$7,031,390 (2012: HK\$985,824) 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, fellow subsidiaries and director 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.

18. TRADE AND OTHER PAYABLES

	GROUP AND COMPANY	
	2013 HK\$	2012 HK\$
Trade payables (Note (i))	13,154,245	5,119,223
Accruals	3,197,859	366,691
Bills payables	1,339,980	–
	17,692,084	5,485,914
(i) Maturity of the trade payables is as follows:		
Due for payment:		
Not later than one year	13,154,245	5,119,223

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	
	2013 HK\$	2012 HK\$
Amount repayable within one year:		
Trust receipt loan	31,125,604	12,347,884
Term loan	1,344,000	1,344,000
	32,469,604	13,691,884
Amount not repayable within one year but contain a repayment on demand clause:		
Term loan	736,000	2,080,000
	33,205,604	15,771,884

20. OBLIGATION UNDER FINANCE LEASE

	GROUP AND COMPANY			
	Minimum lease payments		Present value of minimum lease payments	
	2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$
Amount payable under finance lease:				
Within one year	62,770	150,648	61,436	138,374
Second to fifth years inclusive	–	62,770	–	61,436
	62,770	213,418	61,436	199,810
Future finance charges	1,334	13,608		
	61,436	199,810		
Less: Portion classified as current liabilities			61,436	138,374
Amounts due after one year included in non-current liabilities			–	61,436
The lease term is four years and the lease is repayable in fixed monthly instalments.				
No arrangement has been entered into for contingent rental payments.				

21. SHARE CAPITAL

	COMPANY	
	2013 HK\$	2012 HK\$
Authorised, issued and fully paid-up:		
250,000 ordinary shares of US\$1 each	1,945,000	1,945,000

22. RESERVES

	Accumulated Losses HK\$
COMPANY	
Balance at April 1, 2011	(14,205,943)
Total comprehensive income for the year	128,771
Balance at March 31, 2012 and April 1, 2012	(14,077,172)
Total comprehensive expenses for the year	(1,997,795)
Balance at March 31, 2013	(16,074,967)

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:

	2013 HK\$	2012 HK\$
Within one year	140,621	25,454
In the second to fifth years inclusive	57,052	–
	197,673	25,454

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	2013 HK\$	2012 HK\$
Norwest Industries Ltd., Hong Kong	Fellow subsidiary	– Management and service fee	18,672	78,894
		– Rental paid	700,800	700,800
		– Interest paid	557,576	641,126
		– Commission received	246,529	–
		– Amount due to	(7,031,390)	(985,824)
P G Group Ltd., Hong Kong	Fellow subsidiary	– Management and service fee	–	215,319
Poetigem Ltd., UK	Fellow subsidiary	– Sales	18,878,756	–
		– Amount due from/(to)	8,175,362	(1,532,067)
Simple Approach Ltd., Hong Kong	Fellow subsidiary	– Management and service fee	185,877	112,000
		– Commission received	94,299	–
		– Amount due from	844,033	–
SSY Asia Limited	Related company *	– Consultancy fee	600,000	600,000
Pearl Global Industries Ltd. India	Ultimate holding company	– Security system	94,527	70,798
		– Amount due from	3,501	–
Multinational Textile Group Ltd., Mauritius	Immediate holding company	– Management and service fee	350,100	389,000
		– Amount due to	–	(1,011,400)
Nor Europe Manufacturing Co. Ltd.	Fellow subsidiary	– Commission received	2,177,593	–
		– Amount due from	3,716,701	–
Nor Lanka Manufacturing Ltd.	Fellow subsidiary	– Management and service fee	817,849	295,821
		– Commission received	86,072	–
		– Amount due from/(to)	951,395	(261,455)
FX Import Co. Ltd.	Fellow subsidiary	– Commission received	–	3,512,626
		– Amount due from	–	3,512,626

* Connected with Thomas Mueller who is a controlling director and shareholder of the company.

25. CONTINGENT LIABILITIES

(a) The Group had the following contingent liabilities not provided for in the consolidated financial statements at the end of reporting period:

	2013 HK\$	2012 HK\$
Irrevocable letters of credit	24,580,590	14,906,233

(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. For presentation purpose, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date.

	(Expressed in HKD)						
	2013						
	USD	CHF	EUR	GBP	BDT	RMB	Total
Trade and other receivables	5,771,835	–	20,742,927	1,233,979	17,078	1,543	27,767,362
Bank and cash balances	1,358,483	10,836	17,718	23,053	240,449	–	1,650,539
Trade and other payables	(16,741,824)	–	(314,236)	–	(71,609)	–	(17,127,669)
Secured bank borrowings	(31,125,604)	–	–	–	–	–	(31,125,604)
Net exposure arising from recognised assets and liabilities	<u>(40,737,110)</u>	<u>10,836</u>	<u>20,446,409</u>	<u>1,257,032</u>	<u>185,918</u>	<u>1,543</u>	<u>(18,835,372)</u>
	(Expressed in HKD)						
	2012						
	USD	CHF	EUR	GBP	BDT		Total
Trade and other receivables	2,021,151	15,803,280	3,086,866	2,441,172	–		23,352,469
Bank and cash balances	304,291	1,286,640	23,728	15,301	117,314		1,747,274
Trade and other payables	(4,970,883)	–	(295,404)	–	(11,913)		(5,278,200)
Secured bank borrowings	(12,347,887)	–	–	–	–		(12,347,887)
Net exposure arising from recognised assets and liabilities	<u>(14,993,328)</u>	<u>17,089,920</u>	<u>2,815,190</u>	<u>2,456,473</u>	<u>105,401</u>		<u>7,473,656</u>

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's loss before tax in response to reasonably possible changes (e.g. ±10%) in the foreign exchange rates to which the Group has significant exposure at the end of reporting period.

	2013		2012	
	Increase HK\$	Decrease HK\$	Increase HK\$	Decrease HK\$
Swiss Franc (CHF)	1,084	(1,084)	17,090	(17,090)
Euro (EUR)	2,044,641	(2,044,641)	281,519	(281,519)
British Pound (GBP)	125,703	(125,703)	245,647	(245,647)
Bangladeshi Taka (BDT)	18,592	(18,592)	10,358	(10,358)
Chinese Yuan (RMB)	154	(154)	–	–
	2,190,174	(2,190,174)	554,614	(554,614)

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 2012.

27. INTEREST RATE RISK

	2013 HK\$	2012 HK\$
Financial liabilities bearing variable interests:		
Bank overdraft	48,163	–
Trust receipts loan	31,125,604	12,347,884
Term loan	2,080,000	3,424,000
	33,253,767	15,771,884

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\$140,659 (2012: HK\$103,569). 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. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Company's Board of Directors on May 16, 2013.

REPORT OF THE SOLE DIRECTOR

The sole director presents his report and the audited financial statements of the Company for the year ended 31 March 2013.

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 results for the year ended 31 March 2013 and its state of affairs at that date are set out in the financial statements on pages 4 to 18.

Director

The sole director of the Company during the year was Pallak Seth.

There being no provision in the Company's articles of association for the retirement of the sole director who will continue in office for the ensuing year.

Director's 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 the sole director or his 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 sole director to acquire such rights in any other body corporate.

Director's interests in contracts

The sole director had no material interest, either directly or indirectly, in any contract of significance to the business of the Company to which the Company, its subsidiary or any of its holding companies or fellow subsidiaries was a party during the year.

Auditors

Ernst & Young were appointed by the sole director 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.

Sd/-
Sole Director
Hong Kong
20 May 2013

Independent auditors' report

To the shareholder of Nordelhi Manufacturing Limited

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Nordelhi Manufacturing Limited (the "Company") set out on pages 4 to 18, which comprise the statement of financial position as at 31 March 2013, 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.

Director's responsibility for the financial statements

The sole director of the Company 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 sole director determines 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 sole director, 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 2013, 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
20 May 2013

STATEMENTS OF COMPREHENSIVE INCOME

Year ended 31 March 2013

	Notes	2013 HK\$	2012 HK\$
REVENUE	4	47,496,566	19,688,475
Cost of sales		(42,621,130)	(17,502,989)
Gross profit		4,875,436	2,185,486
Other income and gain	4	2,998,750	233,476
Selling and distribution expenses		(126,249)	–
Administrative expenses		(8,304,690)	(588,102)
Other expenses		–	(1,273,397)
PROFIT/(LOSS) BEFORE TAX	5	(556,753)	557,463
Income tax expense	7	–	(268,087)
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u>(556,753)</u>	<u>289,376</u>

STATEMENT OF FINANCIAL POSITION

31 March 2013

	Notes	2013 HK\$	2012 HK\$
NON-CURRENT ASSET			
Investment in a subsidiary	8	–	–
CURRENT ASSETS			
Trade and bills receivables	9	18,103,790	10,708,714
Prepayment		–	622,400
Due from the immediate holding company	11(b)	1,713,739	1,477,166
Due from a fellow subsidiary	11(b)	76,166	–
Cash and cash equivalents		623,949	514,543
Total current assets		<u>20,517,644</u>	<u>13,322,823</u>
CURRENT LIABILITIES			
Trade and bills payables		15,715,288	6,464,965
Other payables and accruals		112,151	107,372
Loan from the immediate holding company	11(b)	1,128,100	1,128,100
Due to fellow subsidiaries	11(b)	1,622,187	3,125,715
Tax payable		268,087	268,087
Total current liabilities		<u>18,845,813</u>	<u>11,094,239</u>
NET CURRENT ASSETS		<u>1,671,831</u>	<u>2,228,584</u>
Net assets		<u>1,671,831</u>	<u>2,228,584</u>
EQUITY			
Issued capital	10	2,000,000	2,000,000
Retained profits/(accumulated losses)		(328,169)	228,584
Total equity		<u>1,671,831</u>	<u>2,228,584</u>
Sd/- Director			

NOR DELHI MANUFACTURING LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2013

	Issued capital HK\$	Retained profits/ (accumulated) HK\$	Total Equity HK\$
At 1 April 2011	2,000,000	(60,792)	1,939,208
Total comprehensive income for the year	–	289,376	289,376
At 31 March 2012 and at 1 April 2012	2,000,000	228,584	2,228,584
Total comprehensive loss for the year	–	(556,753)	(556,753)
At 31 March 2013	2,000,000	(328,169)	1,671,831

STATEMENT OF CASH FLOWS

Year ended 31 March 2013

	Notes	2013 HK\$	2012 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(556,753)	557,463
Adjustments for:			
Impairment of an investment in a subsidiary	5	–	1,167
Loss on waiver of a loan to a subsidiary	5	–	1,128,100
Gain on waiver of an amount due to a subsidiary	5	–	(1,167)
		(556,753)	1,685,563
Increase in trade and bills receivables		(7,395,076)	(10,708,714)
Decrease/(increase) in a prepayment		622,400	(622,400)
Decrease/(increase) in an amount due from the immediate holding company		(236,573)	460,264
Increase in an amount due from a fellow subsidiary		(76,166)	–
Increase in trade and bills payables		9,250,323	6,464,965
Increase in other payables and accruals		4,779	26,120
Increase/(decrease) in amounts due to fellow subsidiaries		(1,503,528)	3,125,715
Cash generated from operations/net cash flows from operating activities		109,406	431,513
CASH FLOW FROM AN INVESTING ACTIVITY			
Loan to a subsidiary		–	(1,128,100)
CASH FLOW FROM A FINANCING ACTIVITY			
Loan from the immediate holding company		–	1,128,100
NET INCREASE IN CASH AND CASH EQUIVALENTS		109,406	431,513
Cash and cash equivalents at beginning of year		514,543	83,030
CASH AND CASH EQUIVALENTS AT END OF YEAR		623,949	514,543
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		623,949	514,543

NOTES TO FINANCIAL STATEMENTS

31 March 2013

1. CORPORATE INFORMATION

Nordelhi Manufacturing 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, Kowloon, Hong Kong.

During the year, the Company was engaged 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 sole director, the Company's ultimate holding company is Pearl Global Industries Limited, a company incorporated in India with shares listed on The National Stock Exchange in India.

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 ("HKICPA"), 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Certain new and revised HKFRSs became 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 2013.

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 2013, 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.

3. 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 result of its subsidiary is 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.

Related parties

A party is considered to be related to the Company if:

- the party is a person or a close member of that person's family and that person
 - has control or joint control over the Company;
 - has significant influence over the Company; or
 - is a member of the key management personnel of the Company or of a parent of the Company;
- or
- the party is an entity where any of the following conditions applies:
 - the entity and the Company are members of the same group;
 - one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - the entity and the Company are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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. 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 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 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:

- 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

- commission income, in the period in which the sales services are rendered; and
- interest income, on an accrual basis using the effective interest method.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

4. REVENUE, OTHER INCOME AND GAIN

Revenue, which is also the Company's turnover, represents the net invoiced value of goods sold.

An analysis of other income and gain is as follows:

	2013 HK\$	2012 HK\$
Claims and other recovery	1,568,818	233,476
Commissions received	76,166	–
Foreign exchange difference, net	1,353,766	–
	<u>2,998,750</u>	<u>233,476</u>

5. PROFIT/(LOSS) BEFORE TAX

The Company's profit/(loss) before tax is arrived at after charging/(crediting):

	2013 HK\$	2012 HK\$
Auditors' remuneration	92,400	30,000
Impairment of an investment in a subsidiary	–	1,167
Loss on waiver of a loan to a subsidiary	–	1,128,100
Gain on waiver of an amount due to a subsidiary	–	(1,167)
Foreign exchange differences, net	<u>(1,353,766)</u>	<u>145,297</u>

6. SOLE DIRECTOR'S REMUNERATION

The sole director did not receive any fees or emoluments in respect of his services rendered to the Company during the year (2012: Nil).

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012:16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2013 HK\$	2012 HK\$
Tax charge for the year	–	268,087

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the Hong Kong statutory rate to the tax charge 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:

	2013 HK\$	%	2012 HK\$	%
Profit/(loss) before tax	<u>(556,753)</u>		<u>557,463</u>	
Tax at the statutory tax rate	<u>(91,864)</u>	<u>(16.5)</u>	91,981	16.5
Expenses not deductible for tax	–	–	186,136	33.4
Tax losses utilised from the prior year	–	–	(10,030)	(1.8)
Tax loss not recognised	<u>91,684</u>	<u>16.5</u>	–	–
Tax at the effective rate	<u>–</u>	<u>–</u>	<u>268,087</u>	<u>48.1</u>

As at 31 March 2013, the Company had unused tax losses arising in Hong Kong of HK\$91,684 (2012: Nil), 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.

NOR DELHI MANUFACTURING LIMITED

8. INVESTMENT IN A SUBSIDIARY

	2013 HK\$	2012 HK\$
Unlisted shares, at cost	–	1,167
Less: Impairment	–	(1,167)
	<u>–</u>	<u>–</u>

Particulars of the subsidiary are as follows:

Name	Place of incorporation/ and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable directly to the Company		Principal activities
			31 March 2013	31 March 2012	
Magic Global Fashions Limited [^] ("Magic")	United Kingdom	British Pound Sterling ("GBP") 100	–	100	Import and distribution of denim clothing

* The subsidiary was not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young Global network.

[^] The board of directors of Magic passed a resolution on 1 February 2012 to dissolve Magic. The dissolution process was completed on 17 July 2012. No gain or loss from the dissolution of the subsidiary was recognised in the statement of comprehensive income.

9. TRADE AND BILLS RECEIVABLES

	2013 HK\$	2012 HK\$
Trade receivables	15,231,393	6,944,447
Bills receivable	2,872,397	3,764,267
	<u>18,103,790</u>	<u>10,708,714</u>

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. The Company does not hold any collateral or credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The aged analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	2013 HK\$	2012 HK\$
Neither past due nor impaired	15,768,405	3,662,282
Past due but not impaired:		
Less than one month	2,335,385	7,046,432
	<u>18,103,790</u>	<u>10,708,714</u>

Receivables that were neither past due nor impaired relate to customers 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 sole director of the Company is 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.

10. SHARE CAPITAL

	2013 HK\$	2012 HK\$
Authorised, issued and fully paid:		
2,000,000 ordinary shares of HK\$1 each	<u>2,000,000</u>	<u>2,000,000</u>

11. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Company had the following material transactions with related parties during the year:

	Notes	2013 HK\$	2012 HK\$
Immediate holding company:			
Management fees paid	(i)	223,691	460,265
Fellow subsidiaries:			
Purchases of goods	(ii)	–	608,802
Commissions received	(iii)	76,166	–

Notes:

- The management fees paid were for the provision of corporate administrative services and were agreed mutually between the Company and the immediate holding company.
 - The purchases were made according to the prices and conditions agreed between the Company and a fellow subsidiary.
 - The commissions received were related to referral of customers and were charged at rates mutually agreed between the Company and a fellow subsidiary.
- (b) Outstanding balances with related parties:

The balances with the immediate holding company and fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The loan from the immediate holding company is unsecured, interest-free and repayable within one year.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

At the end of each reporting period, the carrying amounts of the Company's financial assets and financial liabilities approximated to their fair values.

The fair values of financial assets and liabilities are included at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation sale transactions. The fair values of trade and bills receivables, amounts due from a fellow subsidiary and the immediate holding company, cash and cash equivalents, trade and bills payables, other payables and accruals, and amounts due to fellow subsidiaries approximated to their carrying amounts largely due to the short term maturities of these instruments.

The Company did not have any financial assets and liabilities measured at fair value as at the end of each reporting period.

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's exposure to 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:

Foreign currency risk

The Company has transactional currency exposures. Such exposures arise from sales or purchases by the Company in currencies (mainly GBP and Euro) 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 each reporting period to a reasonably possible changes in the GBP and Euro exchange rates, with all other variables held constant, of the Company's profit/(loss) before tax (due to changes in the fair value of monetary assets and liabilities).

	Change in exchange rate %	Decrease/ (increase) in loss before tax HK\$
31 March 2013		
If HK\$ weakens against GBP	10.0	(611,547)
If HK\$ strengthens against GBP	(10.0)	611,547
If HK\$ weakens against Euro	10.0	(109,062)
If HK\$ strengthens against Euro	(10.0)	109,062

	Change in exchange rate %	Decrease/ (increase) in loss before tax HK\$
31 March 2012		
If HK\$ weakens against GBP	10.0	159,955
If HK\$ strengthens against GBP	(10.0)	(159,955)
If HK\$ weakens against Euro	10.0	47,402
If HK\$ strengthens against Euro	(10.0)	(47,402)

Credit risk

The aggregate carrying amount of trade and bills receivables, cash and cash equivalents and amounts due from the immediate holding company and a fellow subsidiary represents 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 businesses 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 9 to the financial statements. At the end of the reporting period, the Company had certain concentrations of credit risks as 69% (2012: 71%) of the Company's trade and bills receivables were due from the Company's top customer.

Liquidity risk

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 group companies.

The Company's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payments, either have no fixed terms of repayment or are repayable within three months subsequent to the end of each reporting period.

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 the 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 dividend payments to its shareholder, return capital to the shareholder or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2013 and 31 March 2012.

14. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the sole director on 20 May 2013.

DIRECTORS' REPORT

The directors are pleased to present their report together with the audited financial statements of Global Textile Group Limited (the "Company") for the year ended 31 March 2013.

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 (2012: 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.

Auditors

The auditors, Lancasters Chartered Accountants, have indicated their willingness to continue in office and will be automatically reappointed at the Annual Meeting.

By order of the Board of Directors

Sd/-

Director

Date: 29 May 2013

SECRETARY'S CERTIFICATE FOR THE YEAR ENDED 31 MARCH 2013

Secretary's certificate under Section 166 (d) of the Mauritius Companies Act 2001

In accordance with section 166 (d) of the Mauritius 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 Mauritius Companies Act 2001.

Sd/-

For and on behalf of **KROSS BORDER CORPORATE SERVICES LIMITED**

Company secretary

Date: 29th May, 2013

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 2013, 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.

Management's Responsibility for the Financial Statements

Management is 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, and for such internal control as management determines 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. 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 management, 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 30 give a true and fair view of the financial position of the Company at 31 March 2013 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: 29 May 2013

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2013

		2013 USD	2012 USD
Revenue	6	4,378,596	3,139,112
Expenses		(4,348,062)	(3,152,603)
Profit/(loss) from operating activities		30,534	(13,491)
Finance income	7	35,080	35,849
Finance cost	7	-	(10,511)
Net finance income	7	35,080	25,338
Profit before taxation		65,614	11,847
Taxation	8	(1,968)	(410)
Profit for the year		63,646	11,437
Other comprehensive income		-	-
Total comprehensive income for the year		63,646	11,437

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2013

		2013 USD	2012 USD
Assets			
Investments	9	2,500,000	2,500,000
Receivables	10	1,404,056	3,519,581
Total non-current assets		3,904,056	6,019,581
Other receivables	11	541,706	657,546
Cash and cash equivalents		142,671	9,501
Total current assets		684,377	667,047
Total assets		4,588,433	6,686,628

Equity			
Stated capital	12	3,987,266	5,771,556
Revenue reserve		318,109	335,698
Total equity		4,305,375	6,107,254
Current liabilities			
Other payables	13	282,171	578,964
Tax payable	8	887	410
Total current liabilities		283,058	579,374
Total equity and liabilities		4,588,433	6,686,628

Approved by the Board on 29 May 2013

Sd/-
Director

Sd/-
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2013

	Stated capital USD	Revenue Reserve USD	Total USD
Balance as at 01 April 2011	5,771,556	324,261	6,095,817
Total comprehensive income for the year			
Profit for the year	-	11,437	11,437
Balance as at 31 March 2012	5,771,556	335,698	6,107,254
Contributions by and distributions to owners of the company			
Buy back of shares	(1,784,290)	(81,235)	(1,865,525)
Total comprehensive income for the year			
Profit for the year	-	63,646	63,646
Balance as at 31 March 2013	3,987,266	318,109	4,305,375

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2013

	2013 USD	2012 USD
Cash flows from operating activities		
Profit before taxation	65,614	11,847
<i>Adjustments for:</i>		
Change in other receivables	(184,160)	(37,180)
Change in other payables	182,272	(62,591)
Net cash from/ (used in) operating activities	63,726	(87,924)
Tax paid	(1,081)	-
	62,645	(87,924)
Cash flows from investing activities		
Proceeds from disposal of Subsidiary	-	1,541,412
Proceeds from disposal of Associate	-	2,854,421
Net cash from investing activities	-	4,395,833
Cash flows from financing activities		
Repayment by related party	1,050,000	-
Repayment to related party	(368,075)	-
Repayment of loan to holding company	(111,400)	(2,487,351)
Advances to holding company	(500,000)	(1,865,525)
Net cash from/(used in) financing activities	70,525	(4,352,876)
Movement in cash and cash equivalents	133,170	(44,967)
Cash and cash equivalents at 01 April	9,501	54,468
Cash and cash equivalents at 31 March	142,671	9,501

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

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 is a holder of a Category 1 Global Business Licence under the Financial Services Act 2007. 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

The following accounting policies have been consistently applied in dealing with items which are considered material in relation to the Company's financial statements.

(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.

Determination of functional currency

The determination of the functional currency of the Company is critical since recording of transactions and exchange of differences arising thereon are dependent on the functional currency selected. As described in 2(c), the directors have considered those factors therein and have determined that the functional currency of the Company is USD.

(d) Use of estimates and judgements

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 accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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

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 recognised on all 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.

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 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.

Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are 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.

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.

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.

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.

Receivables and other receivables

Receivables and other receivables are stated at amortised cost.

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.

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.

Stated 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.

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.

Expenses

All expenses are recognised in the statement of comprehensive income on an accrual basis.

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.

New and revised IFRSs with no material effect on the financial statements

The following new and revised IFRSs have been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

New and revised IFRSs	Summary of requirement
Amendment to IFRS 7 <i>Financial Instruments: Disclosures</i> , relating to Disclosures on Transfers of Financial Assets	The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.
Amendment to IFRS 1 <i>Removal of Fixed Dates for First-time Adopters</i>	The amendments replace references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs.
Amendment to IFRS 1 <i>Severe Hyperinflation</i>	The amendments introduce guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

Amendment to IAS 12 <i>Income Taxes</i> relating to Deferred Tax – Recovery of Underlying Assets	The amendment introduces an exception to the general measurement requirements of IAS 12 <i>Income Taxes</i> in respect of investment properties measured at fair value. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset.
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New Standards, Interpretations and amendments to published standards

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2013 and which have not been adopted in these financial statements.

The Company is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application and the impact on the financial statements has not yet been estimated.

These statements, where applicable, will be applied in the year when they are effective.

Standard/Interpretation		Effective date
IFRS 9	Financial Instruments	Annual periods beginning on or after 1 January 2015*
IFRS 10	Consolidated Financial Statements	Annual periods beginning on or after 1 January 2013*
IFRS 11	Joint Arrangements	Annual periods beginning on or after 1 January 2013*
IFRS 12	Disclosure of Interest in Other Entities	Annual periods beginning on or after 1 January 2013*
IFRS 13	Fair Value Measurement	Annual periods beginning on or after 1 January 2013*
IAS 1 amendment	Presentation of items of other comprehensive income	Annual periods beginning on or after 1 July 2012*
IAS 19 amendment	Employee Benefits (2011)	Annual periods beginning on or after 1 January 2013*
IAS 27 amendment	Separate Financial Statements (2011)	Annual periods beginning on or after 1 January 2013*
IAS 28 amendment	Investments in Associates and Joint Ventures (2011)	Annual periods beginning on or after 1 January 2013*
IAS 32 amendment	Financial Instruments: Presentation	Annual periods beginning on or after 1 January 2013*
IFRS 7 amendment	Financial Instruments: Disclosures	Annual periods beginning on or after 1 January 2013*
IFRS 10 amendment	Consolidated Financial Statements (2012)	Annual periods beginning on or after 1 January 2013*
IFRS 12 amendment	Disclosure of Interest in Other Entities (2012)	Annual periods beginning on or after 1 January 2013*
IAS 27 amendment	Separate Financial Statements (2012)	Annual periods beginning on or after 1 January 2013*
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Annual periods beginning on or after 1 January 2013*

*All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

IFRS 9: Financial Instruments

IFRS 9 will be adopted by the Company for the first time for its financial reporting period ending 31 December 2015. 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.

The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

Under IFRS 9, 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, 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 10 Consolidated Financial Statements

IFRS 10 changes the definition of control, such that the same consolidation criteria will apply to all entities. The revised definition focuses on the need to have both "power" and "variable returns" for control to be present. Power is the current ability to direct the activities that significantly influence returns. Variable returns can be positive, negative or both. The determination of power is based on current facts and circumstances (including substantive potential voting rights) and is continuously assessed. An investor with more than half the voting rights would meet the power criteria in the absence of restrictions or other circumstances. However, an investor could have power over the investee even when it holds less than the majority of the voting rights in certain cases. IFRS 10 provides guidance on participating and protective rights, and brings the notion of "de facto" control firmly within the guidance. The standard also requires an investor with decision making rights to determine if it is acting as a principal or an agent and provides factors to consider. If an investor acts as an agent, it would not have the requisite power and, hence, would not consolidate.

The impact on the financial statements for the Company has not yet been estimated.

IFRS 11 Joint Arrangements

IFRS 11 focuses on the rights and obligations of joint arrangements, rather than the legal form (as it is currently the case). It:

- distinguishes joint arrangements between joint operations and joint ventures; and
- always requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity method or proportionate consolidation.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 sets out the required disclosures for entities reporting under IFRS 10 and IFRS 11. The objective of IFRS 12 is to require entities to disclose information that helps financial statement readers to evaluate the nature, risks, and financial effects associated with the entity's involvement with subsidiaries, associates, joint arrangements, and unconsolidated structured entities. Specific disclosures include the significant judgments and assumptions made in determining control as well as detailed information regarding the entity's involvement with these investees.

IFRS 13 Fair Value Measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price.

Amendment to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income

The amendments:

- require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;
- do not change the existing option to present profit or loss and other comprehensive income in two statements; and
- change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, the entity is still allowed to use other titles.

The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard.

Amendment to IAS 19 Employee Benefits

The amendments include:

- Requiring the recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements (eliminating the 'corridor approach' permitted by the existing IAS 19);
- Introducing enhanced disclosures about defined benefit plans;
- Modifying accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits; and
- Clarifying various miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features.

Amendment to IAS 27 Consolidated and Separate Financial Statements

The standard contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The Standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments.

Amendment to IAS 28 Investments in Associates and Joint Ventures

IAS 28 makes the following amendments:

- IFRS 5 applies to an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and
- On cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not re-measure the retained interest.

Amendment to IAS 32 Financial Instruments: Presentation

The amendment clarifies certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off';
- the application of simultaneous realisation and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

Amendment to IFRS 7 Financial Instruments: Disclosures

The amendments require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. These disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

Amendment to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosures of Interests in Other Entities and IAS 27 Separate Financial Statements

The amendments relate to the following:

- provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial

Instruments or IAS 39 Financial Instruments: Recognition and Measurement;

- require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries; and
- require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The interpretation clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognised as an asset, how the asset is initially recognised, and subsequent measurement.

The Interpretation requires stripping activity costs which provide improved access to ore are recognised as a non-current 'stripping activity asset' when certain criteria are met. The stripping activity asset is depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity, using the units of production method unless another method is more appropriate.

4. Determination of fair values

The Company accounting policies and disclosures requires the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Receivables and other receivables

The fair value of other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. Financial risk management

Introduction and preview

Financial instruments carried on the statement of financial position include receivables, other receivables, cash and cash equivalents, 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.

Risk management is carried out by the Board of directors through board meetings. The Company provide principles for overall risk management.

Overview

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

- Market risk
- Credit risk
- Liquidity risk

Market risk

Market risk represents the potential loss that can be caused by a change in the market value of financial instruments. The Company's exposure to market risk is determined by a number of factors, including interest rates, foreign currency exchange rates and market volatility. The Company conducts its investment operations in a manner that seeks to exploit the potential gains in the market, while limiting its exposure to market declines.

- Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company has no significant exposure to interest rate risk other than relating to its bank balances.

- Currency risk**

The Company has no currency risk as all its transactions are denominated in United States Dollar (USD).

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 assets 2013 USD	Financial liabilities 2013 USD	Financial assets 2012 USD	Financial liabilities 2012 USD
USD	1,111,321	282,171	2,175,895	578,964
GBP	544,056	-	1,001,518	-
HKD	432,378	-	1,004,746	-
	<u>2,087,755</u>	<u>282,171</u>	<u>4,182,159</u>	<u>578,964</u>

Sensitivity Analysis:

A 10 % strengthening of USD against the following currencies at 31st March 2013 would have increased net profit before tax by USD 97,644 (2012: USD 200,627). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as in 2012.

Currency	2013 USD	2012 USD
GBP	54,406	100,152
HKD	43,238	100,475
Total	<u>97,644</u>	<u>200,627</u>

Similarly a 10% weakening of the USD against the above currencies at 31st March 2013 would have had the exact reverse effect.

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:

	2013 USD	2012 USD
Receivables	1,404,056	3,519,581
Other receivables	541,028	653,077
Cash and cash equivalents	142,671	9,501
	<u>2,087,755</u>	<u>4,182,159</u>

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to manage liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Company's reputation.

Within one year USD	One to five years USD
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31 March 2013
Financial liabilities

Other payables	282,171	-
Total Financial liabilities	<u>282,171</u>	<u>-</u>

31 March 2012
Financial liabilities

Other payables	578,964	-
Total Financial liabilities	<u>578,964</u>	<u>-</u>

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 2013 USD	Fair value 2013 USD	Carrying Amount 2012 USD	Fair value 2012 USD
Financial Assets				
Receivables	1,404,056	1,404,056	3,519,581	3,519,581
Other receivables	541,028	541,028	653,077	653,077
Cash and cash equivalents	142,671	142,671	9,501	9,501
Total Financial Assets	<u>2,087,755</u>	<u>2,087,755</u>	<u>4,182,159</u>	<u>4,182,159</u>
Financial Liabilities				
Other payables	282,171	282,171	578,964	578,964

6. Revenue

Revenue consists of:

	2013 USD	2012 USD
Marketing income	4,378,596	3,139,112

7. Net finance income

	2013 USD	2012 USD
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Finance Income

Interest received on loan	35,080	35,849
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Finance Costs

Interest paid on loan	-	(10,511)
Net finance income	<u>35,080</u>	<u>25,338</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 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

	2013 USD	2012 USD
Income tax expense	1,968	410
	<u>1,968</u>	<u>410</u>

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

Global Textiles Group Limited
Reconciliation of effective taxation

	2013 USD	2012 USD
Profit before taxation	65,614	11,847
Income tax at 15%	9,842	1,777
Unauthorised deductions	-	-
Tax credit	(7,874)	(1,422)
Deferred tax asset not recognised	-	55
Income tax as per statement of comprehensive income	1,968	410
Less tax paid under APS	(1,081)	-
Current tax liability	887	410

9. Investments

Investments consist of unquoted shares

	2013 USD	2012 USD
Cost		
At 01 April	2,500,000	6,895,833
Disposal during the year	-	(4,395,833)
At 31 March	2,500,000	2,500,000

Name of company	Type of shares	Number of shares	2013 % held	2012 % held	Country of incorporation
Poeticgem Limited	Equity	50,000	100	100	United Kingdom

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

	2013 USD	2012 USD
Unsecured, interest free loan to subsidiaries with no fixed repayment terms	1,404,056	3,519,581

11. Other receivables

	2013 USD	2012 USD
Loan to related parties	541,028	653,077
Prepayments	678	4,469
	541,706	657,546

12. Stated capital

	2013 USD	2012 USD
Stated capital		
5,771,556 ordinary shares of USD 1 each	5,771,556	5,771,556
Buyback of 1,784,290 ordinary shares	(1,784,290)	-
3,987,266 ordinary shares of USD 1 each	3,987,266	5,771,556

All shares in issue are fully paid up.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

13. Other payables

	2013 USD	2012 USD
Non-trade payables and accrued expenses	282,171	99,489
Loan from related party	-	350,000
Management fees payables	-	111,400
Advance from related company	-	18,075
	282,171	578,964

14. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subject to common control.

One director of the Company is deemed to have beneficial interests in the Administration Agreement between the Company, the Administrator and Secretary.

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

	Nature	2013 USD	2012 USD
Name of related parties:			
Multinational Textiles Group Limited	Loan advanced	500,000	-
Multinational Textiles Group Limited	Corporate Service fees accrued	125,000	-
Multinational Textiles Group Limited	Corporate Service fee repaid	125,000	-
Multinational Textiles Group Limited	Loan repaid	-	2,487,351
Multinational Textiles Group Limited	Advances given	-	1,865,525
Multinational Textiles Group Limited	Buy back of shares	1,865,525	-
Multinational Textiles Group Limited	Management fees accrued	-	90,000
Multinational Textiles Group Limited	Management fees paid	111,400	120,000
Multinational Textiles Group Limited	Interest accrued	-	26,344
Multinational Textiles Group Limited	Interest paid	-	87,957
Norwest Industries Limited	Marketing fees accrued	3,870,745	2,610,882
Norwest Industries Limited	Marketing fees received	3,693,113	2,610,882
PG Group	Marketing fees accrued	328,850	257,790
PG Group	Marketing fees received	328,850	257,790
Simple Approach Limited	Marketing fees accrued	229,780	51,961
Simple Approach Limited	Marketing fees received	129,780	51,961
Poeticgem Limited	Marketing fees received	-	254,325
Poeticgem Limited	Interest accrued	35,080	35,849
Poeticgem Limited	Interest received	123,892	-
Pearl Global (HK) Limited	Loan repaid	750,000	-
Pearl Global (HK) Limited	Loan assigned from Depa International	-	750,000
Pearl Global (HK) Limited	Corporate Service fees accrued	210,299	-
Pearl Global (HK) Limited	Amount due	-	4,395,833
Pearl Global (HK) Limited	Amount received	-	4,395,833
JSM Trading Limited	Loan repaid	300,000	-
Pallas Holdings Limited	Loan repaid	368,075	-
Depa International	Loan assigned to Pearl Global (HK) Limited	-	750,000
Balances outstanding at 31 March:			
Multinational Textiles Group Limited	Loan receivable	500,000	-
Multinational Textiles Group Limited	Amount receivable	-	1,865,525
Multinational Textiles Group Limited	Management fees payable	-	111,400
Pallas Holdings Limited	Interest payable	61,047	61,047
Pallas Holdings Limited	Loan payable	-	368,075
Transnational Textiles Group Limited	Loan payable	500	500

	Nature	2013 USD	2012 USD
Norwest Industries Limited	Marketing fees receivable	432,378	254,746
Poeticgem Limited	Loan receivable	904,056	904,056
Poeticgem Limited	Interest receivable	8,650	97,462
Pearl Global (HK) Limited	Loan receivable	-	750,000
JSM Trading Limited	Loan receivable	-	300,000
Simple Approach Limited	Marketing fees receivable	100,000	-

15. Capital management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern. As the Company is part of a larger group, the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

The Company defines "capital" as including all components of equity. Trading balances that arise as a result of trading transactions with other group Companies are not regarded by the Company as capital.

The Company's capital structure is regularly reviewed and managed with due regard to the capital management practices of the group to which the Company belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Company or the group. The results of the directors' review of the Company's capital structure are used as a basis for the determination of the level of dividends, if any, that are declared.

16. 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.

17. 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 Pearl Global Industries Limited (formerly House of Pearl Fashions Ltd) a Company incorporated in India.

Statement of Comprehensive income for the year ended 31 March 2013

	2013 USD	2012 USD
Revenue		
Marketing income	4,378,596	3,139,112
Expenses		
Consultancy fees	3,950,797	2,960,694
Corporate service fees	335,299	-
Bank charges	34,876	31,139
Audit and accounting fees	15,750	13,450
Professional fees	4,307	24,519
Administration charges	2,875	3,505
Licence fees	1,955	1,750
Telephone, fax and courier charges	1,505	1,000
Sundries	698	496
Management fees	-	116,050
	4,348,062	3,152,603
Profit/(loss) before taxation	30,534	(13,491)
Finance income	35,080	35,849
Finance cost	-	(10,511)
Profit before taxation	65,614	11,847

Poeticgem Limited

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2013

The directors present their report and the audited financial statements for the year ended 31 March 2013.

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 revenue and net profit. Despite the current economic market conditions, the company has improved its financial results over the last year; revenue has increased by £5,702,644 (growth of 23.9%) over the last year whilst profit before tax in 2012 of £757,843 has improved to £1,024,079.

Other key financial performance indicators can be summarised as follows:

i)	Improvement and efficiency of asset usage	2013	2012
a)	Average credit period for trade receivables	61 days	143 days
b)	Stock turnover days	10 days	20 days
ii)	Financial stability of the company	2013	2012
	Working capital ratio	1.11:1	1.09:1
	Liquidity ratio	1.03:1	1.01:1

Average credit period for trade receivables has reduced because spread of annual turnover was not concentrated in the last quarter of the year as was in previous year. Other 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 and borrowings from group companies. 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.

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 Pearl Global Industries 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 performances by suppliers.

At the year end, the company had 21 days (2012: 26 days) of purchases outstanding.

Results and dividends

The company's profit for the year after taxation was £802,176 (2012: £494,358).

The directors do not recommend the payment of a dividend.

Directors

The following directors have held office since 1 April 2012:

Mr Anuj Banaik
Mrs Payel Seth
Mrs Faiza Seth

Charitable and political donations

	2013	2012
	£	£
During the year the company made the following charitable donations:		
Sainsbury Masquerade Ball	–	2,640
Peter Black Charitable Trust	–	1,000
Save the Children	–	–
Various charitable organisations for cancer research	–	500
Graduate Fashion Week	25,000	–
Other small charitable payments ^(a)	2,962	1,928
	27,962	6,068

^(a)These payments were made to various charitable organisations such as Banana Bunch and Tree of Light. The company does not make donations to political parties.

Auditor

The auditors, UHY Hacker Young, are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the 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 year. In preparing these financial statements, the directors are required to:

Statement of directors' responsibilities (continued)

- 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 Anuj Banaik
Director

8 May 2013

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF POETICGEM LIMITED FOR THE YEAR ENDED 31 MARCH 2013

We have audited the financial statements of Poeticgem Limited for the year ended 31 March 2013, 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).

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.

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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2013 and of its profit for the year then ended:
- have been properly prepared in accordance with IFRSs as adopted by the EU and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by 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 required 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/-

Vinodkumar Vadgama
(Senior Statutory Auditor)

for and on behalf of UHY Hacker Young
Chartered Accountants
Statutory Auditor
9 May 2013

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2013

		Year ended 31 March 2013 £	Year ended 31 March 2012 £
Notes			
Continuing operations			
Revenue	4	29,570,356	23,867,712
Cost of revenue		(19,605,257)	(15,133,470)
Gross profit		9,965,099	8,734,242
Other income	5	1,100,147	1,905,244
Distribution costs		(3,509,436)	(2,633,277)
Administrative expenses		(6,302,930)	(7,022,009)
Operating profit	6	1,252,880	984,200
Finance income	8	1,056	2,337
Finance costs	9	(229,857)	(227,694)
Amounts written off investments	10	–	(1,000)
Profit for the year before taxation		1,024,079	757,843
Taxation	11	(221,903)	(263,485)
Profit for the financial year	26	802,176	494,358
Other comprehensive income			
Net effect of cash flow hedges	25	(524,786)	109,270
Total comprehensive income for the year		277,390	603,628

None of the company's activities were discontinued in the year.

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2013

	Notes	Year ended 31 March 2013 £	Year ended 31 March 2012 £
Non current assets			
Property, plant and equipment	12	2,702,773	2,783,978
Investments in subsidiaries	13	8,074,489	8,074,489
Other investments	14	399,717	355,073
Trade and other receivables	16	849,501	700,202
		12,026,480	11,913,742

Poeticgem Limited

	Notes	Year ended 31 March 2013 £	Year ended 31 March 2012 £
Current assets			
Inventories	15	567,055	853,153
Trade and other receivables	16	7,035,812	10,418,441
Other financial assets	20	–	241,859
Cash and cash equivalents		614,005	840,536
		8,216,872	12,353,989
Total assets		20,243,352	24,267,731
Current liabilities			
Trade and other payables	17	(6,392,540)	(6,430,300)
Current tax liabilities		(241,644)	(256,363)
Borrowings	18	(493,982)	(4,650,059)
Other financial liabilities	20	(282,927)	–
Hire purchase contracts and finance leases	19	–	(3,553)
		(7,411,093)	(11,340,275)
Net current assets		805,779	1,013,714
Non current liabilities			
Other payables		(3,287)	(26,074)
Borrowings	18	(5,461,054)	(5,461,054)
Deferred tax liabilities	23	(973)	(350,773)
		(5,465,314)	(5,837,901)
Total liabilities		(12,876,407)	(17,178,176)
Net assets		7,366,945	7,089,555
Shareholders' equity			
Share capital	24	50,000	50,000
Other reserves	25	(282,927)	241,859
Retained earnings	26	7,599,872	6,797,696
Total equity		7,366,945	7,089,555

The financial statements were approved by the board of directors and authorised for issue on 8 May 2013 and were signed on its behalf by:

Mr Anuj Banaik
Director
Company Registration No. 02608346

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2013

	Share capital £	Other reserves £	Retained earnings £	Total £
Balance at 1 April 2011	50,000	132,589	6,303,338	6,485,927
Total comprehensive income for the year	–	109,270	494,358	603,628
Balance at 1 April 2012	50,000	241,859	6,797,696	7,089,555
Total comprehensive income for the year	–	(524,786)	802,176	277,390
Balance at 31 March 2013	50,000	(282,927)	7,599,872	7,366,945

The notes on pages 13 to 42 form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 £	2012 £
Cash flows from operating activities			
Cash generated by/ (used in) operations	30	5,030,069	(153,731)
Finance costs		(229,857)	(227,694)
Finance income		1,056	2,337
Net cash generated by/ (used in) operating activities		4,801,268	(379,088)
(Payment)/refund of income taxes		(586,422)	217,457

	Note	2013 £	2012 £
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		–	65,226
Payments to acquire property, plant and equipment		(146,820)	(132,394)
Purchases of available-for-sale finance assets		(44,644)	(81,870)
Acquisition of subsidiary		–	(2)
Net cash used in investing activities		(191,464)	(149,040)
Cash flows from financing activities			
Repayment of borrowings		(4,156,077)	–
Proceed of advances from debt factoring		–	1,473,707
Capital element of hire purchase contracts repayments		(3,553)	(85,774)
Net cash (used in)/ generated by financing activities		(4,159,630)	962,189
Net (decrease)/ increase in cash and cash equivalents		(136,248)	651,518
Cash and cash equivalents at the start of the year		741,424	89,906
Cash and cash equivalents at the end of the year		605,176	741,424
		2013 £	2012 £
Cash and cash equivalents comprise:			
Cash at bank and in hand		614,005	840,536
Bank overdrafts		(8,829)	(99,112)
		605,176	741,424

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013
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 environments in which the company operates.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (EU) (together IFRSs), and the Companies Act 2006 applicable to companies reporting under IFRSs.

2.1 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by Section 401 of the Companies Act 2006 as it is a subsidiary undertaking of Multinational Textile Group Limited, a company incorporated in Mauritius, and is included in the consolidated accounts of that company.

2.2 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.	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

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 provisions.

– Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profits 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

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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

2.9 Foreign currencies

Transactions in currencies other than in 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.

2.10 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 operating 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 appropriated 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 assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available-for-sale financial assets are stated at fair value.

• 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.

Poeticgem Limited

• 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 profit and loss.

Hedge effectiveness testing is carried out retrospectively and prospectively and where ineffectiveness arises on hedged item, the changes in fair value are taken directly to the statement of comprehensive income for the year.

2.12 New IFRSs and interpretations not applied

The IASB has issued the following standards and interpretations which have been endorsed by the European Union to be applied to financial statements with periods commencing on or after the following dates:

	Effective for period beginning on or after
IAS 27 Separate Financial Statements (2011).	1 January 2013
IAS 28 Investments in Associates and Joint Ventures (2011)	1 January 2013
IFRS 9 Financial Instruments	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement.	1 January 2013
Amendments to IAS 19 Employee Benefits	1 January 2013
Amendments to IAS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
Annual improvements to IFRSs (2009 – 2011)	1 January 2013

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the financial statements in the period of initial application and have decided not to adopt early.

3. Significant judgements and estimates

The preparation of the company's financial statements in conforming with IFRSs requiring 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) Revenue 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:

	2013 £	2012 £
Sale of garments	20,266,047	15,565,880
Commission receivable	9,304,309	8,301,832
	<u>29,570,356</u>	<u>23,867,712</u>

Analysis of revenue by geographical market and customer location are as follows:

	2013 £	2012 £
UK	17,751,811	14,829,108
Rest of the World	9,329,816	8,301,832
Europe	2,488,729	736,772
	<u>29,570,356</u>	<u>23,867,712</u>

5. Other income

	2013 £	2012 £
Rent receivable	149,526	149,526
Exchange gain	100,059	244,882
Corporate income	194,143	683,856
Design income	–	611,724
Sundry income	656,419	215,256
	<u>1,100,147</u>	<u>1,905,244</u>

6. Operating profit

Operating profit has been arrived at After charging/(crediting):

	2013 £	2012 £
Staff costs (see note 7)	4,078,166	4,185,780
Depreciation of property, plant and equipment	228,023	316,379
Loss on disposal of property, plant and equipment	–	17,686
Operating lease rentals	224,626	239,758
Hire of equipment	2,398	6,109
Profit on foreign exchange transactions	(100,059)	(244,882)
Fees payable to auditors:		
Audit of annual financial statements	25,000	55,000
Other services – review of the interim financial statements	16,000	10,666
Other services relating to taxation	8,350	3,500
Other services	7,558	5,250

7. Staff numbers and costs

The payroll costs (including directors) were as follows:

	2013 £	2012 £
Staff wages and salaries	3,560,523	3,608,313
Directors' remuneration	100,000	152,500
Social security costs	417,643	424,967
	<u>4,078,166</u>	<u>4,185,780</u>

The average number of employees (including directors) during the year was:

	2013 Number	2012 Number
Designers	28	41
Sales	27	46
Management and administration	24	15
Quality control	13	13
	<u>92</u>	<u>115</u>

Directors' emoluments

	£	£
Emoluments for qualifying services	118,509	173,023

8. Finance income

	2013 £	2012 £
Interest income on bank deposits	1,056	2,337

9. Finance costs

	2013 £	2012 £
Interest on borrowings	219,235	224,420
Interest on obligations under hire purchase and lease contracts	105	3,274
Interest on overdue tax	10,517	-
	<u>229,857</u>	<u>227,694</u>

10. Amounts written off investments

	2013 £	2012 £
Permanent diminution in value of investments	-	1,000

11. Taxation for the period

	2013 £	2012 £
Current tax expense:		
UK corporation tax:	232,658	251,076
Deferred tax:		
Origination and reversal of temporary differences	(10,755)	12,409
Income tax expenses	<u>221,903</u>	<u>263,485</u>
Reconciliation of current tax expenses to accounting profit:	2013	2012
Profit before taxation	1,024,079	757,843
Notional taxation charge at the UK corporation tax rate of 24% (2012: 26%)	245,779	197,039
Tax effects of:		
Expenses not deductible for tax purposes	17,919	23,954
Excess depreciation over capital allowances	29,751	29,677
Adjustments in respect of prior years	-	-
Other tax adjustments	-	406
Tax losses surrendered from group company	(60,791)	-
Total current charge for the year	<u>232,658</u>	<u>251,076</u>

12. Property, plant and equipment

	Land and Buildings Freehold £	Land and buildings leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost						
At 1 April 2012	2,436,537	602,093	712,487	763,927	27,947	4,542,991
Additions	-	-	116,161	30,657	-	146,818
Disposals	-	-	-	-	(25,031)	(25,031)
At 31 March 2013	<u>2,436,537</u>	<u>602,093</u>	<u>828,648</u>	<u>794,584</u>	<u>2,916</u>	<u>4,664,778</u>
Accumulated depreciation						
At 1 April 2012	129,342	515,889	497,553	593,502	22,727	1,759,013
Charge for the year	24,365	58,714	82,676	58,669	3,599	228,023
On disposals	-	-	-	-	(25,031)	(25,031)
At 31 March 2013	<u>153,707</u>	<u>574,603</u>	<u>580,229</u>	<u>652,171</u>	<u>1,295</u>	<u>1,962,005</u>
Carrying amount						
At 31 March 2013	<u>2,282,830</u>	<u>27,490</u>	<u>248,419</u>	<u>142,413</u>	<u>1,621</u>	<u>2,702,773</u>
At 31 March 2012	<u>2,307,195</u>	<u>86,204</u>	<u>214,934</u>	<u>170,425</u>	<u>5,220</u>	<u>2,783,978</u>

Included in the above are assets held under finance leases and hire purchase contracts as follows:

	Motor vehicles	
	2013 £	2012 £
Cost	-	25,031
Aggregate depreciation	-	(22,242)
Carrying amount	<u>-</u>	<u>2,789</u>

Security

Properties with a carrying value of £2,282,830 (2012: £2,307,195) are subject to a legal charge to secure bank loans (see note 18).

	Land and Buildings Freehold £	Land and buildings leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost						
At 1 April 2011	2,436,537	602,093	602,906	744,031	245,654	4,631,221
Additions	-	-	109,581	19,896	2,916	132,393
Disposals	-	-	-	-	(220,623)	(220,623)
At 31 March 2012	<u>2,436,537</u>	<u>602,093</u>	<u>712,487</u>	<u>763,927</u>	<u>27,947</u>	<u>4,542,991</u>
Accumulated depreciation						
At 1 April 2011	104,976	387,910	419,836	541,683	125,941	1,580,346
Charge for the year	24,366	127,979	77,717	51,819	34,498	316,379
On disposals	-	-	-	-	(137,712)	(137,712)
At 31 March 2012	<u>129,342</u>	<u>515,889</u>	<u>497,553</u>	<u>593,502</u>	<u>22,727</u>	<u>1,759,013</u>
Carrying amount						
At 31 March 2012	<u>2,307,195</u>	<u>86,204</u>	<u>214,934</u>	<u>170,425</u>	<u>5,220</u>	<u>2,783,978</u>
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>

Included in the above are assets held under finance leases and hire purchase contracts as follows:

	Motor vehicles	
	2012 £	2011 £
Cost	25,031	210,974
Aggregate depreciation	(22,242)	(99,668)
Carrying amount	<u>2,789</u>	<u>111,306</u>

Poeticgem Limited

Security

Properties with a carrying value of £2,307,195 (2011: £2,331,561) were subject to a legal charge to secure bank loans (see note 18).

13. Investments in subsidiaries

	Shares in Subsidiary undertakings	
	2013	2012
	£	£
Cost		
At the beginning of the year	8,074,489	8,075,487
Additions during the year	–	2
Cost written down	–	(1,000)
At the end of the year	8,074,489	8,074,489

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	Class	Shares held %
Subsidiary undertakings			
Pacific Logistics Limited	England and Wales	Ordinary	100
Poeticgem (Canada) Limited	Canada	Ordinary	100
Poetic Knitwear Limited	England and Wales	Ordinary	100
FX Import Company Limited	England and Wales	Ordinary	75
FX Import Hong Kong Limited	Hong Kong	Ordinary	75
Razamtazz Limited	Mauritius	Ordinary	100

The aggregate amount of capital and reserves and the results of the undertakings at 31 March 2013 were as follows:

	Capital and reserves	Profit/ (loss) for the period
	£	£
Pacific Logistics Limited	57,331	(63,437)
Poeticgem (Canada) Limited	141,154	74,498
Poetic Knitwear Limited	(691,228)	138
FX Import Company Limited	(922,935)	(284,914)
FX Import Hong Kong Limited	177,910	101,139
Razamtazz Limited	5,697,554	(210,915)

14. Other investments

	2013	2012
	£	£
• Available-for-sale:		
At start of the year	355,073	273,203
Additions during the year	26,145	80,125
Net profit/ (loss) – exchange difference	18,499	1,745
At the end of the year	399,717	355,073

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.

15. Inventories

	2013	2012
	£	£
Finished goods and goods for resale	567,055	853,153

16. Trade and other receivables

	2013	2012
	£	£
Current assets		
Trade receivables	3,413,350	6,044,392
Other receivables	656,940	867,650
Receivables from fellow group companies	778,566	1,356,073
Receivables from subsidiary companies	1,837,505	1,530,532
Prepaid expenses	340,978	256,842
Receivables from related parties	8,473	362,952
	7,035,812	10,418,441

Non-current assets

	2013	2012
	£	£
Other receivables	396,384	234,532
Receivables from subsidiary companies	453,117	465,670
	849,501	700,202

The average credit period given for trade receivable at the end of the year is 61 days (2012: 143 days).

At 31 March 2013, the ageing analysis of trade receivables is as follows:

	Overdue but not impaired		
	Total	<3 months	>3 months
	£	£	£
2013	304,287	188,444	115,843
2012	1,149,075	1,142,285	6,790

All the 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 £Nil (2012: £500,001) which is included in other receivables.

17. Trade and other payables

	2013	2012
	£	£
Trade payables	1,139,675	1,071,581
Payables to fellow group companies	4,599,542	4,439,054
Payables to subsidiary companies	–	35,938
Payable to related parties	3,253	391,395
Social security and other taxes	217,790	239,518
Other payables	–	2,517
Accrued expenses	432,280	250,297
	6,392,540	6,430,300

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.

18. Borrowings

	2013 £	2012 £
Bank overdrafts	121,398	99,112
Bank loans	5,084,225	7,075,777
Advances from factors	188,359	2,375,170
Loan from parent undertaking	561,054	561,054
	<u>5,955,036</u>	<u>10,111,113</u>

The borrowings are repayable as follows:

On demand or within one year	493,982	4,650,059
In the second year	–	–
In the third to fifth years inclusive	5,461,054	5,461,054
	<u>5,955,036</u>	<u>10,111,113</u>

Less: Amount due for settlement within 12 months

(shown under current liabilities)

(493,982) (4,650,059)

Amount due for settlement after 12 months

5,461,054 5,461,054

The weighted average of interest rates paid was as follows:

	2013 %	2012 %
Bank overdrafts	3.29	2.50
Bank loans	2.72	2.94

Bank loans are arranged at floating rates, thus exposing the company to cash flow interest rate risk.

The other principal features of the company's borrowings are as follows:

- Bank overdrafts are repayable on demand. The average effective interest rate on bank overdrafts approximates to 3.29 percent per annum and is determined based on 2.79 percent plus base rate.
- The company's bank loans are secured by a legal charge over the freehold property at Teleflex Plot, Burnleys, Kiln Farm, Milton Keynes and 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 2.72 percent per annum and is determined based on 2.17 percent plus base rate.

At 31 March 2013 the company had available £5,185,103 (2012: £2,389,206) 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 (2012: £561,054) 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.

19. Hire purchase contracts and finance leases

	2013 £	2012 £
Amounts payable are as follows:		
Within one year	–	4,061
In the second to fifth years	–	–
Less: Future interest charges	–	(508)
Present value of the obligations	–	3,553
Less: Amount due for settlement within 12 months		
(shown under current liabilities)	–	(3,553)
Amount due for settlement after 12 months	<u>–</u>	<u>–</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.

20. Derivative financial instruments

	2013 £	2012 £
Forward foreign exchange (fair value)	<u>(282,927)</u>	<u>241,859</u>

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 2013, a recognised loss of £282,927 (2012: gain of £241,859) was included in the hedging reserves in respect of these contracts.

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

	2013 £	2012 £
Forward foreign exchange contracts (cash flow hedges)	<u>8,142,488</u>	<u>15,848,109</u>

These commitments have been entered into to hedge against future payments to suppliers in the ordinary course of business that will fall due in the period ending 31 March 2014.

Poeticgem Limited

21. 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 £	2013 Total £
Financial assets					
Available-for-sale investments	–	399,717	–	–	399,717
Other long-term receivables	–	–	396,884	–	396,884
Trade receivables	–	–	3,413,350	–	3,413,350
Other receivables	–	–	656,940	–	656,940
Receivables from fellow group companies	–	–	778,566	–	778,566
Receivables from subsidiary companies	–	–	2,290,622	–	2,290,622
Receivables from related parties	–	–	8,473	–	8,473
Cash and cash equivalents	–	–	614,005	–	614,005
Total financial assets	–	399,717	8,158,840	–	8,558,557
Financial liabilities					
Trade payables, other payables and accruals-current	–	–	–	1,571,955	1,571,955
Other payables-not current	–	–	–	3,287	3,287
Secured borrowings	–	–	–	5,393,982	5,393,982
Payable to immediate parent company	–	–	–	561,054	561,054
Payables to fellow group companies	–	–	–	4,599,542	4,599,542
Payables to related parties	–	–	–	3,253	3,253
Derivative financial liabilities	282,927	–	–	–	282,927
Total financial liabilities	282,927	–	–	12,133,073	12,416,000

The carrying amounts of each of the categories of financial instruments as at last year's 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 £	2012 Total £
Financial assets					
Available-for-sale investments	–	355,073	–	–	355,073
Other long-term receivables	–	–	234,532	–	234,532
Trade receivables	–	–	6,044,392	–	6,044,392
Other receivables	–	–	867,650	–	867,650
Receivables from fellow group companies	–	–	1,356,073	–	1,356,073
Receivables from subsidiary companies	–	–	1,996,202	–	1,996,202
Receivables from related parties	–	–	362,952	–	362,952
Cash and cash equivalents	–	–	840,536	–	840,536
Derivative financial assets	241,859	–	–	–	241,859
Total financial assets	241,859	355,073	11,702,337	–	12,299,269
Financial liabilities					
Hire purchase contracts and finance leases	–	–	–	3,553	3,553
Trade payables, other payables and accruals-current	–	–	–	1,324,395	1,324,395
Other payables-not current	–	–	–	26,074	26,074
Secured borrowings	–	–	–	9,550,059	9,550,059
Payable to immediate parent company	–	–	–	561,054	561,054
Payables to fellow group companies	–	–	–	4,439,054	4,439,054
Payables to subsidiary companies	–	–	–	35,938	35,938
Payables to related parties	–	–	–	391,395	391,395
Total financial liabilities	–	–	–	16,331,522	16,331,522

22. Financial risk management objectives and policies

The company's exposure to interest rate risk, foreign currency risk, credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the company's financial management policies and practices described below:

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 ($\pm 0.25\%$), 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 £
2013		
Increase in basis point of 0.25%	(13,485)	(13,485)
Decrease in basis point of 0.25%	13,485	13,485
2012		
Increase in basis point of 0.25%	(23,875)	(23,875)
Decrease in basis point of 0.25%	23,875	23,875

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 87% (2012: 86%) of the company's purchases are denominated in currencies other than the functional currency of the company, whilst almost all of the company's sales are denominated in the company's functional currency.

The company uses forward currency contracts to eliminate the foreign currency exposures on its 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 maximize 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 2013, 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 2013, the company held 16 forward currency contracts (2012: 51) 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 at the balance sheet date to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	US dollar \$
At 31 March 2013	
Other investments	607,250
Trade and other receivables	839,606
Cash and cash equivalents	895,617
Trade payables	(1,106,393)
Borrowings	(279,875)
Net exposure arising from recognised assets and liabilities	<u>956,205</u>

US dollar
\$

At 31 March 2012

Other investments	566,200
Trade and other receivables	1,371,588
Cash and cash equivalents	764,535
Trade payables	(646,447)
Other payables	(61,729)
Borrowings	(2,205,795)
Net exposure arising from recognised assets and liabilities	<u>(211,648)</u>

ii) Sensitivity analysis

The company is exposed to a number of foreign currencies. The most significant transactional currency exposure 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 \$
2013		
10% weakened	(95,621)	(95,621)
10% strengthened	95,621	95,621
2012		
10% weakened	21,165	21,165
10% strengthened	(21,165)	(21,165)

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.

d) Liquidity risk

The company's policy is to hold financial instruments and financial assets (eg. 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 and group borrowings, 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.

Poeticgem Limited

The maturity profile of the company's 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 £	2013 Total £
Trade payables	1,139,675	–	–	1,139,675
Other payables	432,280	–	3,287	435,567
Social security and other taxes	217,790	–	–	217,790
Borrowings	493,982	–	5,461,054	5,955,036
Payables to fellow group companies	4,599,542	–	–	4,599,542
Payables to related parties	3,253	–	–	3,253
	<u>6,886,522</u>	<u>–</u>	<u>5,464,341</u>	<u>12,350,863</u>

	Within 1 year or on demand £	More than 1 year but less than 2 years £	More than 2 years £	2012 Total £
Trade payables	1,071,581	–	–	1,071,581
Other payables	252,814	–	26,074	278,888
Borrowings	4,650,059	–	5,461,054	10,111,113
Hire purchase contracts & finance leases	3,553	–	–	3,553
Social security and other taxes	239,518	–	–	239,518
Payables to fellow group companies	4,439,054	–	–	4,439,054
Payables to subsidiary companies	35,938	–	–	35,938
Payables to related parties	391,395	–	–	391,395
	<u>11,083,912</u>	<u>–</u>	<u>5,487,128</u>	<u>16,571,040</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.

23. Deferred tax liabilities

The analysis of deferred tax liabilities is as follows:

	2013 £	2012 £
Deferred tax liabilities	(973)	(350,773)
This gross movement on the deferred tax account is as follows:		
At the start of the year	(350,773)	(338,364)
Credited/ (charged) to statement of comprehensive income	10,755	(12,409)
Paid in the year	339,045	–
At the end of the year	<u>(973)</u>	<u>(350,773)</u>

The movement in deferred tax liabilities during the year is as follows:

	Decelerated/ (accelerated) tax depreciation £	Rolled-over and held over gains £	Total £
At 1 April 2011	681	(339,045)	(338,364)
Tax credit to statement of comprehensive income	(12,409)	–	(12,409)
At 31 March 2012	(11,728)	(339,045)	(350,773)
Tax charge to statement of comprehensive income	10,755	–	10,755
Paid in the year	–	339,045	339,045
At 31 March 2013	<u>(973)</u>	<u>–</u>	<u>(973)</u>

24. Share capital

	2013 £	2012 £
Issued and fully paid		
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

25. Other reserves

Hedging reserve

	2013 £	2012 £
Cash flow hedges:		
Fair value at the start of the year	(241,859)	(132,589)
Transfer to Profit & Loss	241,859	132,589
Fair value of cash flow hedges	<u>282,927</u>	<u>(241,859)</u>
Fair value at the end of the year	<u>282,927</u>	<u>(241,859)</u>

26. Retained earnings

	2013 £	2012 £
Balance at the start of the year	6,797,696	6,303,338
Profit for the financial year	802,176	494,358
Balance at the end of the year	<u>7,599,872</u>	<u>6,797,696</u>

27. Operating lease arrangements

	2013 £	2012 £
Minimum lease payments under operating leases recognised in the statement of comprehensive income for the year	<u>224,626</u>	<u>239,758</u>

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings		Other	
	2013 £	2012 £	2013 £	2012 £
Within one year	178,080	68,655	54,164	83,595
Between two and five years	676,800	–	18,738	72,902
More than five years	239,900	–	–	–
	<u>1,094,780</u>	<u>68,655</u>	<u>72,902</u>	<u>156,497</u>

Operating lease payments represent rentals payable by the company.

28. Contingent liabilities

At 31 March 2013, the company had the following contingent liabilities:

The company's bankers, HSBC plc have given the following guarantee on behalf of the company:

HM Revenue and Customs	£500,000
RBS PLC	£3,766,633

The company has extended an Unlimited Multilateral Guarantee on 28 August 2012 to its subsidiaries, Pacific Logistics Limited and FX Import Company Limited.

The bank has a fixed and floating charge over the assets of the company which is supported by a debenture dated 11 September 2012.

29. Capital commitments

Capital commitments contracted for at the balance sheet date but not yet incurred are as follows:

	2013		2012	
	\$	£	\$	£
Non-current asset investments	<u>382,750</u>	<u>258,524*</u>	<u>433,800</u>	<u>272,043*</u>

Amounts have been translated at the exchange rate prevailing at the balance sheet date.

31. Related party transactions**a) Transactions with related companies**

During the year, the company entered into the following transactions with related parties:

	Sales/management fee FOB transfers/rent/ commissions interest received		Commission interest paid/ purchased/expenses		Amounts owed by related party		Amounts owed to related party	
	2013 £	2012 £	2013 £	2012 £	2013 £	2012 £	2013 £	2012 £
FX Import Company Limited, UK	399,809	–	–	–	828,261*	504,838*	–	–
Global Textile Group Limited, Mauritius	–	–	22,528	22,406	–	–	566,748 •	622,175 •
Pearl Global Industries Limited, India	–	–	273,663	39,600	–	12,875	273,663	–
House of Pearl Fashions Limited, USA	–	–	–	–	–	–	–	609
Norp Knit Industries Limited, Bangladesh	–	–	–	–	–	130,816	–	–
Norwest Industries Limited, HK	9,534,928	8,549,914	2,933,214	1,940,609	–	–	2,392,215	4,377,325
Pacific Logistics Limited, UK	86,005	76,735	940,724	967,434	476,361	505,921	–	–
Pearl Global Limited, India	–	–	–	–	–	52,120	–	–
Poeticgem (Canada) Limited, Canada	19,108	18,576	–	–	170,533	106,426	–	–
Poetic Knitwear Limited, UK	–	–	–	–	754,291 ▲	879,017 ▲	–	–
Simple Approach Limited, Hong Kong	4,764	–	–	–	–	135,204	3,258	–
Spring Near East Manufacturing Limited, Hong Kong	–	–	78,500	–	70,405	171,080	–	–
Razamtazz Limited, Mauritius	135,228	144,522	–	–	61,176	–	–	35,938
Zamira Fashion Limited, Hong Kong	–	–	1,545,542	–	–	123,753	698,957	–
Gem Australia, Hong Kong	8,327	–	–	–	12,382	–	–	–
Nor India Manufacturing Limited, Hong Kong	–	–	–	–	594	–	–	–
Nor Lanka Manufacturing Limited, Hong Kong	41,499	611,724	2,209,486	–	–	314,784	1,225,755	–
NAFS Limited, UK	–	–	–	–	834	734	–	–
Nor Europe Manufacturing Limited, Hong Kong	–	–	–	–	4,362	–	–	–
Nor Delhi Manufacturing Limited, Hong Kong	–	–	–	–	2,644	–	–	–
PDS Asia Star Corporation Limited, Hong Kong	–	–	–	–	1,077	–	–	–
Norwest Inc, USA	–	–	–	–	597	–	–	–
Sino West Manufacturing Limited, Hong Kong	33,600	–	–	–	202,158	–	–	–
Multinational Textile Group Limited, Mauritius	–	520,760	752,803	394,845	192,070	261,262	–	–
Design & Source, Hong Kong	–	–	–	–	196,368	–	–	–
Casa Forma Limited, UK	–	–	–	3,500	95,075	152,789	–	–
Pearl Global (HK) Limited	–	–	63,694	–	–	–	–	–

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 £451,500 (2012: £451,500).

▲The amount owed by Pacific Logistics Limited includes an interest free long-term loan of £1,617 (2012: £14,170).

•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.

30. Notes to the cash flow statement

	2013 £	2012 £
Cash flows from operating activities		
Profit from operations	1,252,880	984,200
Adjustments for:		
Depreciation of property, plant and equipment	228,023	316,379
Loss on disposal of property, plant and equipment	–	17,686
Operating cash inflows before working capital	1,480,903	1,318,265
Decrease in inventories	286,098	526,489
Decrease/ (increase) in receivables	3,233,330	(2,757,952)
Increase in payables	29,738	759,467
Cash generated by/ (used in) operations	5,030,069	(153,731)

Poeticgem Limited

The above companies are related as follows:

The ultimate parent company of Poeticgem Limited is Pearl Global Industries Limited, India.

The immediate parent company of Poeticgem Limited is Global Textile Group Limited, Mauritius.

Pacific Logistics Limited, Poetic Knitwear Limited, Poeticgem (Canada) Limited and Razamtazz Limited, are all wholly owned subsidiaries of Poeticgem Limited.

Poeticgem Limited owns a 75% share in FX Import Company Limited.

Pearl Global Limited, India, Norp Knit Industries Limited, Bangladesh and House of Pearl Fashions (US) Limited are subsidiaries of the company's ultimate parent company, Pearl Global Industries Limited, India.

Norwest Industries Limited, Hong Kong; Nor Lanka Manufacturing Limited, Hong Kong; Spring Near East Manufacturing Limited, Hong Kong; Zamira Fashions Limited, Hong Kong; Simple Approach Limited, Hong Kong; PG Group Limited, Hong Kong; Gem Australia, Hong Kong; Nor India Manufacturing Limited, Hong Kong; Nor Europe Manufacturing Limited, Hong Kong; Norwest Inc, USA; Sino West Manufacturing Limited, Hong Kong and Design & Source, Hong Kong are fellow subsidiaries of Global Textile Group Limited, Mauritius.

Zamira Fashions (Europe) Limited is a subsidiary of Zamira Fashion Limited, Hong Kong.

Casa Forma Limited and Pearl Global (HK) Limited are wholly owned subsidiaries of Multinational Textile Group Limited, the intermediate parent company of Poeticgem Limited.

NAFS Limited is controlled by common directors.

b) Loans and advances to/ (from) related parties

i) Loans and advances to/from key management of the company and their close family members

	2013 £	2012 £
At start of the year	356,664	367,556
Amounts advanced during the year	688,816	882,723
Amounts repaid during the year	(1,040,260)	(893,615)
At end of the year	5,220	356,664

The above loans are interest free.

ii) Loans to/ (from) business in which close family member of key management has a controlling interest

	2013 £	2012 £
At start of the year	(385,108)	(610,108)
Amounts repaid during the year	385,108	225,000
At end of the year	–	(385,108)

The above loans are interest free and repayable on demand.

Directors' emoluments	Salaries/ Bonus £	Benefits £	2013 £	2012 £
Mr Anuj Banaik	100,000	17,157	117,157	106,925
Mrs Payel Seth	–	1,352	1,352	66,099

c) 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.

32. Control

The immediate parent company is Global Textile Group Limited, a company registered in Mauritius, and the ultimate parent company is Pearl Global Industries Limited, a company registered in India. Pearl Global Industries Limited prepares group financial statements and copies can be obtained from Corporate Office: 446, Udyog Vihar, Phase-V, Gurgaon – 122 016 (Haryana), India.

Pearl Global Industries Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2013

The directors present their annual report and the audited financial statements for the year ended 31 March 2013.

Principal activities

The principal activity of the company is the importing and distribution of garments.

Results and dividends

The results for the year are set out on page 6.

The directors do not recommend the payment of a dividend for the year.

Directors

The following directors have held office since 1 April 2012:

Mr Christopher R Severs

Mr. Deepak Seth

Mr. Pallak Seth

Mrs. Payel Seth

Auditor

The auditors, UHY Hacker Young, are deemed to be appointed under Section 487(2) of the Companies Act 2006.

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 (IFRS) as adopted by the European Union (EU). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. 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.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

By order of the board

Sd/-
Mr. Christopher Severs
Director

8 May 2013

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FX IMPORT COMPANY LIMITED FOR THE YEAR ENDED 31 MARCH 2013

We have audited the financial statements of FX Import Company Limited for the year ended 31 March 2013, 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).

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.

Respective responsibilities of the directors and auditor

As explained more fully in the Directors' Responsibilities Statements 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2013 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; or
- the directors were not entitled to prepare financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the directors' report.

Sd/-
Vinodkumar Vadgama
(Senior Statutory Auditor)

for and on behalf of UHY Hacker Young
Chartered Accountants
Statutory Auditor

9 May 2013

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 MARCH 2013**

		Year ended 31 March 2013	Year ended 31 March 2012
	Notes	£	£
Continuing operations			
Revenue	4	6,065,424	4,175,777
Cost of revenue		(3,629,171)	(2,986,835)
Gross profit		2,436,253	1,188,942
Distribution costs		(102,474)	(379,557)
Administration expenses		(2,620,081)	(556,386)
Operating profit/ (loss)	5	(286,302)	252,999
Finance income	7	321	272
Finance costs	8	(6,433)	(6,045)
Profit/ (loss) before taxation		(292,414)	247,226
Taxation	9	7,500	(7,500)
Profit/ (loss) for the financial year	20	(284,914)	239,726

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 2013

	Notes	2013 £	2012 £
Non current assets			
Property, plant and equipment	10	16,096	20,312
Intangible assets	11	3,439	4,728
Investment in subsidiary	12	865	865
		20,400	25,905
Current assets			
Inventories	13	20,534	135,477
Trade and other receivables	14	1,414,186	685,148
Cash and cash equivalents		139,721	59,313
		1,574,441	879,938
Total assets		1,594,841	905,843
Current liabilities			
Trade and other payables	15	(1,940,130)	(919,571)
Current tax liabilities		-	(7,500)
Borrowings	17	-	(35,695)
Hire purchase contracts and finance leases	16	(2,146)	(3,454)
		(1,942,276)	(966,220)
Net current liabilities		(367,835)	(86,282)
Non current liabilities			
Borrowings	17	(575,500)	(575,500)
Hire purchase contracts and finance leases	16	-	(2,144)
		(575,500)	(577,644)
Total liabilities		(2,517,776)	(1,543,864)
Net liabilities		(922,935)	(638,021)
Shareholders' equity			
Share capital	19	25,200	25,200
Retained earnings	20	(948,135)	(663,221)
Total equity		(922,935)	(638,021)

The financial statements were approved by the board of directors and authorised for issue on 8 May 2013 and were signed on its behalf by:

Sd/-
Mr. Christopher Severs
Director

Company registration no. 03170332

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED
31 MARCH 2013**

	Share capital £	Retained earnings £	Total £
Balance at 31 March 2011	25,200	(902,947)	(877,747)
Comprehensive income			
Profit for the year	-	239,726	239,726
Balance at 1 April 2012	25,200	(663,221)	(638,021)
Comprehensive income			
Loss for the year	-	(284,914)	(284,914)
Balance at 31 March 2013	25,200	(948,135)	(922,935)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013 £	2012 £
Cash flows from operating activities			
Cash used in operations	21	130,126	(41,551)
Finance cost paid		(2,026)	(6,045)
Finance income		321	272
Net cash generated from/ (used in) operating activities		128,421	(47,324)
Tax paid		(7,716)	-
Cash flows from investing activities			
Payments to acquire trade marks		-	(950)
Payments to acquire property, plant and equipment		(1,150)	-
Net cash used in investing activities		(1,150)	(950)
Cash flows from financing activities			
Proceeds of loan from parent undertaking		-	100,000
Repayment of loans to related parties		-	(30,000)
New bank loans raised		-	35,695
Repayment of bank loans		(35,695)	-
Capital element of hire purchase contracts repayments		(3,452)	(3,456)
Net cash generated by/ (used in) financing activities		(39,147)	102,239
Net increase in cash and cash equivalents		80,408	53,965
Cash and cash equivalents at the start of the year		59,313	5,348
Cash and cash equivalents at the end of the year		139,721	59,313
Cash and cash equivalents comprise:			
Cash at bank and in hand		139,721	59,313

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2013**
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.

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 £367,835 (2012: £86,282).

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 from within the group 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	25% reducing balance

2.5 Impairment

The carrying values of the company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying value of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

2.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the distribution of garments net of discounts and value added tax is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Commission receivable is earned when the supplier delivers goods to the end customers.

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 year. Taxable profit differs from profits 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

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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

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 operating 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:

• 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 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 cash flow statements are shown under current liabilities.

2.16 New IFRSs and interpretations not applied

The IASB has issued the following standards and interpretations which have been endorsed by the European Union to be applied to financial statements with periods commencing on or after the following dates:

FX Import Company Limited

	Effective for period beginning on or after
IAS 27 Separate Financial Statements (2011).	1 January 2013
IAS 28 Investments in Associates and Joint Ventures (2011)	1 January 2013
IFRS 9 Financial Instruments	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement.	1 January 2013
Amendments to IAS 19 Employee Benefits	1 January 2013
Amendments to IAS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
Annual improvements to IFRSs (2009 – 2011)	1 January 2013
The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the financial statements in the period of initial application and have decided not to adopt early.	

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 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's 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 the UK and the business activity is reportable as follows:

	2013 £	2012 £
Analysis of revenue by category:		
Sale of garments	3,869,509	3,255,241
Commission receivable	2,195,915	920,536
	<u>6,065,424</u>	<u>4,175,777</u>

Analysis of revenues by geographical market and customer location are as follows:

	2013 £	2012 £
UK	3,808,057	3,498,147
Rest of the World	2,257,367	677,630
	<u>6,065,424</u>	<u>4,175,777</u>

5. Operating profit/ (loss)

	2013 £	2012 £
Operating profit/ (loss) has been arrived at after charging:		
Amortisation of intangible assets	1,289	1,489
Depreciation of property, plant and equipment	5,366	8,330
Loss on disposal of property, plant and equipment	–	20,278
Reversal of rent provision no longer due	–	(77,774)
Loan from shareholders no longer repayable	–	(30,000)
Staff costs (see note 6 below)	<u>765,521</u>	<u>273,267</u>

Auditor remuneration

During the year, the company obtained the following services from the company's auditor:

	2013 £	2012 £
Fees payable to the company's auditor:		
Audit of annual financial statements	5,000	6,333
Review of the interim financial statements	<u>4,000</u>	<u>2,666</u>

6. Staff numbers and costs

	2013 £	2012 £
Employee costs include:		
Staff wages and salaries	600,233	159,181
Directors' remuneration	100,000	81,250
Social security costs	64,570	29,788
Staff pension costs – defined contribution plans	–	842
Directors' pension costs – defined contribution plans	718	2,206
	<u>765,521</u>	<u>273,267</u>

The average number of employees (including directors) during the year was:

	2013 Number	2012 Number
Designer	6	–
Sales	4	–
Management and administration	2	3
	<u>12</u>	<u>3</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.

	£	£
Directors' remuneration		
Emoluments for qualifying services	<u>105,161</u>	<u>89,368</u>

7. Finance income

	2013 £	2012 £
Other interest	<u>321</u>	<u>272</u>

8. Finance costs

	2013 £	2012 £
Bank and factoring interest paid	5,914	5,528
Hire purchase interest paid	519	517
	<u>6,433</u>	<u>6,045</u>

9. Taxation for the year

	2013 £	2012 £
Income tax expense		
Current tax expense:		
UK corporation tax	(7,716)	7,500
Adjustment for prior year	216	–
Total current tax	<u>(7,500)</u>	<u>7,500</u>
Reconciliation of current tax expense to accounting loss:		
Profit/ (loss) before taxation	<u>(292,414)</u>	<u>247,226</u>
Notional taxation charge at the UK corporation tax rate of 24% (2012: 26%)	(70,179)	64,279
Tax effects of:		
Expenses not deductible for tax purposes	3,605	1,509
Capital allowances in excess of depreciation	(10)	5,560
Unutilised tax losses not recognised as a deferred tax asset	–	(63,848)
Group relief surrendered	58,868	–
Adjustment in respect of prior years	216	–
Total current tax charge for the year	<u>(7,500)</u>	<u>7,500</u>

The company had unused tax losses of approximately £670,074 (2012: £670,074) available to carry forward against future trading profits.

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.

10. Property, plant and equipment

	Land and Buildings Leasehold £	Fixtures fittings and equipment £	Motor vehicles £	Total £
Cost				
At 1 April 2012	–	18,168	27,362	45,530
Additions	–	1,150	–	1,150
At 31 March 2013	–	19,318	27,362	46,680
Accumulated depreciation				
At 1 April 2012	–	11,054	14,164	25,218
Charge for the year	–	2,066	3,300	5,366
At 31 March 2013	–	13,120	17,464	30,584
Carrying amount				
At 31 March 2013	–	6,198	9,898	16,096
At 31 March 2012	–	7,114	13,198	20,312

Assets held under hire purchase contracts have the following carrying amount:

	2013 £	2012 £
Motor vehicles		
Cost	13,362	13,362
Accumulated depreciation	(6,785)	(4,593)
Carrying amount	6,577	8,769

	Land and Buildings Leasehold £	Fixtures fittings and equipment £	Motor vehicles £	Total £
Cost				
At 1 April 2011	11,095	79,493	27,362	117,950
Disposals	(11,095)	(61,325)	–	(72,420)
At 31 March 2012	–	18,168	27,362	45,530
Accumulated depreciation				
At 1 April 2011	2,012	57,254	9,765	69,031
Charge for the year	230	3,700	4,399	8,329
On disposals	(2,242)	(49,900)	–	(52,142)
At 31 March 2012	–	11,054	14,164	25,218
Carrying amount				
At 31 March 2012	–	7,114	13,198	20,312
At 31 March 2011	9,083	22,239	17,597	48,919

Assets held under hire purchase contracts have the following carrying amount:

	2012 £	2011 £
Motor vehicles		
Cost	13,362	13,362
Accumulated depreciation	(4,593)	(1,670)
Carrying amount	8,769	11,692

11. Intangible assets

	Trademarks 2013 £	2012 £
Cost		
At the start of the year	9,745	8,795
Additions	–	950
At the end of the year	9,745	9,745
Amortisation		
At the start of the year	5,017	3,529
Charge for the year	1,289	1,488
At the end of the year	6,306	5,017
Net book value		
At the end of the year	3,439	4,728
At the start of the year	4,728	5,266

12. Investment in subsidiary

	Shares in subsidiary undertaking 2013 £	2012 £
At the beginning of the year/ end of the year	865	865

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	%
Subsidiary undertakings			
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 2013 were as follows:

	Principal activity	Capital and reserves £	Profit for the year £
FX Import Hong Kong Limited	Importing and distribution of garments	177,910	101,139

13. Inventories

	2013 £	2012 £
Finished goods and goods for resale	20,534	135,477

14. Trade and other receivables

	2013 £	2012 £
Trade receivables	1,199,893	443,818
Other receivables	69,775	171,618
Prepayments	17,533	4,972
Receivables from subsidiary company (note 22)	126,985	64,740
	1,414,186	685,148

The average credit period given for trade receivables at the end of the year is 76 days (2012: 39 days).

All amounts are due to be recovered within 12 months of the balance sheet date. The fair value of trade and other receivables is the same as the carrying value shown above.

The maximum exposure to credit risk for trade and other receivables is represented by their carrying amount. 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.

There is a charge over the bank security deposit of £Nil (2012: £150,000) which is included in other receivables.

15. Trade and other payables

	2013 £	2012 £
Trade payables	1,071,983	500,051
Payables to parent undertaking (note 22)	376,762	53,338
Payables to fellow subsidiary undertakings (note 22)	43,165	3,153
Payables to related parties (note 22)	166,002	295,167
Social security and other taxes	80,701	16,730
Accrued expenses	201,517	51,132
	<u>1,940,130</u>	<u>919,571</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 £525,046 (2012: £254,681).

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

	2013 £	2012 £
Amounts payable are as follows:		
Within one year	2,146	3,971
In the second to fifth years	–	2,446
Less: Future interest charges	–	(819)
Present value of the obligations	<u>2,146</u>	<u>5,598</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(2,146)</u>	<u>(3,454)</u>
Amount due for settlement after 12 months	<u>–</u>	<u>2,144</u>

The company's obligations under hire purchase contracts are secured by charges over the relevant assets.

17. Borrowings

	2013 £	2012 £
Bank loan	–	35,695
Loan from parent undertaking (note 22)	451,500	451,500
Loans from related parties (note 22)	62,000	62,000
Loans from other creditors	62,000	62,000
	<u>575,500</u>	<u>611,195</u>

The borrowings are repayable as follows:

On demand within one year	–	35,695
In the third to fifth years inclusive	575,500	575,500
	<u>575,500</u>	<u>611,195</u>

Less: Amount due for settlement within 12 months (shown under current liabilities)

	–	(35,695)
Amount due for settlement after 12 months	<u>575,500</u>	<u>575,500</u>

18. Deferred tax

Unrecognised deferred tax assets and liabilities

Deferred tax assets have not been recognised in respect of the following items:

	2013 £	2012 £
Tax losses	154,117	174,219
Original and reversal of temporary differences	<u>1,964</u>	<u>–</u>
	<u>156,084</u>	<u>174,219</u>

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

	2013 £	2012 £
Issued and fully paid		
25,200 Ordinary 'A' shares of £1 each	<u>25,200</u>	<u>25,200</u>

20. Retained earnings

	2013 £	2012 £
Balance at the start of the year	(663,221)	(902,947)
Profit/ (loss) for the year	<u>(284,914)</u>	<u>239,726</u>
Balance at the end of the year	<u>(948,135)</u>	<u>(663,221)</u>

21. Notes to the cash flow statement

	2013 £	2012 £
Cash flows from operating activities		
Profit/ (loss) from operations	<u>(290,709)</u>	<u>252,999</u>
Adjustments for:		
Depreciation of property, plant and equipment	5,366	8,330
Amortisation of intangible assets	1,289	1,489
Loss on disposal of property, plant and equipment	–	20,276
Operating cash flows before working capital	<u>(284,054)</u>	<u>283,094</u>
(Increase)/decrease in stock	114,943	(121,575)
Increase in receivables	<u>(721,322)</u>	<u>(335,824)</u>
Increase in payables	1,020,559	132,754
Cash generated from/ (used in) operations	<u>130,126</u>	<u>(41,551)</u>

22. Related party transactions

During the year, the following transactions were carried out with Mr C R Severs, a director of the company who also owns 25% of the shareholding of the company:

	2013 £	2012 £
• Services provided to the company		
Rent of building	–	12,500
	<u>–</u>	<u>12,500</u>
• Year end balances arising from services provided		
Receivable from Chris Severs	<u>46,730</u>	<u>16,494</u>
	<u>46,730</u>	<u>16,494</u>
• Loans from directors		
Long term loan (note 17)	<u>62,000</u>	<u>62,000</u>

The directors have given personal guarantees:

	2013 £	2012 £
– in respect of bank facilities	–	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	
	2013 £	2012 £	2013 £	2012 £	2013 £	2012 £
Poeticgem Limited, UK	–	–	399,809	–	828,261*	504,838*
Pacific Logistics Limited, UK	–	–	40,761	22,651	43,165	3,153
Norwest Industries Limited, Hong Kong	45,966	29,273	58,728	37,480	118,902	12,984
FX Import Hong Kong Limited, Hong Kong	2,211,401	648,357	–	–	(126,985)	(64,740)
Zamira Fashions Hong Kong Limited, Hong Kong	–	–	–	282,184	–	282,184
Simple Approach Limited, Hong Kong	–	–	–	–	47,100	–

The above companies are related as follows:

Poeticgem Limited owns 75% share capital of FX Import Company Limited.

Pacific Logistics Limited is a fellow subsidiary company.

Norwest Industries Limited, Hong Kong, Zamira Fashions Hong Kong Limited, Hong Kong, and Simple Approach Limited, Hong Kong 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 £451,500 (2012: £451,500).

23. Capital commitments

The company has no significant capital commitments at 31 March 2013.

24. Contingent liabilities

At the balance sheet date, the company's bankers, HSBC Bank PLC, have provided a guarantee on behalf of the company to HM Revenue and Customs amounting to £150,000. The company's maximum contingent liability under this guarantee as at 31 March 2013 is £150,000.

The company has extended an Unlimited Multilateral Guarantee on 8 August 2012 to its parent and fellow subsidiaries, Poeticgem Limited and Pacific Logistics Limited.

The bank has a fixed charge over the assets of the company which is supported by a debenture dated 28 August 2012.

25. Capital risk management

The company manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to stakeholders through the optimization of the equity balance. The capital structure of the company consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising of issued capital, reserves and retained earnings. The company also receives borrowings from its parent and fellow group companies.

26. Financial risk management

The following section provides quantitative and qualitative disclosures on the effect that these risks have upon the company.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

This information is supplied by independent rating agencies where available the company uses other publicly available financial information. The company's exposure and the credit ratings of its counterparties are continuously monitored.

The company does not have any significant credit risk exposure to any single counterparty or any company of counterparties having similar characteristics.

The company's principal financial assets are receivables and cash at bank.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Management monitors forecasts of the company's liquidity reserve, comprising cash and cash equivalents, on the basis of expected cash flow. At 31 March 2013, the company held cash and cash equivalents of £139,721 (2012: £59,313). It also receives borrowings of which £575,500 (2012: £575,500) was outstanding at the year end.

i) Currency exposures

The following table details the company's exposure at the balance sheet date to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	US dollar \$
At 31 March 2013	
Trade and other receivables	362,599
Cash and cash equivalents	185,424
Trade payables	(73,354)
Net exposure arising from recognised assets and liabilities	474,669

	US dollar \$
--	-----------------

At 31 March 2012

Cash and cash equivalents	43,409
Trade payables	(99,026)
Net exposure arising from recognised assets and liabilities	(55,617)

ii) Sensitivity analysis

The company is exposed to a number of foreign currencies. The most significant transactional currency exposure 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 \$
2013		
10% weakened	(47,467)	(47,467)
10% strengthened	47,467	47,467
2012		
10% weakened	(9,808)	(9,808)
10% strengthened	9,808	9,808

27. Control

The controlling party of the company is Poeticgem Limited by virtue of its 75% ownership of the ordinary share capital and overall board control.

The ultimate parent company is Pearl Global Industries Limited, a company registered in India. Pearl Global Industries Limited prepares group financial statements and copies can be obtained from Corporate Office: 446, Udyog Vihar, Phase-V, Gurgaon – 122 016 (Haryana), India.

Pearl Global Industries Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2013.

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 2013 and its state of affairs at that date are set out in the financial statements on pages 4 to 17.

The directors do not recommend the payment of any dividend in respect of the year.

Directors

The directors of the Company during the year were:

Christopher Robert Severs

Deepak Kumar Seth

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 of the directors 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

20 May 2013

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 (the "Company") set out on pages 4 to 17, which comprise the statement of financial position as at 31 March 2013, 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 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 2013, 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

20 May 2013

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2013

	Notes	2013 HK\$	2012 HK\$
REVENUE	3	125,348,527	75,317,576
Cost of sales		<u>(90,652,003)</u>	<u>(62,074,277)</u>
Gross profit		34,696,524	13,243,299
Other income and gains	3	1,077,245	40,878
Selling and distribution costs		<u>(33,488,451)</u>	<u>(12,558,832)</u>
Administrative expenses		<u>(1,045,720)</u>	<u>(356,097)</u>
PROFIT BEFORE TAX	4	1,239,598	369,248
Income tax expense	6	<u>(236,800)</u>	<u>(60,750)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,002,798</u>	<u>308,498</u>

STATEMENT OF FINANCIAL POSITION

31 March 2013

	Notes	2013 HK\$	2012 HK\$
CURRENT ASSETS			
Trade and bills receivables	7	23,057,468	12,069,624
Prepayments		–	11,203
Tax recoverable		–	32,974
Cash and cash equivalents		1,919,584	1,178,193
Total current assets		<u>24,977,052</u>	<u>13,291,994</u>
CURRENT LIABILITIES			
Trade payables		11,044,085	5,178,061
Other payables and an accrual		30,900	42,873
Due to the immediate holding company	9(ii)	1,551,068	805,883
Due to a fellow subsidiary	9(ii)	10,283,085	6,403,887
Tax payable		203,826	–
Total current liabilities		<u>23,112,964</u>	<u>12,430,704</u>
Net assets		<u>1,864,088</u>	<u>861,290</u>
EQUITY			
Issued capital	8	10,000	10,000
Retained profits		1,854,088	851,290
Total equity		<u>1,864,088</u>	<u>861,290</u>
Sd/-			Sd/-
Director			Director

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2013

	Issued capital HK\$	Retained profits HK\$	Total equity HK\$
At 1 April 2011	10,000	542,792	552,792
Total comprehensive income for the year	-	308,498	308,498
At 31 March 2012 and at 1 April 2012	10,000	851,290	861,290
Total comprehensive income for the year	-	1,002,798	1,002,798
At 31 March 2013	10,000	1,854,088	1,864,088

STATEMENT OF CASH FLOWS

Year ended 31 March 2013

	Notes	2013 HK\$	2012 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,239,598	369,248
Adjustment for an interest income	3	(4,291)	(1,146)
		1,235,307	368,102
Increase in trade receivables		(10,987,844)	(6,659,956)
Decrease/(increase) in prepayments		11,203	(11,203)
Increase in trade payables		5,866,024	2,530,955
Increase/(decrease) in other payables and an accrual		(11,973)	12,873
Increase in an amount due to the immediate holding company		745,185	330,223
Increase in an amount due to a fellow subsidiary		3,879,198	4,473,999
Cash generated from operations		737,100	1,044,993
Interest received		4,291	1,146
Hong Kong profits tax paid		-	(201,193)
Net cash flows from operating activities		741,391	844,946
NET INCREASE IN CASH AND CASH EQUIVALENTS		741,391	844,946
Cash and cash equivalents at beginning of year		1,178,193	333,247
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,919,584	1,178,193
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		1,919,584	1,178,193

NOTES TO FINANCIAL STATEMENTS

31 March 2013

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, Kowloon, Hong Kong.

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 Pearl Global Industries Limited, a company incorporated in India with shares listed on the National Stock Exchange in India.

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Certain new and revised HKFRSs became 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 2013.

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 2013, 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:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Company are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Company are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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.

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:

- 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
- interest income, on an accrual basis using the effective interest method.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Company's turnover, represents the net invoiced value of goods sold.

An analysis of other income and gains is as follows:

	2013 HK\$	2012 HK\$
Foreign exchange gains, net	1,072,954	39,713
Interest income	4,291	1,146
Others	—	19
	<u>1,077,245</u>	<u>40,878</u>

4. PROFIT BEFORE TAX

The Company's profit before tax is arrived at after charging auditors' remuneration of HK\$94,200 (2012: HK\$90,000).

5. DIRECTORS' REMUNERATION

None of the directors received any fees or emoluments in respect of their services rendered to the Company during the year (2012: Nil).

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2013 HK\$	2012 HK\$
Provision for the year	203,826	60,926
Underprovision/(overprovision) in prior years	32,974	(176)
	<u>236,800</u>	<u>60,750</u>

A reconciliation of the tax expense applicable to profit before tax at the Hong Kong statutory rate to the tax charge 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:

	2013 HK\$	%	2012 HK\$	%
Profit before tax	1,239,598		369,248	
Tax at the statutory tax rate	204,534	16.5	60,926	16.5
Income not subject to tax	(708)	—	—	—
Adjustments in respect of current tax of prior years	32,974	2.6	(176)	—
Tax at the effective tax rate	<u>236,800</u>	<u>19.1</u>	<u>60,750</u>	<u>16.5</u>

7. TRADE AND BILLS RECEIVABLES

	2013 HK\$	2012 HK\$
Trade receivables	16,412,404	9,246,020
Bill receivables	6,645,064	2,823,604
	<u>23,057,468</u>	<u>12,069,624</u>

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 30 days, 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. The Company does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The aged analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2013 HK\$	2012 HK\$
Neither past due nor impaired	19,158,445	11,938,880
Past due but not impaired:		
Less than one month	3,714,519	130,744
One to three months	102,339	—
Over three months	82,165	—
	<u>23,057,468</u>	<u>12,069,624</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 had 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.

8. SHARE CAPITAL

	2013 HK\$	2012 HK\$
Authorised, issued and fully paid:		
10,000 ordinary shares of HK\$1 each	<u>10,000</u>	<u>10,000</u>

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:

- (i) The Company paid commissions of HK\$6,366,833 (2012: HK\$4,198,477) and HK\$27,011,385 (2012: HK\$8,070,754) 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.
- (ii) The balances with a fellow subsidiary and the immediate holding company are unsecured, interest-free and have no fixed terms of repayment.

10. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Company comprises trade and bills receivables, and cash and cash equivalents which are categorised as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the statement of financial position or in notes to the financial statements. The financial liabilities of the Company comprises trade payables, financial liabilities included in other payables and an accrual, an amount due to the immediate holding company, and an amount due to a fellow subsidiary which are categorised as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the statement of financial position or disclosed in the corresponding notes to the financial statements.

11. FAIR VALUE

At the end of the reporting period, the carrying amounts of the Company's financial assets and financial liabilities approximated to their fair values.

The fair values of financial assets and liabilities are included at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation sale transactions. The fair values of trade receivables, cash and cash equivalents, trade payables, other payables and an accrual, and amounts due to a fellow subsidiary and the immediate holding company approximated to their carrying amounts largely due to the short term maturities of these instruments.

The Company did not have any financial assets and liabilities measured at fair value as at the end of each reporting period.

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's exposure to 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:

Foreign currency risk

The Company has transactional currency exposures. Such exposures mainly arise from sales or purchases in currencies (mainly British Pound Sterling ("GBP")) other than the functional currency of the Company. The Company manages its foreign currency risk by monitoring closely the movements in exchange rates.

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).

	Change in the GBP exchange rate %	Increase/ (decrease) in profit before tax HK\$	Increase/ (decrease) in equity HK\$
31 March 2013			
If HK\$ weakens against GBP	1	723,809	723,809
If HK\$ strengthens against GBP	(1)	(723,809)	(723,809)
31 March 2012			
If HK\$ weakens against GBP	1	79,811	79,811
If HK\$ strengthens against GBP	(1)	(79,811)	(79,811)

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 businesses 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. At the end of the reporting period, 57% (2012: 53%) of the Company's trade receivables were due from the Company's top customer.

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 financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, either have no fixed terms of repayment or are repayable within three months subsequent to the end of the reporting period.

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 the 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 dividend payments to its shareholder, return capital to the shareholder or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2013 and 31 March 2012.

13. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 May 2013.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2013

The directors present their annual report and the audited financial statements for the year ended 31 March 2013.

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 2012:

Mrs. Payel Seth

Mr. Anuj Banaik

Mrs. Faiza Habeeb Seth

Mr. Deepak Aggarwal (resigned 18th April 2013)

Auditor

The auditors, UHY Hacker Young, are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the 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 (IFRS) as adopted by the European Union (EU). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. 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.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

By order of the board

Sd/-
Mr Anuj Banaik
Director
8 May 2013

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PACIFIC LOGISTICS LIMITED FOR THE YEAR ENDED 31 MARCH 2013

We have audited the financial statements of Pacific Logistics Limited for the year ended 31 March 2013, 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).

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.

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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2013 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; or
- the directors were not entitled to prepare financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the directors' report.

Sd/-
Vinodkumar Vadgama
(Senior Statutory Auditor)

for and on behalf of UHY Hacker Young
Chartered Accountants
Statutory Auditor

9 May 2013

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2013

	Notes	Year ended 31 March 2013 £	Year ended 31 March 2012 £
Continuing operations			
Revenue	4	1,321,999	1,299,266
Cost of revenue		(1,041,834)	(899,037)
Gross profit		280,165	400,229
Operating expenses			
Administration expenses		(347,811)	(376,511)
Other operating income		4,257	3,957
Operating profit/ (loss)	5	(63,389)	27,675
Finance income	7	–	157
Finance costs	8	(3,545)	(3,292)
Profit/ (loss) before taxation	5	(66,934)	24,540
Taxation	9	3,497	(8,735)
Profit/ (loss) for the financial year	17	(63,437)	15,805

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 2013

	Notes	2013 £	2012 £
Non current assets			
Property, plant and equipment	10	100,722	135,427
Deferred tax assets	15	6,109	4,299
Trade and other receivables	11	295,888	288,204
		402,719	427,930
Current assets			
Trade and other receivables	11	179,319	282,546
Cash and cash equivalents		51,791	52,364
		231,110	334,910
Total assets		633,829	762,840
Current liabilities			
Trade and other payables	12	(563,545)	(610,179)
Current tax liabilities		–	(3,300)
Obligations under hire purchase contracts	13	(3,087)	(3,087)
		(566,632)	(616,566)
Net current liabilities		(335,942)	(281,656)
Non current liabilities			
Borrowings	14	(1,617)	(14,170)
Obligations under hire purchase contracts	13	(8,249)	(11,336)
		(9,866)	(25,506)
Total liabilities		(576,498)	(642,072)
Net assets		57,331	120,768
Shareholders' equity			
Share capital	16	10,000	10,000
Retained earnings	17	47,331	110,768
Total equity		57,331	120,768

The financial statements were approved by the board of directors and authorised for issue on 8 May 2013 and were signed on its behalf by:

Sd/-
Mr Anuj Banaik
Director

Company registration no. 04944346

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2013

	Share capital £	Retained earnings £	Total £
Balance at 1 April 2011	10,000	94,963	104,963
Comprehensive income			
Profit for the year	–	15,805	15,805
Balance at 1 April 2012	10,000	110,768	120,768
Comprehensive income			
Loss for the year	–	(63,437)	(63,437)
Balance at 31 March 2013	10,000	47,331	57,331

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013 £	2012 £
Cash flows from operating activities			
Cash generated by operations	19	37,529	111,558
Finance costs		(3,545)	(3,292)
Finance income		–	157
Net cash generated by operating activities		33,984	108,423
Tax paid		(1,613)	–
Cash flows from investing activities			
Payments to acquire property, plant and equipment		(297)	(6,571)
Net cash used in investing activities		(297)	(6,571)
Cash flows from financing activities			
Capital element of hire purchase contracts repayments		(3,087)	(3,087)
Repayments of loan from parent undertaking		(29,560)	(36,085)
Net cash used in financing activities		(32,647)	(39,172)
Net (decrease)/ increase in cash and cash equivalents		(573)	62,680
Cash and cash equivalents at the start of the year		52,364	(10,316)
Cash and cash equivalents at the end of the year		51,791	52,364
		2013 £	2012 £
Cash and cash equivalents comprise:			
Cash at bank and in hand		51,791	52,364

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**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.

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 £335,942 (2012: £281,656).

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 exceeds its recoverable amount. Impairment losses are recognised in the income statement.

2.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

– 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.

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 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

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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

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 non-current liabilities. Trade and other payables are stated at their nominal value.

• Cash and cash equivalents

Cash for the purposes of the cash flow statement comprises cash at bank and in hand. Cash equivalents are short term liquid investments convertible into cash and are subject to insignificant risk of changes in value. Bank overdrafts which form part of cash and cash equivalents for the purpose of the cash flow statements are shown under current liabilities.

• Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at 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.

2.10 New IFRSs and interpretations not applied

The IASB has issued the following standards and interpretations which have been endorsed by the European Union to be applied to financial statements with periods commencing on or after the following dates:

	Effective for period beginning on or after
IAS 27 Separate Financial Statements (2011).	1 January 2013
IAS 28 Investments in Associates and Joint Ventures (2011)	1 January 2013
IFRS 9 Financial Instruments	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement.	1 January 2013
Amendments to IAS 19 Employee Benefits	1 January 2013
Amendments to IAS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
Annual improvements to IFRSs (2009 – 2011)	1 January 2013

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the financial statements in the period of initial application and have decided not to adopt early.

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:

Analysis of revenue by geographical market and customer allocation as follows:

	2013 £	2012 £
United Kingdom	1,305,141	1,216,429
Rest of the World	16,858	82,837
	<u>1,321,999</u>	<u>1,299,266</u>

5. Operating profit/ (loss)

	2013 £	2012 £
Operating profit / (loss) has been arrived at after charging:		
Staff costs (see note 6 below)	276,159	307,813
Depreciation of property, plant and equipment	35,002	46,384
Profit on foreign exchange transactions	<u>(39,525)</u>	<u>-</u>

Auditor remuneration

During the year, the company obtained the following services from the company's auditor and its associates:

	2013 £	2012 £
Fees payable to the company's auditor:		
Audit of annual financial statements	5,000	5,000
Fees payable to the company's auditor and its associates for other services:		
Review of the interim financial statements	<u>3,000</u>	<u>2,000</u>

6. Staff numbers and costs

	2013 £	2012 £
Employee costs include:		
Staff wages and salaries	200,507	233,283
Directors' remuneration	47,685	44,205
Social security costs	<u>27,967</u>	<u>30,325</u>
	<u>276,159</u>	<u>307,813</u>

The average number of employees (including directors) during the year was:

	2013 Number	2012 Number
Management and administration	5	6
Warehouse staff	<u>6</u>	<u>6</u>
	<u>11</u>	<u>12</u>

Directors' emoluments

Emoluments for qualifying services	<u>49,993</u>	<u>44,205</u>
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7. Finance income

	2013 £	2012 £
Interest on bank deposits	<u>-</u>	<u>157</u>

8. Finance costs

	2013 £	2012 £
Interest on bank overdrafts	2,674	231
Interest on obligations under hire purchase contracts	871	870
Other interest	<u>-</u>	<u>2,191</u>
	<u>3,545</u>	<u>3,292</u>

9. Taxation for the year**Income tax expense**

	2013 £	2012 £
Current tax expense		
UK corporation tax	-	3,300
Adjustment for prior year	<u>(1,687)</u>	<u>-</u>

Deferred tax:

Origination and reversal of temporary differences	<u>(1,810)</u>	<u>5,435</u>
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Income tax expense	<u>(3,497)</u>	<u>8,735</u>
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Reconciliation of current tax expenses to accounting loss:

Profit/ (Loss) before taxation	<u>(66,934)</u>	<u>24,540</u>
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Notional taxation charge at the UK corporation tax rate of 24% (2012: 26%)	<u>(16,064)</u>	<u>6,380</u>
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Tax effects of:

Expenses not deductible for tax purposes	630	260
Depreciation in excess of capital allowances	2,247	2,821
Other tax adjustments		(883)
Group relief surrendered	13,187	-
Tax losses utilised		(5,278)
Adjustment in respect of prior years	<u>(1,687)</u>	<u>-</u>
Total current tax charge for the year	<u>(1,687)</u>	<u>3,300</u>

10. Property, plant and equipment

	Land and Buildings Leasehold £	Plant and machinery £	Fixtures fittings and equipment £	Motor vehicles £	Total £
Cost					
At 1 April 2012	29,442	488,190	119,928	53,282	690,842
Additions	–	–	297	–	297
At 31 March 2013	29,442	488,190	120,225	53,282	691,139
Accumulated depreciation					
At 1 April 2012	29,442	388,249	103,677	34,047	555,415
Charge for the year	–	24,985	5,225	4,792	35,002
At 31 March 2013	29,442	413,234	108,902	38,839	590,417
Carrying amount					
At 31 March 2013	–	74,956	11,323	14,443	100,722
At 31 March 2012	–	99,941	16,251	19,235	135,427

Assets held under hire purchase contracts have the following carrying amount:

	Motor vehicles	
	2013 £	2012 £
Cost	25,898	25,898
Accumulated depreciation	(16,566)	(13,455)
Carrying amount	9,332	12,443

	Land and Buildings Leasehold £	Plant and machinery £	Fixtures fittings and equipment £	Motor vehicles £	Total £
Cost					
At 1 April 2011	29,442	481,619	119,928	53,282	684,271
Additions	–	6,571	–	–	6,571
At 31 March 2012	29,442	488,190	119,928	53,282	690,842
Accumulated depreciation					
At 1 April 2011	29,442	355,859	96,073	27,657	509,031
Charge for the year	–	32,390	7,604	6,390	46,384
At 31 March 2012	29,442	388,249	103,677	34,047	555,415
Carrying amount					
At 31 March 2012	–	99,941	16,251	19,235	135,427
At 31 March 2011	–	125,760	23,855	25,625	175,240

Assets held under hire purchase contracts have the following carrying amount:

	Motor vehicles	
	2012 £	2011 £
Cost	25,898	25,898
Accumulated depreciation	(13,455)	(9,307)
Carrying amount	12,443	16,591

11. Trade and other receivables

	2013 £	2012 £
Current assets		
Trade receivables	64,042	36,579
Other receivables	–	77,174
Receivables from parent and fellow subsidiary companies (note 23)	43,165	60,038
Receivables from fellow group companies (note 23)	59,931	101,810
Prepayments	12,181	6,945
	179,319	282,546

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.

	2013 £	2012 £
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Non-current assets

Trade receivables	295,888	288,204
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The average credit period given for trade receivables at the end of the year is 90 days (2012: 90 days).

At 31 March 2013, the ageing analysis of trade receivables is as follows:

	Overdue but not impaired		
	Total £	<3 months £	>3 months £
2013	313,325	–	313,325
2012	308,535	9,835	298,700

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 £Nil (2012: £75,000) which is included in other receivables.

12. Trade and other payables

	2013 £	2012 £
Trade payables	50,202	53,756
Payables to parent company (note 23)	474,744	491,751
Social security and other taxes	20,474	47,826
Accrued expenses	18,125	16,846
	563,545	610,179

All trade 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.

13. Obligations under hire purchase contracts

	2013 £	2012 £
Amounts payable under hire purchase contracts:		
Within one year	3,957	3,957
In the second to fifth years	8,249	11,698
	12,206	15,655
Less: future finance charges	(870)	(1,232)
Present value of hire purchase obligations	11,336	14,423
Less: amount due for settlement within 12 months (shown under current liabilities)	(3,087)	(3,087)
Amount due for settlement after 12 months	8,249	11,336

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.

14. Borrowings

	2013 £	2012 £
Loan from related party (note 23)	1,617	14,170

This represents an unpaid interest free loan from Poeticgem Limited, the parent company.

The carrying value of all the company's long-term borrowings approximate to their fair value as at the balance sheet date.

15. Deferred tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2013 £	2012 £
Deferred tax assets	<u>6,109</u>	<u>4,299</u>

The gross movement on the deferred tax account is as follows:

	2013 £	2012 £
At the start of the year	4,299	9,734
(Debited)/credited to income statement during the year	<u>1,810</u>	<u>(5,435)</u>
At the end of the year	<u>6,109</u>	<u>4,299</u>

The movement in deferred income tax assets during the year is as follows:

	Decelerated/ (accelerated) tax depreciation £	Tax losses £	Total £
At 1 April 2011	1,778	7,956	9,734
Tax credit to income statement	<u>2,552</u>	<u>(7,956)</u>	<u>(5,435)</u>
At 31 March 2012	4,299	–	4,299
Tax credit to income statement	<u>1,810</u>	<u>–</u>	<u>1,810</u>
At 31 March 2013	<u>6,109</u>	<u>–</u>	<u>6,109</u>

16. Share capital

	2013 £	2012 £
Issued and fully paid		
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

17. Retained earnings

	2013 £	2012 £
Balance at the start of the year	110,768	94,963
Net profit/ (loss) for the year	<u>(63,437)</u>	<u>15,805</u>
Balance at the end of the year	<u>47,331</u>	<u>110,768</u>

18. Operating lease arrangements

	2013 £	2012 £
Minimum lease payments under operating leases recognised in the income statement for the year	<u>102,180</u>	<u>100,998</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:

	2013 £	2012 £
Within one year	149,526	100,998
In the second to fifth years inclusive	<u>448,578</u>	<u>302,994</u>
	<u>598,104</u>	<u>403,992</u>

Operating lease payments represent rentals payable by the company.

19. Notes to the cash flow statement

	2013 £	2012 £
Cash flows from operating activities		
Profit/ (loss) from operations	(63,389)	27,675
Adjustments for:		
Depreciation of property, plant and equipment	35,002	46,384
Operating cash outflow before working capital	(28,387)	74,059
Decrease in receivables	95,543	112,112
(Decrease)/increase in payables	<u>(29,627)</u>	<u>(74,613)</u>
Cash generated from operations	37,529	111,558

20. Contingent liabilities

At the balance sheet date, the company's bankers, HSBC Bank plc, have provided a guarantee on behalf of the company to HM Revenue & Customs amounting to £75,000. The company's maximum contingent liability under this guarantee as at 31 March 2013 is £75,000.

The company has extended an Unlimited Multilateral Guarantee on 8 August 2012 to its parent and fellow subsidiaries, Poeticgem Limited and FX Import Company Limited.

The bank has a fixed and floating charge over the assets of the company as security.

21. Capital risk management

The company manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to stakeholders through the optimization of the equity balance. The capital structure of the company consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising of issued capital, reserves and retained earnings.

22. Financial risk management

The following section provides quantitative and qualitative disclosures on the effect that these risks have upon the company.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available the company uses other publicly available financial information. The company's exposure and the credit ratings of its counterparties are continuously monitored.

The company does not have any significant credit risk exposure to any single counterparty or any company of counterparties having similar characteristics.

The company's principal financial assets are receivables and cash at bank.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Management monitors forecasts of the company's liquidity reserve, comprising cash and cash equivalents, on the basis of expected cash flow. At 31 March 2013, the company held cash and cash equivalents of £51,791 (2012: £52,364).

Foreign currency risk

The company's functional and presentation currency and the majority of its spending are in GBP. As such, no exchange rate risk exists. The company has no deposit or loan facilities, hence is not affected by interest rate fluctuations.

23. Related party transactions

During the year, the company entered into the following transactions with related parties:

	Revenue		Purchases/expenses		Amounts owed by related parties		Amounts owed to related parties	
	2013 £	2012 £	2013 £	2012 £	2013 £	2012 £	2013 £	2012 £
Poeticgem Limited, UK	940,724	967,434	86,005	76,735	–	–	476,361•	505,921•
Pearl Global Industries Limited, India	–	–	–	–	–	56,884*	–	–
FX Import Company Limited, UK	40,760	22,651	–	–	43,165*	3,153*	–	–
Norwest Industries Limited, Hong Kong	–	48,885	–	–	800*	58,502*	–	–
Nor Lanka Manufacturing Limited, Hong Kong	19,941	32,518	–	–	59,132*	39,021*	–	–
Casa Forma Limited, UK	–	3,573	–	–	–	4,287	–	–

The immediate parent company of Pacific Logistics Limited and FX Import Company Limited is Poeticgem Limited.

The ultimate parent company of Poeticgem Limited is Pearl Global Industries Limited.

Norwest Industries Limited, Hong Kong and Nor Lanka Manufacturing Limited, Hong Kong, are fellow subsidiaries of Global Textile Group Limited, parent company of Poeticgem Limited.

Casa Forma Limited is a company controlled by common directors and became a wholly owned subsidiary of Multinational Textile Group Limited, the intermediate parent company of Poeticgem Limited, from 1 January 2012.

* These loans are interest free and repayable on demand.

• This includes £1,617 (2012: £14,170) interest free loan and is repayable on demand.

24. Control

The immediate parent company is Poeticgem Limited, a company registered in England and Wales and the ultimate parent company is Pearl Global Industries Limited, a company registered in India. Pearl Global Industries Limited prepares group financial statements and copies can be obtained from Corporate Office: 446, Udyog Vihar, Phase-V, Gurgaon – 122 016 (Haryana), India.

Pearl Global Industries Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2013

The directors present their annual report and the audited financial statements for the year ended 31 March 2013.

Principal activities and review of the business

The principal activity of the company is that of import and distribution of knitwear clothing.

Results and dividends

The results for the year are set out on page 6.

Directors

The following directors have held office since 1 April 2012:

Mr. Gary M Isaacs

Mr. Pallak Seth

Mr. Deepak K Seth

Auditor

The auditors, UHY Hacker Young, are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. 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. Gary M Isaacs

Director

8 May 2013

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF POETIC KNITWEAR LIMITED FOR THE YEAR ENDED 31 MARCH 2013

We have audited the financial statements of Poetic Knitwear Limited for the year ended 31 March 2013, 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).

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.

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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by 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 required 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/-

Vinodkumar Vadgama
(Senior Statutory Auditor)

for and on behalf of UHY Hacker Young
Chartered Accountants
Statutory Auditor

9 May 2013

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2013

		Year Ended 31 March 2013 £	Year Ended 31 March 2012 £
Notes			
Continuing operations			
Revenue			–
Cost of Revenue			–
Gross profit			–
Other income	4	2,380	281,355
Administrative expenses		(2,242)	(99,555)
Profit for the year before taxation	5	138	181,800
Taxation	7	–	–
Profit for the financial year	11	138	181,800

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 2013

		Year Ended 31 March 2013 £	Year Ended 31 March 2012 £
Notes			
Current assets			
Trade and other receivables	8	–	125,000
Cash and cash equivalents		65,063	64,651
Total assets		65,063	189,651
Current liabilities			
Trade and other payables	9	(756,291)	(881,017)
Net current liabilities		(691,228)	(691,366)
Total liabilities		(756,291)	(881,017)
Net assets		(691,228)	(691,366)
Shareholder's equity			
Share capital	10	100	100
Retained earnings	11	(691,328)	(691,466)
Total equity		(691,228)	(691,366)

The financial statements were approved by the board of directors and authorised for issue on 8 May 2013 and were signed on its behalf by:

Sd/-
Mr. Gary M Isaacs
Director

Company registration no. 06863593

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2013

	Share capital £	Retained earnings ££	Total
Balance at 31 March 2011	100	(873,266)	(873,166)
Comprehensive income			
Profit for the year	–	181,800	181,800
Balance at 1 April 2012	100	(691,466)	(691,366)
Comprehensive income			
Profit for the year	–	138	138
Balance at 31 March 2013	100	(691,328)	(691,228)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2013

	Year Ended 31 March 2013 £	Year Ended 31 March 2012 £
Cash flows from operating activities		
Profit for the year	138	181,800
Operating cash flows before movements in working capital	138	181,800
Decrease/ (Increase) in receivables	125,000	(124,972)
(Decrease)/ Increase in payables	(124,726)	6,254
Net cash generated by operating activities	412	63,082
Net increase in cash and cash equivalents	412	63,082
Cash and cash equivalents at the start of the year	64,651	1,569
Cash and cash equivalents at the end of the year	65,063	64,651
Cash and cash equivalents comprise:		
Cash at bank and in hand	65,063	64,651

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013
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 pound 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.

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 £691,228.

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 lease term for short lease
Fixtures, fittings and equipment	–	25% reducing balance

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 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

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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

2.4 Foreign currencies

Transactions in currencies other than in 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.

2.5 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 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 purpose 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 change 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.

2.7 New IFRSs and interpretations not applied

The IASB has issued the following standards and interpretations which have been endorsed by the European Union to be applied to financial statements with periods commencing on or after the following dates:

	Effective for period beginning on or after
IAS 27 Separate Financial Statements (2011).	1 January 2013
IAS 28 Investments in Associates and Joint Ventures (2011)	1 January 2013
IFRS 9 Financial Instruments	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement.	1 January 2013

Amendments to IAS 19 Employee Benefits	1 January 2013
Amendments to IAS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
Annual improvements to IFRSs (2009 – 2011)	1 January 2013

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the financial statements in the period of initial application and have decided not to adopt early.

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. Other Income

	2013	2012
	£	£
Other income	<u>2,380</u>	<u>281,355</u>

5. Operating profit/ (loss)

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	<u>2,000</u>	<u>2,000</u>
--------------------------------------	--------------	--------------

6. Staff numbers and costs

	2013	2012
	£	£
Employee costs include:		
Directors' remuneration	–	88,333
Social security costs	–	7,725
	<u>–</u>	<u>96,058</u>

The average number of employees (including directors) during the year was:

	No.	No.
Management and administration	<u>3</u>	<u>3</u>

7. Taxation for the year

	Year ended 31 March 2013	Year ended 31 March 2012
	£	£
Income tax expense		
Current tax expense:		
UK corporation tax	–	–
Reconciliation of current tax expense to accounting loss		
Profit before taxation	<u>138</u>	<u>181,800</u>
National taxation charge at the UK corporation tax rate of 24% (2012: 26%)	<u>33</u>	<u>47,268</u>
Tax effects on:		
Losses available to be carried forward	<u>(33)</u>	<u>(47,268)</u>
Total current tax charge for the year	<u>–</u>	<u>–</u>

The company has unused tax losses of £691,584 (2012: £691,617) 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.

8. Trade and other receivables

	Year ended 31 March 2013 £	Year ended 31 March 2012 £
Receivable from group companies	–	125,000

All amounts are due to be recovered within 12 months of the balance sheet date. The fair value of all trade and other receivables is the same as the carrying value shown above.

9. Trade and other payables

	Year ended 31 March 2013 £	Year ended 31 March 2012 £
Payable to parent company (note 14)	754,291	879,017
Accrued expenses	2,000	2,000
	<u>756,291</u>	<u>881,017</u>

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.

10. Share capital

	Year ended 31 March 2013 £	Year ended 31 March 2012 £
Issued and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

11. Retained earnings

	Year ended 31 March 2013 £	Year ended 31 March 2012 £
Balance at the start of the year	(691,466)	(873,266)
Net profit/ (loss) for the year	138	181,800
Balance at the end of the year	<u>(691,328)</u>	<u>(691,466)</u>

12. Capital risk management

The company manages its capital to ensure that it will be able to continue as a going concern whilst maximizing the return to stakeholders through the optimization of the equity balance. The capital structure of the company consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising of issued capital, reserves and retained earnings.

13. Financial risk management

The following section provides quantitative and qualitative disclosures on the effect that these risks have upon the company.

Credit Risk

As the company has not traded in the year, it was not exposed to such risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Management monitors forecasts of the company's liquidity reserve, comprising cash and cash equivalents, on the basis of expected cash flow. At 31 March 2013, the company held cash and cash equivalents of £65,063 (2012: £64,651).

Foreign currency risk

The company has not undertaken any transactions denominated in foreign currencies. Hence, the company is not exposed to exchange rate fluctuations.

14. Related party transactions

During the year, the company entered into the following transactions with related parties:

	Other income received		Amounts owed to/ (by) related party	
	2013 £	2012 £	2013 £	2012 £
Poeticgem Limited, UK	–	–	754,291	879,017
Nor Lanka Manufacturing Limited, Hong Kong	–	281,250	–	(125,000)

The above companies are related as follows:

Poetic Knitwear Limited is 100% owned by Poeticgem Limited.

Nor Lanka Manufacturing Limited, Hong Kong is a subsidiary of Norwest Industries, which is a fellow subsidiary of Global Textile Group Limited, the parent company of 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 Pearl Global Industries Limited, a company registered in India. Pearl Global Industries Limited prepares group financial statements and copies can be obtained from Corporate Office: 446, Udyog Vihar, Phase V, Gurgaon – 122016 Haryana, India.

Pearl Global Industries Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India.

INDEPENDENT AUDITOR'S REPORTTo the Shareholder of **Poeticgem (Canada) Ltd.**

I have audited the accompanying financial statements of Poeticgem (Canada) Ltd., which comprise of the balance sheet as at March 31, 2013 and the statements of comprehensive income and changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian Auditing Standards. Those standards require that I 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 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 entity's preparation of fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the Financial position of Poeticgem (Canada) Ltd. as at March 31, 2013 and its financial performance and cash flows for the year ended March 31, 2013 in accordance with International Financial Reporting Standards.

Oakville, Ontario

May 1, 2013

Sd/-

RAMAN AYYAR

Chartered Accountant

Licensed Public Accountant

BALANCE SHEET AS AT MARCH 31, 2013

	2013 \$	2012 \$
ASSETS		
NON CURRENT:		
Equipment - Notes 2(d), (f) and 4	12,023	13,896
CURRENT:		
Cash -Notes 2(g) and (h)	88,790	1,178,991
Accounts receivable- Notes 2(f), (g) and (h)	996,529	1,170,493
Inventory- Notes 2(c), (f) and 3	1,681,126	1,982,251
Prepaid rent	3,376	3,376
Due from related parties- Notes- 2(e), (g), (h) and 5	434,167	393,322
	<u>3,203,988</u>	<u>4,728,433</u>
	<u>3,216,011</u>	<u>4,742,329</u>
EQUITY		
NET EQUITY - PAGE 4	<u>214,685</u>	<u>96,961</u>
LIABILITIES		
CURRENT:		
Accounts payable and accrued liabilities		
- Notes 2(e), (f), (g), (h) and 5	196,191	357,300
Income taxes payable	45,569	41,454
Due to related parties- Notes- 2(e), (g), (h) and 5	2,759,566	4,246,614
COMMITMENTS:- Note 7	<u>3,216,011</u>	<u>4,742,329</u>

APPROVED ON BEHALF OF THE BOARD

Sd/-

(Rohit Girotra)

Director

To be read in conjunction with the attached Notes and Auditor's Report dated May 1, 2013.

STATEMENT OF COMPREHENSIVE INCOME**For the Year Ended March 31, 2013**

	2013 \$	2012 \$
SALES- Notes 1, 2(a), 5 and 8	6,199,165	5,343,764
COST OF SALES		
Opening inventory -Notes 2(c) and (f)	1,982,251	527,843
Purchases - Note 5	5,156,005	6,272,961
Warehousing	193,079	132,996
Marketing costs - Note 6	180,000	-
Distribution Charges	172,856	135,660
Product design and development - Note 5	142,420	158,215
Professional fees	28,000	-
Travel and conveyance	7,068	6,446
Brokerage and clearing charges	6,973	974
Discounts to customers	3,291	27,017
Insurance	3,130	1,420
Miscellaneous	5,281	11,085
Testing and sampling charges- Note 5	-	44,648
Less: Closing inventory- Note 2(c) and (f)	(1,681,126)	(1,982,251)
	<u>6,199,228</u>	<u>5,337,014</u>
GROSS PROFIT FROM SALES	<u>(63)</u>	<u>6,750</u>
MARKETING FEES -Notes 1, 2(b), 5, 6 and 8	974,332	695,378
GROSS PROFIT	<u>974,269</u>	<u>702,128</u>
SELLING AND ADMINISTRATIVE EXPENSES:		
Wages and benefits	311,038	301,044
Design and samples - Note 5	250,576	31,886
Travel and entertainment	51,847	49,147
Freight charges - Note 5	41,984	-
Rent- Note 7	40,583	41,087
Testing and inspection - Note 5	33,295	9,207
Head Office expenses - Note 5	30,571	29,584
Insurance	13,670	14,911
Courier	12,488	17,156
Advertising and promotion	11,499	7,686
General and office	11,341	15,146
Telephone	6,214	6,833
Professional fees	5,500	12,225
Amortization- Notes 2(d) and (f)	4,187	3,561
	<u>824,793</u>	<u>539,473</u>
INCOME , from operations for the period	<u>149,476</u>	<u>162,655</u>
Add: Unrealized exchange (loss)- Notes 2(e) and (h)	14,777	(19,105)
INCOME , before income taxes for the period	<u>164,253</u>	<u>143,550</u>
Less: Income tax expense - Note 9	(46,529)	(41,454)
COMPREHENSIVE INCOME , for the year	<u>117,724</u>	<u>102,096</u>

To be read in conjunction with the attached Notes and Auditor's Report dated May 1, 2013.

STATEMENT OF CHANGES IN EQUITY
For the Year Ended March 31, 2013

	Issued and paid-up shares (100 common (Authorized - Unlimited) \$	Retained Earnings \$	Total \$
BALANCE, AT APRIL 1, 2011	100	(5,235)	(5,135)
TOTAL COMPREHENSIVE (LOSS), for the period April 1, 2011 to June 30, 2011	—	24,184	24,184
BALANCE, AT JUNE 30, 2011	100	18,949	19,049
TOTAL COMPREHENSIVE INCOME, for the period - July 1, 2011 to Sept. 30, 2011	—	83,873	83,873
BALANCE, AS AT SEPTEMBER 30, 2011	100	102,822	102,922
TOTAL COMPREHENSIVE INCOME, for the period - Oct. 1, 2011 to Dec. 31, 2011	—	34,292	34,292
BALANCE, AS AT DECEMBER 31, 2011	100	137,114	137,214
TOTAL COMPREHENSIVE INCOME, for the period - Jan. 1, 2012 to March 31, 2012	—	(40,253)	(40,253)
BALANCE, AS AT MARCH 31, 2012	100	96,861	96,961
TOTAL COMPREHENSIVE INCOME, for the period - April 1, 2012 to June 30, 2012	—	74,517	74,517
BALANCE, AS AT JUNE 30, 2012	100	171,378	171,478
TOTAL COMPREHENSIVE INCOME, for the period - July 1, 2012 to Sep. 30, 2012	—	139,253	139,253
BALANCE, AS AT SEPTEMBER 30, 2012	100	310,631	310,731
TOTAL COMPREHENSIVE INCOME, for the period - Oct. 01, 2012 to Dec. 31, 2012	—	(14,589)	(14,589)
BALANCE, AS AT DECEMBER 31, 2012	100	296,042	296,142
TOTAL COMPREHENSIVE INCOME, for the period - Jan. 01, 2013 to Mar. 31, 2013	—	(81,457)	(81,457)
BALANCE, AS AT MARCH 31, 2013	100	214,585	214,685

To be read in conjunction with the attached Notes and Auditor's Report dated May 1, 2013.

STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2013

	2013 \$	2012 \$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Comprehensive income- page 3	117,724	102,096
Cash flows provided by or used in:		
– Amortization	4,187	3,561
– Income tax expense	46,529	41,454
	168,440	147,111
Change in:		
– accounts receivable	173,964	(794,273)
– inventory	301,125	(1,454,408)
– accounts payable and accrued liabilities	(161,109)	206,740
– due from related parties	(40,845)	(372,977)
– due to related parties	(1,487,048)	3,260,991
	(1,045,473)	993,184
Income tax (paid) / refunded	(42,414)	(9,851)
Net Cash (used in) / from Operating Activities	(1,087,887)	983,333

CASH FLOWS FROM INVESTING ACTIVITIES

	2013 \$	2012 \$
Acquisition of equipment	(2,314)	(8,155)
Net Cash (used in) Investing Activities	(2,314)	(8,155)
CHANGE IN CASH AND EQUIVALENTS, during the period	(1,090,201)	975,178
CASH AND EQUIVALENTS, beginning of period	1,178,991	203,813
CASH AND EQUIVALENTS, end of period	88,790	1,178,991

To be read in conjunction with the attached Notes and Auditor's Report dated May 1, 2013.

NOTES TO FINANCIAL STATEMENTS**For the year ended March 31, 2013****1. Nature of business operation:**

The company is incorporated under laws of Ontario, Canada and 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 marketing fee and buys and sells goods on its own account.

2. Significant Accounting Policies:**(a) Basis of presentation:**

The financial statements have been prepared in accordance with International Financial Reporting Standards.

(b) Income recognition:

Revenue on sale of goods is recognized upon delivery of goods and when recovery is reasonably certain.

Revenue from marketing fees is recognized at the time the foreign affiliate invoices the customers.

(c) Inventory:

Inventory includes goods in transit and is valued at lower of cost or net realizable value.

(d) Equipment and amortization

Equipment is carried at cost less accumulated amortization. Amortization is provided on the diminishing balance basis using the following annual rates:

Furniture and equipment	- 20%
Computers	- 30%

(e) Foreign Currency Translation:

Monetary assets in foreign currencies have been translated at exchange rates in effect at the end of the fiscal period. 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 company's financial instruments consist of cash and deposits, accounts receivable, accounts payable and accrued liabilities and amounts due from / to related parties. The company initially measures its financial instruments at cost which is equal to their fair values, except for certain related party transactions that are measured at exchange rates agreed to between the parties. Financial assets measured at cost are tested for impairment at the end of each year and the amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement and the amount of the reversal is recognized in net income. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost.

(h) Key Risks and Uncertainties:**(i) Currency Risk:**

The company is owed by a related company on account of commission income earned in US Dollars and owes another related company for part of its purchases of goods in US Dollars. The company owes its parent company in British Pounds for services rendered. 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 companies' level.- Note 5.

(ii) Liquidity Risk:

The company's receivables are from one customer and a related company. The major payables are to related companies and as such all of the operations are funded by related companies. The company mitigates the liquidity risk by relying on the related parties for their working capital requirements and by strong follow up on its accounts receivable.

(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) Credit Risk:

There is a concentration of credit risk in that all of the income is earned by procuring orders from and selling goods to one vendor/customer. -Note 8.

(v) Interest rate risk:

All of the company's fund requirements are met by the related companies and as such this risk is managed at the related companies' level.

(vi) 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.

3. Inventory:

Inventory includes goods in transit \$648,072 (March 31, 2012 - \$1,215,395).

4. Equipment:

	Furniture and Equipment \$	Computers \$	Total \$
Cost:			
At April 1, 2012	13,117	29,332	42,449
Additions	-	2,313	2,313
At March 31, 2013	13,117	31,645	44,762
Accumulated Amortization:			
At April 1, 2012	9,822	18,730	28,552
Additions	659	3,528	4,187
At March 31, 2013	10,481	22,258	32,739
Carrying Amount			
At March 31, 2013	2,636	9,387	12,023
At March 31, 2012	3,295	10,602	13,896
Cost:			
At April 01, 2011	13,117	21,177	34,293
Additions	-	8,155	8,155
At March 31, 2012	13,117	29,332	42,448
Accumulated Amortization:			
At April 01, 2011	8,918	16,073	24,991
Additions	904	2,657	3,561
At March 31, 2012	9,822	18,730	28,552
Carrying Amount			
At March 31, 2012	3,295	10,602	13,896
At March 31, 2011	4,199	5,104	9,302

5. Related Party Transactions:

During the period the related party transactions were as follows:

	Commission earned \$	Purchases/ Expenses paid \$	Amounts owed by related parties \$	Amounts owed to related parties \$
Norwest Industries Limited, Hong Kong				
March 31, 2013	794,332	-	434,167	-
March 31, 2012	695,378	-	393,322	-
Poeticgem Limited, UK				
March 31, 2013	-	30,571	-	262,620
March 31, 2012	-	29,584	-	169,962
Simple Approach Ltd., Bangladesh				
March 31, 2013	-	5,156,005	-	2,496,946
March 31, 2012	-	6,317,609	-	4,074,050
House of Pearl Fashion US Ltd.				
March 31, 2013	-	-	-	-
March 31, 2012	-	-	-	2,602

In addition to the above various other charges and expenses incurred by the related parties have been reimbursed as follows:

	2013 \$	2012 \$
Norwest Industries Limited	95,752	47,397
Poeticgem Limited	239,082	-
Simple Approach Ltd.	102,566	72,581
	<u>437,400</u>	<u>82,199</u>

The above corporations are related as follows:

Poeticgem Limited is the immediate parent company of this company. Poeticgem Limited, Norwest Industries Limited, Simple Approach Ltd. and House of Pearl Fashion US Ltd. are all subsidiaries of Global Textile Limited, a foreign corporation. The advances are due on demand, unsecured, non interest bearing, with no fixed terms of repayment.

6. Marketing fees:

The marketing costs are reallocated and included under marketing fees income.

7. Commitments:

The company is lessee of its premises under a contract expiring December 2014. The minimum aggregate rent payable during the remainder of the contract is as follows:

	2013 \$	2012 \$
2014		41,076
2015		30,807
		<u>71,883</u>

8. Economic Dependence: -Note 1(h)(iv)

All of the income is earned by procuring orders/selling goods to one customer.

9. Income taxes:

	2013 \$	2012 \$
Net income for the period	117,724	102,096
Income tax expense	(46,529)	(41,454)
Income before taxes	164,253	143,550
Income tax using domestic tax rate	26.50% 43,523	27.75% 39,832
Non deductible meals and adjustments	1.33% 2,185	1.18% 1,694
Difference between tax and book amortization	(0.09)% (148)	(0.05)% (72)
Adjustments to tax provision	0.59% 969	-% -
Total effective tax	<u>28.33% 46,529</u>	<u>28.88% 41,454</u>

Directors' report

The directors are pleased to present their report together with the audited financial statements of Razamtazz Limited (the "Company") for the year ended 31 March 2013.

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 dividend for the year under review. (2012: 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.

Auditors

The auditors, Lancasters Chartered Accountants, have indicated their willingness to continue in office and will be automatically reappointed at the Annual Meeting.

By order of the Board of Directors

Sd/-

Director

Date: 29 May, 2013

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 2013, 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 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.

Management's Responsibility for the Financial Statements

Management is 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, and for such internal control as management determines 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. 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 management, 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 26 give a true and fair view of the financial position of the Company at 31 March 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Sd/-

Lancasters,
Chartered Accountants
14, Lancaster Court
Lavoquer Street
Port Louis
Mauritius

Date: 29 May, 2013

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Note	2013 GBP	2012 GBP
Revenue	6	242,883	228,857
Expenses		(468,636)	(457,475)
Loss from operating activities		(225,753)	(228,618)
Finance income	7	14,838	63
Loss before taxation		(210,915)	(228,555)
Taxation	8	–	–
Loss for the year		(210,915)	(228,555)
Other comprehensive income		–	–
Total comprehensive loss for the year		(210,915)	(228,555)

STATEMENT OF FINANCIAL POSITION

at 31 March 2013

	Note	2013 GBP	2012 GBP
Assets			
Investment Property	9	5,630,908	5,879,344
Receivables	10	1,190	37,128
Total non-current assets		5,632,098	5,916,472
Other receivables	11	37,214	8,870
Cash and cash equivalents		657,562	50
Total current assets		694,776	8,920
Total assets		6,326,874	5,925,392
Equity			
Stated capital	12	1	1
Revenue reserve		5,697,553	5,908,468
Total equity		5,697,554	5,908,469
Liability			
Current liability			
Other payables	13	629,320	16,923
Total current liabilities		629,320	16,923
Total equity and liabilities		6,326,874	5,925,392

Approved by the Board on 29 May 2013

Sd/-

Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

	Share capital GBP	Revenue reserve GBP	Total GBP
Balance at 01 April 2011	1	6,137,023	6,137,024
Total comprehensive loss for the year			
Loss for the period	-	(228,555)	(228,555)
Balance at 31 March 2012	1	5,908,468	5,908,469
Total comprehensive loss for the year			
Loss for the year	-	(210,915)	(210,915)
Balance at 31 March 2013	1	5,697,553	5,697,554

Statement of cash flows

For the year ended 31 March 2013

	2013 GBP	2012 GBP
Cash flows from operating activities		
Loss for the year	(210,915)	(228,555)
<i>Adjustments for:</i>		
Depreciation	248,436	249,117
Change in other receivables	(28,344)	(3,370)
Change in other payables	(12,365)	14,667
Net cash (used in)/ from operating activities	(3,188)	31,859
Cash flows from financing activities		
Advances from/ (to) holding company	97,115	(35,938)
Advances to related company	-	(1,190)
Advances from related company	1,098,759	2,256
Amount deposited to Knight Frank	(535,174)	(500)
Net cash from/ (used in) financing activities	660,700	(35,372)
Net movement in cash and cash equivalents	657,512	(3,513)
Cash and cash equivalents at beginning of the year	50	3,563
Cash and cash equivalents at 31 March	657,562	50

Notes to and forming part of the financial statements

For the year ended 31 March 2013

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 is a holder of a Category 1 Global Business Licence under the Financial Services Act 2007. 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 Pound (GBP) as its reporting currency.

2. Basis of preparation

The following accounting policies have been consistently applied in dealing with items which are considered material in relation to the Company's financial statements.

(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 Pound (GBP) which is the Company's functional currency and presentation currency.

Determination of functional currency

The determination of the functional currency of the Company is critical since recording of transactions and exchange of differences arising thereon are dependent on the functional currency selected. As described in 2(c), the directors have considered those factors therein and have determined that the functional currency of the Company is GBP.

(d) Use of estimates and judgements

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 accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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.

Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are 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.

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.

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.

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.

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.

Receivables and other receivables

Receivables and other receivables are stated at amortised cost.

Cash and cash equivalents

Cash comprises cash at bank. Cash equivalents are short term, highly liquid investment that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

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.

Other payables

Other payables are stated at amortised cost.

Stated 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.

Expenses

All expenses are recognised in the statement of comprehensive income on an accrual basis.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the net asset and settle the liability simultaneously.

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.

Provisions

A provision is recognised if, as a result of a past event, the Company has 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.

New and revised IFRSs with no material effect on the financial statements

The following new and revised IFRSs have been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

New and revised IFRSs	Summary of requirement
Amendment to IFRS 7 <i>Financial Instruments: Disclosures</i> , relating to Disclosures on Transfers of Financial Assets	The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.
Amendment to IFRS 1 <i>Removal of Fixed Dates for First-time Adopters</i>	The amendments replace references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs.
Amendment to IFRS 1 <i>Severe Hyperinflation</i>	The amendments introduce guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.
Amendment to IAS 12 <i>Income Taxes</i> relating to Deferred Tax – Recovery of Underlying Assets	The amendment introduces an exception to the general measurement requirements of IAS 12 <i>Income Taxes</i> in respect of investment properties measured at fair value. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset.

New Standards, Interpretations and amendments to published standards

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2013 and which have not been adopted in these financial statements.

The Company is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application and the impact on the financial statements has not yet been estimated.

These statements, where applicable, will be applied in the year when they are effective.

Standard/Interpretation		Effective date
IFRS 9	Financial Instruments	Annual periods beginning on or after 1 January 2015*
IFRS 10	Consolidated Financial Statements	Annual periods beginning on or after 1 January 2013*
IFRS 11	Joint Arrangements	Annual periods beginning on or after 1 January 2013*
IFRS 12	Disclosure of Interest in Other Entities	Annual periods beginning on or after 1 January 2013*
IFRS 13	Fair Value Measurement	Annual periods beginning on or after 1 January 2013*
IAS 1 amendment	Presentation of items of other comprehensive income	Annual periods beginning on or after 1 July 2012*
IAS 19 amendment	Employee Benefits (2011)	Annual periods beginning on or after 1 January 2013*

Standard/Interpretation		Effective date
IAS 27 amendment	Separate Financial Statements (2011)	Annual periods beginning on or after 1 January 2013*
IAS 28 amendment	Investments in Associates and Joint Ventures (2011)	Annual periods beginning on or after 1 January 2013*
IAS 32 amendment	Financial Instruments: Presentation	Annual periods beginning on or after 1 January 2013*
IFRS 7 amendment	Financial Instruments: Disclosures	Annual periods beginning on or after 1 January 2013*
IFRS 10 amendment	Consolidated Financial Statements (2012)	Annual periods beginning on or after 1 January 2013*
IFRS 12 amendment	Disclosure of Interest in Other Entities (2012)	Annual periods beginning on or after 1 January 2013*
IAS 27 amendment	Separate Financial Statements (2012)	Annual periods beginning on or after 1 January 2013*
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Annual periods beginning on or after 1 January 2013*

*All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

IFRS 9: Financial Instruments

IFRS 9 will be adopted by the Company for the first time for its financial reporting period ending 31 December 2015. 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.

The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

Under IFRS 9, 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, 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 10 Consolidated Financial Statements

IFRS 10 changes the definition of control, such that the same consolidation criteria will apply to all entities. The revised definition focuses on the need to have both "power" and "variable returns" for control to be present. Power is the current ability to direct the activities that significantly influence returns. Variable returns can be positive, negative or both. The determination of power is based on current facts and circumstances (including substantive potential voting rights) and is continuously assessed. An investor with more than half the voting rights would meet the power criteria in the absence of restrictions or other circumstances. However, an investor could have power over the investee even when it holds less than the majority of the voting rights in certain cases. IFRS 10 provides guidance on participating and protective rights, and brings the notion of "de facto" control firmly within the guidance. The standard also requires an investor with decision making rights to determine if it is acting as a principal or an agent and provides factors to consider. If an investor acts as an agent, it would not have the requisite power and, hence, would not consolidate.

The impact on the financial statements for the Company has not yet been estimated.

IFRS 11 Joint Arrangements

IFRS 11 focuses on the rights and obligations of joint arrangements, rather than the legal form (as it is currently the case). It:

- distinguishes joint arrangements between joint operations and joint ventures; and
- always requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity method or proportionate consolidation.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 sets out the required disclosures for entities reporting under IFRS 10 and IFRS 11. The objective of IFRS 12 is to require entities to disclose information that helps financial statement readers to evaluate the nature, risks, and financial effects associated with the entity's involvement with subsidiaries, associates, joint arrangements, and unconsolidated structured entities. Specific disclosures include the significant judgments and assumptions made in determining control as well as detailed information regarding the entity's involvement with these investees.

IFRS 13 Fair Value Measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price.

Amendment to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income

The amendments:

- require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;
- do not change the existing option to present profit or loss and other comprehensive income in two statements; and
- change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, the entity is still allowed to use other titles.

The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard.

Amendment to IAS 19 Employee Benefits

The amendments include:

- Requiring the recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements (eliminating the 'corridor approach' permitted by the existing IAS 19);
- Introducing enhanced disclosures about defined benefit plans;
- Modifying accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits; and
- Clarifying various miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features.

Amendment to IAS 27 Consolidated and Separate Financial Statements

The standard contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The Standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments.

Amendment to IAS 28 Investments in Associates and Joint Ventures

IAS 28 makes the following amendments:

- IFRS 5 applies to an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and

- On cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not re-measure the retained interest.

Amendment to IAS 32 Financial Instruments: Presentation

The amendment clarifies certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off';
- the application of simultaneous realisation and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

Amendment to IFRS 7 Financial Instruments: Disclosures

The amendments require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. These disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

Amendment to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosures of Interests in Other Entities and IAS 27 Separate Financial Statements

The amendments relate to the following:

- provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement;
- require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries; and
- require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The interpretation clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognised as an asset, how the asset is initially recognised, and subsequent measurement.

The Interpretation requires stripping activity costs which provide improved access to ore are recognised as a non-current 'stripping activity asset' when certain criteria are met. The stripping activity asset is depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity, using the units of production method unless another method is more appropriate.

4. Determination of fair values

The Company's accounting policies and disclosures requires the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Receivables and other receivables

The fair value of receivables and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. Financial risk management

Introduction and preview

Financial instruments carried on the statement of financial position include receivables, other receivables, cash and cash equivalents, 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.

Risk management is carried out by the Board of directors through board meetings. The Company provide principles for overall risk management.

Overview

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

- Market risk
- Credit risk
- Liquidity risk

Market risk

Market risk represents the potential loss that can be caused by a change in the market value of financial instruments. The Company's exposure to market risk is determined by a number of factors, including interest rates, foreign currency exchange rates and market volatility. The Company conducts its investment operations in a manner that seeks to exploit the potential gains in the market, while limiting its exposure to market declines.

■ *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company has no significant exposure to interest rate risk other than relating to its bank balances.

■ *Currency risk*

The Company has no currency risk as all its transactions are denominated in Great Britain Pound (GBP).

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:

	2013 USD	2012 USD
Receivables	1,190	37,128
Other receivables	37,145	5,500
Cash and cash equivalents	657,562	50
	695,897	42,678

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.

31 March 2013
Financial liabilities

Other payables

Total Financial liabilities

31 March 2012

Financial liabilities

Other payables

Total Financial liabilities

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 2013 GBP	Fair value 2013 GBP	Carrying amount 2012 GBP	Fair value 2012 GBP
Financial assets				
Receivables	1,190	1,190	37,128	37,128
Other receivables	37,145	37,145	5,500	5,500
Cash and cash equivalents	657,562	657,562	50	50
Financial assets	695,897	695,897	42,678	42,678
Financial liabilities				
Other payables	629,320	629,320	16,923	16,923
6. Revenue				
Revenue represents:				
			2013 GBP	2012 GBP
Rental fee income			228,857	228,857
Insurance received			17,601	–
			242,883	228,857
7. Finance income				
			2013 GBP	2012 GBP
Bank interest			3,549	63
Gain on foreign exchange			11,289	–
			14,838	63
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	
<i>Cost</i>				
At 01 April/ 31 March	5,858,911	525,032	6,383,943	
<i>Depreciation</i>				
At 01 March 2011	233,906	21,576	255,482	
Charge for the year	117,499	131,618	249,117	
At 31 March 2012	351,405	153,194	504,599	
Charge for the year	117,178	131,258	248,436	
At 31 March 2013	468,583	284,452	753,035	
Net book value				
Balance at 31 March 2013	5,390,328	240,580	5,630,908	
Balance at 31 March 2012	5,507,506	371,838	5,879,344	

The fair value of the investment property has been estimated at GBP 8,250,000. The Valuation of the investment property was carried out by Savills Commercial Limited of 20 Grosvenor Hill London W1K3HQ on September 2011. 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 8,250,000 (Eight Million Two Hundred and Fifty Thousand Pound Sterling).

The parent company (Poeticgem Limited), has an arrangement with the Barclays Bank and Royal Bank of Scotland as a result of these, the banks have placed a legal charge over the property of the company, as first charge with Barclays Bank and second charge with Royal Bank of Scotland.

10. Receivables

	2013 GBP	2012 GBP
Receivable from related company	1,190	1,190
Receivable from holding company	–	35,938
	1,190	37,128

11. Other receivables

	2013 GBP	2012 GBP
Rent receivable	31,639	–
Deposit to Savills	5,506	–
Prepaid expenses	69	3,370
Deposit to Knight Frank	–	5,500
	37,214	8,870

12. Stated capital

	2013 GBP	2012 GBP
<i>Stated capital</i>		
1 Ordinary shares of GBP 1 each	1	1

All shares in issue are fully paid up.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

13. Other payables

	2013 GBP	2012 GBP
Payable to related companies	565,840	2,256
Payable to holding company	61,176	–
Other payables	2,304	9,524
Prepaid income	–	5,143
	629,320	16,923

14. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subject to common control.

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

		2013 GBP	2012 GBP
<i>Transaction during the year</i>	<i>Nature</i>		
Receivable from holding company	Advances	(61,176)	35,938
Receivable from related company	Advances	–	1,190
Payable to related company	Advances	<u>563,584</u>	<u>2,256</u>
<i>Balances outstanding at 31 March:</i>			
Due from holding company	Amount receivable	–	35,938
Due from related company	Amount receivable	1,190	1,190
Due to holding company	Amount payable	61,176	–
Due to related company	Amount payable	<u>565,840</u>	<u>2,256</u>

15. Capital management

The Company actively and regularly reviews and manages its capital position to maintain a balance between its liability and equity level.

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.

16. Holding and ultimate holding company

The immediate parent company of Razamtazz Limited is Poeticgem Limited, a company registered in England and Wales, and the ultimate parent company is Pearl Global Industries Limited (Formerly House of Pearl Fashions Limited), a company registered in India.

Statement of comprehensive income for the year ended 31 March 2013

	2013 GBP	2012 GBP
Revenue		
Rental income	225,282	228,857
Insurance received	<u>17,601</u>	<u>–</u>
	<u>242,883</u>	<u>228,857</u>
Expenses		
Depreciation	248,436	249,117
Management fees	144,726	160,999
Repairs and maintenance	32,462	7,317
Letting fees	19,500	–
Service charges	14,806	13,666
Insurance	3,610	3,610
Administration fee	2,919	2,055
Professional fees	1,785	12,440
License fees	411	119
Bank charges	211	31
Telephone, fax and courier charges	154	346
Sundry expenses	145	–
Accounting and audit fees	(529)	7,621
Exchange loss	–	154
	<u>468,636</u>	<u>(457,475)</u>
Loss from operating activities	<u>(225,753)</u>	<u>(228,618)</u>
Finance income	14,838	63
Loss before taxation	<u>(210,915)</u>	<u>(228,555)</u>

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 2013.

Principal activities

The principal activity of the Company has not changed during the year and is the trading of garments. Details of the principal activities of the Company's subsidiaries are set out in note 13 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 2013 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 61.

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 11 and 12 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 25(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

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 of the directors 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
20 May, 2013

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 61, which comprise the consolidated and company statements of financial position as at 31 March 2013, 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 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 2013, 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.

Sd/-

Certified Public Accountants

Hong Kong
20 May, 2013

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2013

	Notes	2013 HK\$	2012 HK\$
REVENUE	4	3,007,394,133	2,227,897,396
Cost of sales		(2,569,405,724)	(1,846,898,468)
Gross profit		437,988,409	380,998,928
Other income and gains	4	74,987,683	43,294,477
Selling and distribution expenses		(147,831,495)	(141,590,502)
Administrative expenses		(272,178,065)	(211,590,272)
Other operating expenses		(10,810,210)	(10,217,353)
Finance costs	6	(19,822,765)	(9,573,504)
PROFIT BEFORE TAX	5	62,333,557	51,321,774
Income tax expense	8	(11,045,382)	(7,945,007)
PROFIT FOR THE YEAR		51,288,175	43,376,767
Attributable to:			
Owners of the parent		57,633,081	43,666,167
Non-controlling interests		(6,344,906)	(289,400)
		51,288,175	43,376,767

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2013

	2013 HK\$	2012 HK\$
PROFIT FOR THE YEAR	51,288,175	43,376,767
OTHER COMPREHENSIVE INCOME/(LOSS)		
Cash flow hedges	23,114,403	(1,263,308)
Available-for-sale investments:		
Changes in fair value	(116,341)	70,025
Reclassification adjustments for loss included in the consolidated income statement - loss on disposals	-	168,151
Exchange differences on translation of foreign operations	(47,958)	(51,312)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR,		
NET OF TAX	22,950,104	(1,076,444)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	74,238,279	42,300,323
Attributable to:		
Owners of the parent	80,583,185	42,589,723
Non-controlling interests	(6,344,906)	(289,400)
	74,238,279	42,300,323

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2013

	Notes	31 March 2013 HK\$	31 March 2012 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	11	17,861,797	13,993,650
Investment properties	12	32,230,718	32,964,189
Goodwill	14	583,365	-
Available-for-sale investments	15	5,187,632	1,958,573
Deposit	18	107,680	-
Deferred tax assets	23	-	723,390
Total non-current assets		55,971,192	49,639,802
CURRENT ASSETS			
Inventories	16	111,859,270	91,534,557
Trade and bills receivables	17	677,505,617	378,575,275
Prepayments, deposits and other receivables	18	28,638,003	25,886,532
Due from the ultimate holding company	29(b)	-	271,569
Due from fellow subsidiaries	29(b)	83,125,740	82,064,549
Due from non-controlling shareholders	29(b)	1,285,645	248,960
Derivative financial instruments	22	20,690,485	-
Pledged time deposits	19	131,406,575	104,189,873
Cash and cash equivalents	19	14,272,391	10,968,860
Total current assets		1,068,783,726	693,740,175
CURRENT LIABILITIES			
Trade and bills payables		345,181,513	180,285,947
Other payables and accruals	20	23,997,670	16,841,780
Interest-bearing bank borrowings	21	357,675,367	223,086,731
Due to the ultimate holding company	29(b)	827,179	-
Due to the immediate holding company	29(b)	6,825,771	5,125,030
Due to fellow subsidiaries	29(b)	18,770,575	12,745,657
Derivative financial instruments	22	-	6,991,434
Tax payable		21,615,279	12,009,267
Total current liabilities		774,893,354	457,085,846
NET CURRENT ASSETS		293,890,372	236,654,329
TOTAL ASSETS LESS CURRENT LIABILITIES		349,861,564	286,294,131
NON-CURRENT LIABILITIES			
Deferred tax liabilities	23	3,852,469	-
Net assets		346,009,095	286,294,131
EQUITY			
Equity attributable to owners of the parent			
Issued capital	24	31,120,000	9,336,000
Reserves		320,237,756	276,998,571
		351,357,756	286,334,571
Non-controlling interests		(5,348,661)	(40,440)
Total equity		346,009,095	286,294,131
Sd/- Director			Sd/- Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2013

	Note	Issued capital	Available-for-sale investment revaluation reserve	Hedging reserve	Retained profits	Exchange reserve	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 April 2011		9,336,000	(175,469)	(4,574,538)	242,307,650	(36,795)	246,856,848	–	246,856,848
Profit for the year		–	–	–	43,666,167	–	43,666,167	(289,400)	43,376,767
Other comprehensive loss for the year:									
Changes in fair values of available-for-sale investments, net of tax		–	70,025	–	–	–	70,025	–	70,025
Loss on disposal of available-for-sale investments		–	168,151	–	–	–	168,151	–	168,151
Cash flow hedges, net of tax		–	–	(1,263,308)	–	–	(1,263,308)	–	(1,263,308)
Exchange differences on translation of foreign operations		–	–	–	–	(51,312)	(51,312)	–	(51,312)
Total comprehensive income for the year		–	238,176	(1,263,308)	43,666,167	(51,312)	42,589,723	(289,400)	42,300,323
Interim dividend paid	10	–	–	–	(3,112,000)	–	(3,112,000)	–	(3,112,000)
Capital contribution by non-controlling shareholders		–	–	–	–	–	–	248,960	248,960
At 31 March 2012		9,336,000	62,707*	(5,837,846)*	282,861,817*	(88,107)*	286,334,571	(40,440)	286,294,131
At 1 April 2012		9,336,000	62,707*	(5,837,846)*	282,861,817*	(88,107)*	286,334,571	(40,440)	286,294,131
Profit for the year		–	–	–	57,633,081	–	57,633,081	(6,344,906)	51,288,175
Other comprehensive income for the year:									
Changes in fair values of available-for-sale investments, net of tax		–	(116,341)	–	–	–	(116,341)	–	(116,341)
Cash flow hedges, net of tax		–	–	23,114,403	–	–	23,114,403	–	23,114,403
Exchange differences on translation of foreign operations		–	–	–	–	(47,958)	(47,958)	–	(47,958)
Total comprehensive income for the year		–	(116,341)	23,114,403	57,633,081	(47,958)	80,583,185	(6,344,906)	74,238,279
Capitalisation of retained profits		21,784,000	–	–	(21,784,000)	–	–	–	–
Interim dividend paid	10	–	–	–	(15,560,000)	–	(15,560,000)	–	(15,560,000)
Capital contribution by non-controlling shareholders		–	–	–	–	–	–	1,036,685	1,036,685
At 31 March 2013		31,120,000	(53,634)*	17,276,557*	303,150,898*	(136,065)*	351,357,756	(5,348,661)	346,009,095

*These reserve accounts comprise the reserves of HK\$320,237,756 (2012: HK\$276,998,571) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2013

	Notes	2013 HK\$	2012 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		62,333,557	51,321,774
Adjustments for:			
Interest income	4	(1,077,885)	(224,122)
Finance costs	6	19,822,765	9,573,504
Depreciation for property, plant and equipment	5	8,301,426	6,778,424
Depreciation for investment properties	5	733,471	733,471
Loss on disposal of items of property, plant and equipment	5	426,136	14,961
Loss on disposal of available-for-sale investments	5	–	168,151
		90,539,470	68,366,163
Increase in inventories		(20,324,713)	(39,554,559)
Increase in trade and bills receivables		(298,930,342)	(78,202,182)
Decrease/(increase) in prepayments, deposits and other receivables		(2,859,151)	10,345,232
Decrease/(increase) in an amount due from the ultimate holding company		271,569	(271,569)
Increase in amounts due from fellow subsidiaries		(1,061,191)	(3,639,466)
Increase in trade and bills payables		164,895,566	54,927,885
Increase in other payables and accruals		7,155,890	4,521,102
Increase/(decrease) in an amount due to the ultimate holding company		827,179	(416,213)
Increase in an amount due to the immediate holding company		1,700,741	4,317,059
Increase in amounts due to fellow subsidiaries		6,024,918	7,691,593
Cash generated from/(used in) operations		(51,760,064)	28,085,045
Hong Kong profits tax paid		(1,251,804)	(808,613)
Overseas tax paid		–	(82,555)
Interest paid		(19,822,765)	(9,573,504)
Net cash flows from/(used in) operating activities		(72,834,633)	17,620,373
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary		(583,500)	–
Purchases of items of property, plant and equipment		(12,573,951)	(9,055,302)
Proceeds from disposal of available-for-sale investments		–	754,504
Purchases of available-for-sale investments		(3,345,400)	–
Interest received		1,077,885	224,122
Increase in pledged time deposits		(24,345,849)	–
Net cash flows used in investing activities		(39,770,815)	(8,076,676)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(15,560,000)	(3,112,000)
Proceeds from new bank loans, net		135,366,029	21,227,304
Decrease in an amount due to the immediate holding company		–	(2,372,968)
Net cash flows from financing activities		119,806,029	15,742,336
NET INCREASE IN CASH AND CASH EQUIVALENTS		7,200,581	25,286,033
Cash and cash equivalents at beginning of year		114,381,340	89,158,741
Effect of foreign exchange rate changes, net		(248,804)	(63,434)
CASH AND CASH EQUIVALENTS AT END OF YEAR		121,333,117	114,381,340
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	14,272,391	10,968,860
Cash and cash equivalents as stated in the consolidated statement of financial position		14,272,391	10,968,860
Time deposits with original maturity of less than three months when acquired, pledged as security for bank loans and bank overdraft facilities		107,060,726	104,189,873
Bank overdrafts	21	–	(777,393)
Cash and cash equivalents as stated in the consolidated statement of cash flows		121,333,117	114,381,340

STATEMENT OF FINANCIAL POSITION

31 March 2013

	Notes	31 March 2013 HK\$	31 March 2012 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	11	6,832,588	8,605,792
Investment properties	12	32,230,718	32,964,189
Investments in subsidiaries	13	4,429,040	1,939,440
Available-for-sale investments	15	5,187,632	1,958,573
Deferred tax assets	23	–	909,689
Total non-current assets		48,679,978	46,377,683
CURRENT ASSETS			
Trade and bills receivables	17	353,287,700	210,583,687
Prepayments, deposits and other receivables	18	14,018,786	15,630,040
Due from the ultimate holding company	29(b)	–	428,226
Due from the immediate holding company	29(b)	–	435,680
Due from fellow subsidiaries	29(b)	67,938,777	106,314,976
Due from subsidiaries	13	152,194,389	81,803,093
Derivative financial instruments	22	19,632,816	–
Pledged time deposits	19	131,406,575	104,189,873
Cash and cash equivalents	19	8,890,207	8,443,923
Total current assets		747,369,250	527,829,498
CURRENT LIABILITIES			
Trade and bills payables		164,505,403	99,063,802
Other payables and accruals	20	16,013,767	15,319,955
Interest-bearing bank borrowings	21	267,870,203	170,377,580
Due to the ultimate holding company	29(b)	687,139	–
Due to the immediate holding company	29(b)	1,130,895	–
Due to fellow subsidiaries	29(b)	6,685,262	6,400,859
Due to a subsidiary	13	2,896,429	–
Derivative financial instruments	22	–	5,470,937
Tax payable		9,904,004	7,104,312
Total current liabilities		469,693,102	303,737,445
NET CURRENT ASSETS		277,676,148	224,092,053
TOTAL ASSETS LESS CURRENT LIABILITIES		326,356,126	270,469,736
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,962,375	–
Net assets		323,393,751	270,469,736
EQUITY			
Issued capital	24	31,120,000	9,336,000
Reserves	25(b)	292,273,751	261,133,736
Total equity		323,393,751	270,469,736

Sd-
DirectorSd-
Director

NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2013

1. CORPORATE INFORMATION

Norwest Industries Limited is a limited company incorporated in Hong Kong. The registered office of the Company is located at 7/F., Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong.

During the year, the Group was principally involved in the trading of garments.

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 Pearl Global Industries Limited, a company incorporated in India with shares listed on The National Stock Exchange of India Limited and Bombay Stock Exchange.

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 available-for-sales 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

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 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of its subsidiaries are consolidated from the respective dates of incorporation/acquisition, being the dates on which the Group obtains control, and continue to be consolidated until the respective dates 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.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it 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 the income statement or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Certain new and revised HKFRSs became 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 2013.

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 2013, 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 POLICIESSubsidiaries

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 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 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 Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related 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 previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in income statement.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is financial instrument and within the scope of HKAS 39 Financial Instruments: Recognition and Measurement is measured at fair value with changes in fair value either recognised in the income statement or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for 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 identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in the income statement 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 2013. 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 has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

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 an 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:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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 depreciates them accordingly.

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 estimated useful lives/principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 33 $\frac{1}{3}$ %
Furniture and fixtures	25%
Motor vehicles	33 $\frac{1}{3}$ %
Office equipment	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 including 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.

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 disposed 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 transaction cost, except in the case of financial assets recorded at fair value through the income statement.

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.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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 other income and gains in the income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans and in other operating expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments 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 the income statement.

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 revaluation 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, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income

statement in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments 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 investments 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 investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, 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. 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. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to the income statement over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount 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, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it 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 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.

Impairment of financial assets

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 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 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.

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, net of 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 subsequent 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 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 to 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 as other expenses.

Amounts recognised in other comprehensive income are transferred to the income statement when the hedged transaction affects the income statement, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts 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 the income statement.

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 current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to 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.

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 taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, 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; and
- (d) 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.

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 respective local 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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values were determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the items whose fair value gain or loss is recognised in other comprehensive income or the income statement are also recognised in other comprehensive income or the income statement, respectively).

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 prevailing at the end of the reporting period and its income statement is translated into HK\$ at the weighted average exchange rate for the period. The resulting exchange differences are recognised in other comprehensive income and are 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 rate for the period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosure of contingent liabilities. 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 property, plant and equipment

Items of property, plant and equipment are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value.

(b) 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 receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

(c) Current tax and deferred tax

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.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact on the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed.

(d) 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.

HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 require that the Group carries certain of its financial assets at fair value, which requires 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.

(e) Impairment of inventories

Management reviews the ageing analysis of inventories of the Group 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 the provision charge/write-back of provision for obsolete and slow-moving inventory items in the period in which estimate has been changed.

(f) Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which

the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2013 was HK\$585,365. Further details are given in note 14.

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:

	2013	2012
	HK\$	HK\$
Interest income	1,077,885	224,122
Handling fee income	27,158,077	15,448,563
Rental income	2,136,012	2,136,012
Foreign exchange differences, net	21,997,809	4,003,595
Fair value gains of cash flow hedges (transfer from equity), net	–	522,184
Others	22,617,900	20,960,001
	<u>74,987,683</u>	<u>43,294,477</u>

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2013	2012
	HK\$	HK\$
Auditors' remuneration	658,300	616,951
Depreciation for property, plant and equipment	8,301,426	6,778,424
Depreciation for investment properties	733,471	733,471
Staff costs (excluding directors' remuneration (note 7)):		
Salaries and allowances	115,155,466	77,414,031
Pension scheme contributions (defined contribution scheme)	4,304,952	3,450,879
	<u>119,460,418</u>	<u>80,864,910</u>
Minimum lease payments under operating leases of land and buildings	7,954,173	5,734,940
Loss on disposal of available-for-sale investments	–	144,655
Loss on disposal of items of property, plant and equipment	<u>426,136</u>	<u>14,961</u>

6. FINANCE COSTS

	Group
	2013
	HK\$
Interest on bank loans, overdrafts and other loans	<u>19,822,765</u>

7. DIRECTORS' REMUNERATION

None of the directors received any fees or emoluments in respect of their services rendered to the Company during the year (2012: Nil).

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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.

	2013	2012
	HK\$	HK\$
Group		
Current - Hong Kong		
Charge for the year	11,014,813	7,184,984
Overprovision in prior years	(1,153,664)	(463,254)
Current - Elsewhere	1,175,890	1,143,720
Deferred (note 23)	8,343	79,557
Total tax charge for the year	<u>11,045,382</u>	<u>7,945,007</u>

A reconciliation of the tax expense/(credit) 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 - 2013

	Hong Kong HK\$	Others HK\$	Total HK\$
Profit/(loss) before tax	69,882,081	(7,548,524)	62,333,557
Tax at the applicable tax rate	11,530,543	(2,555,474)	8,975,069
Adjustments in respect of current tax of previous periods	(1,153,664)	–	(1,153,664)
Income not subject to tax	(5,644,600)	–	(5,644,600)
Expenses not deductible for tax	1,252,213	–	1,252,213
Tax on deemed profit arising from operations outside Hong Kong	–	1,175,890	1,175,890
Tax losses not recognised	3,330,323	2,555,474	5,885,797
Others	554,677	–	554,677
Tax at the effective rate	<u>9,869,492</u>	<u>1,175,890</u>	<u>11,045,382</u>

Group - 2012

	Hong Kong HK\$	Others HK\$	Total HK\$
Profit/(loss) before tax	51,373,921	(52,147)	51,321,774
Tax at the applicable tax rate	8,476,697	(13,037)	8,463,660
Adjustments in respect of current tax of previous periods	(463,254)	–	(463,254)
Income not subject to tax	(3,950,011)	–	(3,950,011)
Expenses not deductible for tax	1,291,376	–	1,291,376
Tax on deemed profit arising from operations outside Hong Kong	–	1,143,720	1,143,720
Tax losses not recognised	1,168,398	13,037	1,181,435
Others	278,081	–	278,081
Tax at the effective rate	<u>6,801,287</u>	<u>1,143,720</u>	<u>7,945,007</u>

As at the end of the reporting period, certain subsidiaries of the Group had unused tax losses arising in Hong Kong of HK\$27,572,318 (2012: HK\$7,388,543), which are subject to the agreement of the Hong Kong Inland Revenue Department and are available indefinitely for offsetting against the future taxable profits of the subsidiary. The other overseas subsidiaries of the Group also had tax losses arising in their respective principal countries of operations.

At the end of the reporting period, deferred tax assets in respect of the unused tax losses have only been recognised to the extent that the deferred tax liabilities associated with chargeable temporary differences were offset as the directors consider it uncertain that future taxable profits will be available to utilise all the unused tax losses. The deferred tax assets not recognised are analysed as follows:

	2013 HK\$	2012 HK\$
Unused tax losses	6,055,091	1,232,146
Depreciation allowance in excess of depreciation	(169,294)	(50,711)
Total tax charge for the year	<u>5,885,797</u>	<u>1,181,435</u>

9. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 March 2013 includes a profit of HK\$47,638,722 (2012: HK\$26,473,953) which has been dealt with in the financial statements of the Company (note 25(b)).

10. DIVIDENDS

	2013 HK\$	2012 HK\$
Interim - HK\$0.5 cents (2012: HK\$0.33 cents) per ordinary share	<u>15,560,000</u>	<u>3,112,000</u>

The directors do not recommend the payment of final dividend for the year.

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements	Furniture and fixtures	Motor vehicles	Office equipment	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
31 March 2013					
At 31 March 2012 and at 1 April 2012:					
Cost	5,878,994	7,834,600	3,084,597	17,190,058	33,988,249
Accumulated depreciation	(3,422,485)	(4,153,784)	(2,480,264)	(9,938,066)	(19,994,599)
Net carrying amount	<u>2,456,509</u>	<u>3,680,816</u>	<u>604,333</u>	<u>7,251,992</u>	<u>13,993,650</u>
At 1 April 2012, net of accumulated depreciation	2,456,509	3,680,816	604,333	7,251,992	13,993,650
Additions	99,516	5,040,079	187,708	7,246,648	12,573,951
Depreciation provided during the year	(1,071,140)	(1,645,243)	(523,164)	(5,061,879)	(8,301,426)
Disposals	-	(426,136)	-	-	(426,136)
Exchange realignment	-	9,545	-	12,213	21,758
At 31 March 2013, net of accumulated depreciation	<u>1,484,885</u>	<u>6,659,061</u>	<u>268,877</u>	<u>9,448,974</u>	<u>17,861,797</u>
At 31 March 2013:					
Cost	5,978,510	12,041,111	3,272,305	24,436,706	45,728,632
Accumulated depreciation	(4,493,625)	(5,382,050)	(3,003,428)	(14,987,732)	(27,866,835)
Net carrying amount	<u>1,484,885</u>	<u>6,659,061</u>	<u>268,877</u>	<u>9,448,974</u>	<u>17,861,797</u>
31 March 2012					
At 1 April 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	<u>1,100,971</u>	<u>3,179,688</u>	<u>1,237,064</u>	<u>6,201,888</u>	<u>11,719,611</u>
At 1 April 2011, net of accumulated depreciation	1,100,971	3,179,688	1,237,064	6,201,888	11,719,611
Additions	2,498,698	1,853,344	-	4,703,260	9,055,302
Depreciation provided during the year	(1,130,208)	(1,352,216)	(632,731)	(3,663,269)	(6,778,424)
Disposals	(14,961)	-	-	-	(14,961)
Exchange realignment	2,009	-	-	10,113	12,122
At 31 March 2012, net of accumulated depreciation	<u>2,456,509</u>	<u>3,680,816</u>	<u>604,333</u>	<u>7,251,992</u>	<u>13,993,650</u>
At 31 March 2012:					
Cost	5,878,994	7,834,600	3,084,597	17,190,058	33,988,249
Accumulated depreciation	(3,422,485)	(4,153,784)	(2,480,264)	(9,938,066)	(19,994,599)
Net carrying amount	<u>2,456,509</u>	<u>3,680,816</u>	<u>604,333</u>	<u>7,251,992</u>	<u>13,993,650</u>

	Leasehold improvements	Furniture and fixtures	Motor vehicles	Office equipment	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
31 March 2013					
At 31 March 2012 and at 1 April 2012:					
Cost	5,836,904	5,633,543	3,084,597	12,175,063	26,730,107
Accumulated depreciation	(3,420,185)	(3,573,375)	(2,480,264)	(8,650,491)	(18,124,315)
Net carrying amount	<u>2,416,719</u>	<u>2,060,168</u>	<u>604,333</u>	<u>3,524,572</u>	<u>8,605,792</u>
At 1 April 2012, net of accumulated depreciation	2,416,719	2,060,168	604,333	3,524,572	8,605,792
Additions	91,733	583,141	187,708	2,216,326	3,078,908
Depreciation provided during the year	(1,056,031)	(837,471)	(523,164)	(2,435,446)	(4,852,112)
At 31 March 2013, net of accumulated depreciation	<u>1,452,421</u>	<u>1,805,838</u>	<u>268,877</u>	<u>3,305,452</u>	<u>6,832,588</u>
At 31 March 2013:					
Cost	5,928,637	6,216,684	3,272,305	14,391,389	29,809,015
Accumulated depreciation	(4,476,216)	(4,410,846)	(3,003,428)	(11,085,937)	(22,976,427)
Net carrying amount	<u>1,452,421</u>	<u>1,805,838</u>	<u>268,877</u>	<u>3,305,452</u>	<u>6,832,588</u>
31 March 2012					
At 1 April 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>
At 1 April 2011, net of accumulated depreciation	1,035,654	2,134,809	1,237,064	4,318,889	8,726,416
Additions	2,456,608	768,462	-	1,826,847	5,051,917
Depreciation provided during the year	(1,075,543)	(843,103)	(632,731)	(2,621,164)	(5,172,541)
At 31 March 2012, net of accumulated depreciation	<u>2,416,719</u>	<u>2,060,168</u>	<u>604,333</u>	<u>3,524,572</u>	<u>8,605,792</u>
At 31 March 2012:					
Cost	5,836,904	5,633,543	3,084,597	12,175,063	26,730,107
Accumulated depreciation	(3,420,185)	(3,573,375)	(2,480,264)	(8,650,491)	(18,124,315)
Net carrying amount	<u>2,416,719</u>	<u>2,060,168</u>	<u>604,333</u>	<u>3,524,572</u>	<u>8,605,792</u>

Norwest Industries Limited

12. INVESTMENT PROPERTIES

Group and Company

	HK\$
At 1 April 2011:	
Cost	36,673,551
Accumulated depreciation	(2,975,891)
Net carrying amount	33,697,660
At 1 April 2011, net of accumulated depreciation	33,697,660
Depreciation provided during the year	(733,471)
At 31 March 2012, net of accumulated depreciation	32,964,189
At 31 March 2012:	
Cost	36,673,551
Accumulated depreciation	(3,709,362)
Net carrying amount	32,964,189
At 31 March 2012 and 1 April 2012, net of accumulated depreciation	32,964,189
Depreciation provided during the year	(733,471)
At 31 March 2013, net of accumulated depreciation	32,230,718
At 31 March 2013:	
Cost	36,673,551
Accumulated depreciation	(4,442,833)
Net carrying amount	32,230,718

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\$77,000,000 (2012: HK\$52,700,000). 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 28(a) to the financial statements.

At 31 March 2013, all of the Group's investment properties were pledged to secure the general banking facilities granted to the Group (note 21).

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK\$	HK\$
Unlisted shares, at cost	4,429,040	1,939,440

The balances with subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Company's subsidiaries as at 31 March 2013 are as follows:

Name	Place of incorporation/registration and operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Grand Pearl Trading Company Limited*#	People's Republic of China ("PRC")	US\$150,000	100%	–	Trading of garment products
Nor Europe Manufacturing Company Limited	Hong Kong	US\$100,000	70%	–	Trading of garment products
Nor India Manufacturing Company Limited	Hong Kong	US\$10,000	100%	–	Trading of garment products
Nor Lanka Manufacturing Limited	Hong Kong	HK\$10,000	100%	–	Trading of garment products

Name	Place of incorporation/registration and operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
Sino West Manufacturing Company Limited	Hong Kong	US\$10,000	80%	–	Trading of footwear products
Spring Near East Manufacturing Company Limited	Hong Kong	US\$10,000	100%	–	Trading of garment products
GEM Australia Manufacturing Company Limited	Hong Kong	US\$100,000	75%	–	Trading of garment products
Designed and Sourced Limited	Hong Kong	US\$200,000	60%	–	Provision of design services
Norwest USA., Inc.*	United States	US\$50,000	100%	–	Trading of garment products
Nor France Manufacturing Company Limited	Hong Kong	US\$100,000	75%	–	Trading of garment products
Nor France SAS*	France	EUR10,000	–	75%	Inactive
Nor Lanka Colombo Manufacturing Company Limited*	Sri Lanka	LK2,000	–	100%	Trading of garment products

* 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 the PRC law.

During the year, the Group acquired Nor Lanka Colombo Manufacturing Company Limited from an independent third party. Further details of this acquisition are included in note 26 to the financial statements.

14. GOODWILL

	2013	2012
	HK\$	HK\$
Cost and net carrying amount	583,365	–
Impairment testing of goodwill		

Goodwill acquired through a business combination has been allocated to the relevant cash-generating unit for impairment testing. The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial forecast covering a five-year period approved by management. The discount rate applied to the cash flow projections is 12% and the budgeted revenue and results of operation have been determined based on management's expected market and business development. The discount rate used is before tax and reflects specific risks relating to the cash-generating unit.

15. AVAILABLE-FOR-SALE INVESTMENTS

	Group and Company	
	2013	2012
	HK\$	HK\$
Unit trusts, at fair value	5,187,632	1,958,573

During the year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK\$116,341 (2012: gross gain of HK\$70,025).

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.

16. INVENTORIES

The Group's inventories represented fabrics sourced for supplies to manufacturers for their production of garments for the Group.

17. TRADE AND BILLS RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
	HK\$	HK\$	HK\$	HK\$
Trade receivables	642,197,383	352,873,292	329,293,835	185,414,144
Bills receivable	35,308,234	25,701,983	23,993,865	25,169,543
	<u>677,505,617</u>	<u>378,575,275</u>	<u>353,287,700</u>	<u>210,583,687</u>

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.

An aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	Group		Company	
	2013	2012	2013	2012
	HK\$	HK\$	HK\$	HK\$
Neither past due nor impaired	599,145,327	297,866,909	306,308,893	170,557,649
Past due but not impaired:				
Less than one month	65,746,221	65,328,489	38,971,861	38,061,634
One to three months	9,935,190	13,379,389	5,459,817	1,964,404
Over three months	2,678,879	2,000,488	2,547,129	–
	<u>677,505,617</u>	<u>378,575,275</u>	<u>353,287,700</u>	<u>210,583,687</u>

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

As at the end of the reporting period, the Group and Company had transferred certain bills of exchange amounting to HK\$124,388,071 (2012: HK\$54,878,840) and HK\$51,161,554 (2012: HK\$20,007,454), respectively, to banks with recourse in exchange for cash, respectively. The proceeds of the Group and the Company from transferring the bills receivable of HK\$123,854,712 (2012: HK\$54,511,623) and HK\$51,036,673 (2012: HK\$19,886,232), respectively, have been accounted for as collateralised bank advances and have been included in interest-bearing bank borrowings until the bills are collected or the Group/Company makes good of any losses incurred by the banks (note 21).

Receivables that were past due but not impaired relate to a number of customers that have had 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.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
	HK\$	HK\$	HK\$	HK\$
Prepayments	7,542,854	6,368,526	5,222,570	5,020,525
Deposits	3,254,371	2,712,450	2,462,681	2,461,424
Other receivables	17,948,458	16,805,556	6,333,535	8,148,091
	<u>28,745,683</u>	<u>25,886,532</u>	<u>14,018,786</u>	<u>15,630,040</u>
Less: Portion classified as non-current assets	(107,680)	–	–	–
	<u>28,638,003</u>	<u>25,886,532</u>	<u>14,018,786</u>	<u>15,630,040</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

19. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
	2013	2012	2013	2012
	HK\$	HK\$	HK\$	HK\$
Cash and bank balances	14,272,391	10,968,860	8,890,207	8,443,923
Time deposits	131,406,575	104,189,873	131,406,575	104,189,873
	<u>145,678,966</u>	<u>115,158,733</u>	<u>140,296,782</u>	<u>112,633,796</u>
Less: Pledged time deposits:	(131,406,575)	(104,189,873)	(131,406,575)	(104,189,873)
Pledged for bank loans and bank overdraft facilities (note 21)				
Cash and cash equivalents	<u>14,272,391</u>	<u>10,968,860</u>	<u>8,890,207</u>	<u>8,443,923</u>

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$8,156,170 (2012: HK\$1,699,819). 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.

20. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013	2012	2013	2012
	HK\$	HK\$	HK\$	HK\$
Other payables	6,463,666	7,607,577	4,377,562	6,517,153
Operating tax payables	6,438,048	4,591,887	6,438,048	4,591,887
Accrued employee benefits	4,896,247	747,389	1,788,302	657,709
Accruals	6,199,709	3,894,927	3,409,855	3,553,206
	<u>23,997,670</u>	<u>16,841,780</u>	<u>16,013,767</u>	<u>15,319,955</u>

Other payables are non-interest-bearing and have an average term of three months.

21. INTEREST-BEARING BANK BORROWINGS

Group	2013			2012		
	Contractual interest rate (%)	Maturity	HK\$	Contractual interest rate (%)	Maturity	HK\$
Mortgage loan (note (b))*	2.25% over 1 month HIBOR	2016/ on demand	3,706,820	2.25% over 1 month HIBOR	2016/ on demand	4,791,860
Mortgage loan (note (c))*	2% below BLR	2017/ on demand	5,035,000	2% below BLR	2017/ on demand	6,175,000
Term loan (note (d))*	1% over 1 month HIBOR	2017/ on demand	1,974,000	1% over 1 month HIBOR	2017/ on demand	2,406,000
Bank overdrafts**	Higher of prime rate +1.5% and cost of funding+2.25%	On demand	–	Higher of prime rate +1.5% and cost of funding+2%	On demand	777,393
Collateralised bank advances***	Either on HIBOR+2.25%, standard finance rates+1.5%	2013	124,388,071	Either on HIBOR+2.25%, LIBOR+2.5% or standard finance rates+1.5%	2012	54,511,623
Trust receipt loans****	Cost of funding+2%, cost of funding+2.25%, LIBOR+2.5%, standard finance rates +1.5%, prime rate, highest of USD prime rate+2%, cost of funding+2% or USD higher of LIBOR +3% or branch cost of funding+2%	2013	222,571,476	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 higher of LIBOR +3% or branch cost of funding+2%	2012	154,424,855
			<u>357,675,367</u>			<u>223,086,731</u>
Company	2013			2012		
	Contractual interest rate (%)	Maturity	HK\$	Contractual interest rate (%)	Maturity	HK\$
Mortgage loan (note (b))*	2.25% over 1 month HIBOR	2016/ on demand	3,706,820	2.25% over 1 month HIBOR	2016/ on demand	4,791,860
Mortgage loan (note (c))*	2% below BLR	2017/ on demand	5,035,000	2% below BLR	2017/ on demand	6,175,000
Term loan (note (d))*	1% over 1 month HIBOR	2017/ on demand	1,974,000	1% over 1 month HIBOR	2017/ on demand	2,406,000
Bank overdrafts**	Higher of prime rate +1.5% or cost of funding+2.25%	On demand	–	Higher of prime rate +1.5% or cost of funding+2%	On demand	777,393
Collateralised bank advances***	Either on HIBOR+2.25%, LIBOR+2.5% or rates+1.5%	2013	51,161,554	Either on HIBOR+2.25%, LIBOR+2.5% or standard finance rates+1.5%	2012	19,886,232
Trust receipt loans****	Either on cost of funding+2.25%, LIBOR+2.5%, HIBOR+2.25%, standard finance rates +1.5%, prime rate, highest of USD prime rate+1.5%, cost of funding+2% or USD LIBOR+3.5%, or higher of LIBOR +3% or branch cost of funding+2%	2013	205,992,828	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%	2012	136,341,095
			<u>267,870,202</u>			<u>170,377,580</u>

* Denominated in HK\$

** Denominated in HK\$, United States dollar and Indian Rupee

*** Denominated in British Pound Sterling and United States dollar

**** Denominated in Euro, British Pound Sterling and United States dollar

	Group		Company	
	2013	2012	2013	2012
	HK\$	HK\$	HK\$	HK\$
Analysed into:				
Bank loans and overdrafts repayable within one year	349,616,587	212,370,911	259,811,422	159,661,760
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	8,058,780	10,715,820	8,058,780	10,715,820
Amounts shown under current liabilities	357,675,367	223,086,731	267,870,202	170,377,580

Notes:

- (a) The Group's banking facilities are secured by way of:
- (i) the pledged of certain of the Group's time deposits and marketable securities;
 - (ii) bank guarantees with aggregate of US\$1,800,000;
 - (iii) guarantees from the ultimate holding company, fellow subsidiaries, directors of the Company and a related party; and
 - (iv) certain of the Group's and the Company's insurance deposits.
- (b) The bank loan is secured by the Group's investment properties (note 12 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 properties (note 12 to the financial statements), interest-bearing at 2% below the related 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.

22. DERIVATIVE FINANCIAL INSTRUMENTS

Assets	Group		Company	
	2013	2012	2013	2012
	HK\$	HK\$	HK\$	HK\$
Foreign currency contracts	20,690,485	-	19,632,816	-
Liabilities				
	Group		Company	
	2013	2012	2013	2012
	HK\$	HK\$	HK\$	HK\$
Foreign currency contracts	-	6,991,434	-	5,470,937

Cash flow hedges

At 31 March 2013, the Group and the Company held 179 and 153 forward currency contracts (2012: 171 and 128), respectively, and they are 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 2013 and November 2013 were assessed to be highly effective and a net gain of HK\$23,835,281 (2012: a net loss of HK\$1,263,308) was included in the hedging reserve for the year.

23. DEFERRED TAX LIABILITIES/(ASSETS)

The movements in deferred tax liabilities/(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 2011	350,640	(903,951)	(553,311)
Deferred tax charged to the income statement during the year (note 8)	79,557	-	79,557
Deferred tax credited to other comprehensive loss during the year	-	(249,636)	(249,636)
At 31 March 2012 and 1 April 2012	430,197	(1,153,587)	(723,390)
Deferred tax charged to the income statement during the year (note 8)	8,343	-	8,343
Deferred tax charged to other comprehensive income during the year	-	4,567,516	4,567,516
At 31 March 2013	438,540	3,413,929	3,852,469

Company

	Depreciation allowance in excess of related depreciation	Cash flow hedges	Total
	HK\$	HK\$	HK\$
At 1 April 2011	53,006	(837,870)	(784,864)
Deferred tax credited to the income statement during the year	(59,990)	-	(59,990)
Deferred tax credited to other comprehensive income during the year	-	(64,835)	(64,835)
At 31 March 2012 and 1 April 2012	(6,984)	(902,705)	(909,689)
Deferred tax credited to the income statement during the year	(270,055)	-	(270,055)
Deferred tax charged to other comprehensive income during the year	-	4,142,119	4,142,119
At 31 March 2013	(277,039)	3,239,414	2,962,375

24. SHARE CAPITAL

	2012	2011
	HK\$	HK\$
Authorised, issued and fully paid:		
4,000,000 (2012: 1,200,000) ordinary shares of US\$1 each	31,120,000	9,336,000

Pursuant to an ordinary resolution passed on 13 December 2012, the authorised share capital of the Company was increased from HK\$9,336,000 (US\$1,200,000) to HK\$31,120,000 (US\$4,000,000) by the creation of 2,800,000 additional shares of US\$1 each, ranking pari passu in all respect with the existing shares of the Company. On the same date, 2,800,000 ordinary shares of US\$1 each were issued at par to the existing shareholders of the Company. The corresponding considerations of HK\$31,120,000 were settled through the balances with the immediate holding company and a non-controlling shareholder, respectively.

25. 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.

Norwest Industries Limited
(b) Company

	Issued capital HK\$	Available- for-sale investment revaluation reserve HK\$	Hedging reserve HK\$	Retained profits HK\$	Total equity HK\$
At 1 April 2011	9,336,000	(175,469)	(4,240,128)	242,277,307	247,197,710
Profit for the year	-	-	-	26,473,953	26,473,953
Other comprehensive loss for the year:					
Change in fair values of available-for-sale investments, net of tax	-	238,176	-	-	238,176
Cash flow hedges, net of tax	-	-	(328,103)	-	(328,103)
Total comprehensive loss for the year	-	238,176	(328,103)	26,473,953	26,384,026
Interim dividend paid	-	-	-	(3,112,000)	(3,112,000)
At 31 March 2012	9,336,000	62,707*	(4,568,231)*	265,639,260*	270,469,736
At 31 March 2012 and at 1 April 2012	9,336,000	62,707*	(4,568,231)*	265,639,260*	270,469,736
Profit for the year	-	-	-	47,638,722	47,638,722
Other comprehensive income for the year:					
Change in fair values of available-for-sale Investments, net of tax	-	(116,341)	-	-	(116,341)
Cash flow hedges, net of tax	-	-	20,961,634	-	20,961,634
Total comprehensive income for the year	-	(116,341)	20,961,634	47,638,722	68,484,015
Capitalisation of retained profits	21,784,000	-	-	(21,784,000)	-
Interim dividend paid	-	-	-	(15,560,000)	(15,560,000)
At 31 March 2013	31,120,000	(53,634)*	16,393,403*	275,933,982*	323,393,751

* These reserve accounts comprise the reserves of HK\$292,273,751 (2012: HK\$261,133,736) in the Company's statement of financial position.

26. BUSINESS COMBINATION

On 13 August 2012, the Group acquired a 100% interest in Nor Lanka Colombo Manufacturing Limited ("NL Colombo") from an independent third party. NL Colombo is engaged in the trading of garments. The purchase consideration for the acquisition in the form of cash, with HK\$583,500 paid at the acquisition date.

The fair values of the identifiable assets of NL Colombo as at the date of acquisition were as follows:

	Note	Fair value recognised on acquisition HK\$
Other receivables		135
Total identifiable net assets at fair value		135
Provisional goodwill on acquisition	14	583,365
Satisfied by cash		583,500

Included in the goodwill of HK\$583,365 recognised above is not separable and therefore it does not meet the criteria for recognition as an intangible asset under HKAS 38 Intangible Assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

Since its acquisition, NL Colombo contributed HK\$685,176 to the Group's turnover and loss of HK\$1,037,867 to the consolidated profit for the year ended 31 March 2012. Prior to acquisition, NL Colombo was inactive.

27. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2013	2012	2013	2012
	HK\$	HK\$	HK\$	HK\$
Guarantees given to banks in connection with facilities granted to:				
Subsidiaries and fellow subsidiaries	-	-	327,232,165	292,967,396
Fellow subsidiaries	237,427,000	242,562,000	-	-

These amounts represent the aggregate amounts that could be required to be paid if the guarantees were called upon in entirety. At 31 March 2013, the banking facilities granted to subsidiaries and fellow subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately HK\$306,883,301 (2012: HK\$201,829,747), and the banking facilities guaranteed by the Group to fellow subsidiaries were utilised to the extent of approximately HK\$217,078,136 (2012: HK\$151,424,351).

28. OPERATING LEASE ARRANGEMENTS
(a) As lessor

The Group and the Company lease its investment property (note 12 to the financial statements) under an operating lease arrangement with lease negotiated for a term of four years.

At 31 March 2013, the Group and the Company had total future minimum lease receivables under a non-cancellable operating lease falling due as follows:

	Group and Company	
	2013	2012
	HK\$	HK\$
Within one year	22,692	120,132
In the second to fifth years, inclusive	-	22,692
	22,692	142,824

(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 2013, the Group and the Company had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	Group		Company	
	2013	2012	2013	2012
	HK\$	HK\$	HK\$	HK\$
Within one year	7,845,976	3,544,829	4,425,897	2,676,057
In the second to fifth years, inclusive	16,122,407	5,386,988	9,613,181	4,687,348
	23,968,383	8,931,817	14,039,078	7,363,405

29. 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	2013 HK\$	2012 HK\$
Fellow subsidiaries:			
Sales of goods	(i)	44,091,657	10,445,320
Purchases of goods	(ii)	1,339,189	27,625,780
Handling fees received	(iii)	25,043,315	17,580,012
Marketing fees paid	(iv)	126,157,010	111,265,355
Rentals received	(v)	1,875,840	1,875,840
Interest received	(vi)	557,576	641,126
Service fees received	(vii)	29,506	232,440
Other administrative and general expenses paid	(viii)	–	12,086,682
Sampling fees received	(ix)	11,796,101	10,464,386
Management fees paid	(x)	2,798,445	–
Immediate holding company:			
Management fees paid	(x)	23,067,661	14,628,820
Marketing fee paid	(x)	2,987,520	12,362,296
Ultimate holding company:			
Other administrative and general expenses paid	(viii)	543,822	3,249,893

Notes:

- (i) The sales were made according to the prices and conditions similar to those offered to the other major customers of the Group.
- (ii) The purchases were made according to the prices and conditions offered by the fellow subsidiaries to their respective other major customers.
- (iii) The handling fees received were charged at rates ranging from 2% to 5.25% based on the values of the sales transactions.
- (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 which were directly attributable to services rendered to the respective fellow subsidiaries.
- (viii) The other administrative and general expenses charged by the 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 and marketing fee paid were charged at terms mutually agreed between the Group and the respective immediate holding company and fellow subsidiaries.

- (b) Outstanding balances with related parties:

- (i) Except for an unsecured amount due from a fellow subsidiary of HK\$7,031,790 (2012: HK\$985,824) as at 31 March 2013 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 amounts due from non-controlling shareholders, included in current assets, are unsecured, interest-free and have no fixed terms of repayment.
- (iii) The balances with the immediate holding company and the ultimate holding company, included in current liabilities, are unsecured, interest-free and have no fixed terms of repayment.

30. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Group and the Company comprise trade and bills receivables, deposits and other receivables, amounts due from fellow subsidiaries and non-controlling shareholders, pledged time deposits and cash and bank balances which are categorised as loans and receivables, whereas available-for-sale investments are categorised as available-for-sale financial assets. Derivative financial instruments are categorised as financial assets at fair value through profit or loss - held for trading. The carrying amounts of these financial assets are the amounts shown on the consolidated and company statements of financial position or in corresponding notes to the financial statements. The financial liabilities of the Group and the Company comprise trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, and amounts due to fellow subsidiaries, the ultimate holding company, the immediate holding company and a subsidiary are categorised as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the consolidated and company statements of financial position or in the corresponding notes to the financial statements.

31. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair values 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 2013, 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 2013 and 31 March 2012, there were no transfers of fair value measurements between Level 1 and Level 2, and no transfer into or out of Level 3.

The fair values of trade and bills receivables, deposits and other receivables, amounts due from fellow subsidiaries and non-controlling shareholders, pledged time deposits, cash and cash equivalents, trade and bills payables, other payables and accruals, interest-bearing bank borrowings, and amounts due to an ultimate holding company, the immediate holding company and fellow subsidiaries approximated to their carrying amounts largely due to the short term maturities of these instruments.

32. 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 HK\$ interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
		HK\$	HK\$
2013			
HK\$	50	(1,788,377)	(1,788,377)
HK\$	(50)	1,788,377	1,788,377
2012			
HK\$	50	(1,115,434)	(1,115,434)
HK\$	(50)	1,115,434	1,115,434

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 45% (2012: 59%) of the Group's sales are denominated in currencies other than the functional currency of the Group. 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 that of the hedged items. The Group negotiates the terms of the hedge derivatives to match the terms of the hedged items 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 British 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).

	Change in the exchange rate %	Increase/ (decrease) in profit before tax HK\$
31 March 2013		
If HK\$ weakens against GBP	10.0	(29,572,941)
If HK\$ strengthens against GBP	<u>(10.0)</u>	<u>29,572,941</u>
31 March 2012		
If HK\$ weakens against GBP	10.0	(15,559,578)
If HK\$ strengthens against GBP	<u>(10.0)</u>	<u>15,559,578</u>

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 17 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 from group companies.

The Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, either have no fixed terms of repayment or are repayable within one year subsequent to the end of the reporting period.

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 businesses 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 dividend payments to its shareholders, return capital to the shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2013 and 31 March 2012.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 May 2013.

AUDIT REPORT**ZPHS (2013) NO. 295****To Hangzhou Grand Pearl Trading Co., Ltd:**

We have audited the accompanying financial statements of Hangzhou Grand Pearl Trading Co., Ltd. including the statement of financial position as at 31 March 2013, the income statement and the cash flow statement from April 2012 to March 2013, as well as notes to financial statements.

I. Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing and fairly presenting financial statements in accordance with Accounting Systems for Business Enterprises; (2) designing, implementing and maintaining necessary internal control in order that financial statements are free from material misstatement, whether due to fraud or error.

II. Certified Public Accountants' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with Chinese Certified Public Accountants' 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 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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.

III. Audit Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of March 31, 2013, and of its operation results and its cash flows from April 2012 to March 2013 in accordance with "China Accounting Systems for Business Enterprises".

IV. Explanatory Paragraph

In the course of our audit, we have reminded the users of financial statements that total owners' equity is RMB - 910,173.43 which is influence on capacity of sustainable operation, This paragraph has no effect to our audit opinion.

Zhejiang PuHua Certified Public Accountants co. Ltd,

Certified Public Accountants

Date of Report : Apr 16th, 2013

Hangzhou, China

THE STATEMENT OF FINANCIAL POSITION**As of March 31, 2013**

Assets	Line No.	Beginning Balance	Ending Balance	Liabilities and Owners' Equity	Line No.	Beginning Balance	Ending Balance
Current Assets				Current Liabilities			
Monetary Fund	1	30,331.17	4,480.53	Short-term loans	68		
Short-term investments	2			Notes payable	69		
Notes Receivable	3			Accounts payable	70	48,998.68	57,544.50
Dividend Receivable	4			Advances from customers	71		
Interest Receivable	5			Accrued payroll	72		
Accounts Receivable	6			Welfare expenses payable	73		
Other Receivable	7	7,416.99	7,416.99	Dividend payable	74		
Advances to suppliers	8	22,427.90	19,615.90	Tax payable	76	7,556.71	12,975.96
Subsidies Receivable	9			Rates payable	80		
Inventories	10	35,856.39		Other payable	81	1,142,346.17	1,056,658.28
Prepaid expenses	11			Accrued expenses	82	42.00	185.00
Long-term debt investment due within one year	21			Estimated liabilities	83		
Other current assets	24			Long-term liabilities due within one year	84		
Total current assets	31	96,032.45	31,513.42	Other current liabilities	86		
					90		
Long-term investments				Total current liabilities	100	1,198,943.56	1,127,363.74
Long-term equity investments	32			Long-term Liabilities			
Long-term debts investments	34			Long-term borrowings	101		
Total long-term investments	38			Bonds payable	102		
Including: consolidation difference				Long-term payables	103		
Including: consolidation difference				Special payables	106		
				Other long-term liabilities	108		
Fixed Assets :				Total long-term liabilities	110		
Fixed Assets cost	39	353,181.43	353,181.43	Deferred taxes:			
Less: accumulated depreciation	40	89,260.17	167,504.54	Deferred tax credit	111		
Fixed assets: net book value	41	263,921.26	185,676.89	Total liabilities	113	1,198,943.56	1,127,363.74
Less : provision for impairment of fixed assets	42						
Fixed assets: net	43	263,921.26	185,676.89	Minority interests	114		
Construction materials	44						
Construction in progress	45						
Disposal of fixed assets	46				115		
Sub-total of fixed assets	50	263,921.26	185,676.89	Owners' equity	116		

Assets	Line No.	Beginning Balance	Ending Balance	Liabilities and Owners' Equity	Line No.	Beginning Balance	Ending Balance
				Paid-in capital	117	1,023,675.00	1,023,675.00
Intangible and other assets				Less: investment returned	118		
Intangible assets	51			Paid-in capital net	119	1,023,675.00	1,023,675.00
Long-term prepayments	52			Capital surplus	120		
Other long-term assets	53			Surplus reserve	121		
Total intangible and other assets	60			Including : Statutory public welfare fund	122		
				Undistributed profit	124	(1,862,664.85)	(1,933,848.43)
Deferred taxes:				Including: Cash dividend to be distributed	125		
Deferred tax debit	61			Difference arising from foreign currency financial statements translation	125		
				Total owners' equity	126	(838,989.85)	(910,173.43)
Total assets	67	359,953.71	217,190.31	Total liabilities and owners' equity	135	359,953.71	217,190.31

Legal Representative:

Officer in Charge of Accounting Work:

Head of Accounting Department:

STATEMENT OF INCOME AND PROFIT DISTRIBUTION

From April 2012 to March 2013

Sl. No.	Items	Line No.	Perceeding Period Comparative	Current Period Cumulative
1.	Revenue from main operations	1	1,269,092.16	410,068.61
	Less: Cost of main operations	4	362,991.98	78,839.33
	Taxes & rates of main operations	5	20,342.41	8,079.01
2.	Profit/loss from main operations	10	885,757.77	323,150.27
	Add: Profit/loss from other operations	11		
	Less: Operating expenses	14		
	General & Administrative expenses	15	904,637.85	393,419.48
	Financial expenses	16	2,103.53	914.37
3.	Operating profit/loss	18	(20,983.61)	(71,183.58)
	Add: Investment income	19		
	Revenue from subsidies	22		
	Non-operating revenue	23		
	Less: Non-operating expenditures	25		
4..	Profit before income tax	27	(20,983.61)	(71,183.58)
	Less: Income tax	28	22,585.24	
	Minority interest income	29		
5.	Net Profit	30	(43,568.85)	(71,183.58)
	Add: Undistributed profit at the beginning of the year	31	(1,819,096.00)	(1,862,664.85)
	Other transfer-ins	32		
6.	Profit to be distributed	33	(1,862,664.85)	(1,933,848.43)
	Less: Appropriation of statutory surplus reserve	35		
	Appropriation of statutory public welfare fund	36		
	Appropriation of employee reward & welfare fund	37		
	Appropriation of reserve fund	38		
	Appropriation of enterprise development fund	39		
	Profit capitalized on return of investment	40		
7.	Profit to be distributed to investors	41	(1,862,664.85)	(1,933,848.43)
	Less: Dividend payable on preferred stock	42		
	Appropriation of discretionary surplus reserve	43		
	Dividend payable on common stock	44		
	Common stock dividend converted into capital	45		
8.	Undistributed profit	46		
			(1,862,664.85)	(1,933,848.43)

Legal Representative:

Officer in Charge of Accounting Work:

Head in Charge of Accounting Department:

CASH FLOW STATEMENT

From April 2012 to March 2013

Sl. No.	Items	Line No.	Amount	Sl. No.	Supplementary Information	Line No.	Amount
1.	Cash flows from operating activities			1.	Reconciliation of net profit to cash flows from operating activities		
	Cash receipts from sale of goods or rendering of services	1	479,780.27		Net Profit	57	(71,183.58)
					Add: Minority interest income		
	Refunds of taxes and rates	3			Provisions for impairment of assets	58	
	Other cash receipts relating to operating activities	8	130.04		Depreciation of fixed assets	59	78,244.17
	Total cash inflows	9	479,910.31		Amortization of intangible assets	60	
	Cash payments for goods and services	10	38,454.18		Amortization of long-term prepayments	61	
	Cash paid to and on behalf of employees	12	250,283.71		Decrease in prepaid expenses (or less: increase)	62	
	Cash payments for taxes and rates	13	64,657.81		Increase in accrued expenses (or less: increase)	63	143.00
	Other cash payments relating to operating activities	18	152,365.25		Losses on disposal of fixed assets, intangible assets and other long-term	64	
	Total cash outflows	20	505,760.95		Assets (or Less: gains)	65	
	Net cash flows from operating activities	21	(25,850.64)		Losses on scrapping of fixed assets	66	
2.	Cash flows from investing activities				Financial expenses	67	
	Cash received from return of investments	22			Investment losses (or less: gains)	68	
	Including : cash received from sale of subsidiaries	23			Deferred tax credit (or less: debit)	69	
	Cash received from return on investments	24			Decrease in inventories (or less: increase)	70	35,856.39
	Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	25			Decrease in operating receivables (or less: increase)	71	2,812.00
	Other cash receipts relating to investing activities	28			Increase in Operating payables (or less: decrease)	72	(71,722.82)
	Total cash inflows	29			Others	73	
	Cash payment for acquiring fixed assets, intangible assets and other long-term assets	30			Net cash flows from operating activities	75	(25,850.64)
	Cash payments for acquiring investments	31					
	Including cash payments for acquiring subsidiaries	32					
	Other cash payments relating to investing activities	35					
	Total cash outflows	36					
	Net cash flows from investing activities	37					
3.	Cash flows from financing activities:			2.	Investing and financing activities unrelated to cash receipts and payments		
	Cash received from investments by others	38			Conversion of debt into capital	76	
	Including cash received from minority stockholders' investment by subsidiaries	39			Convertible bonds to be expired within one year	77	
	Cash received from borrowings	40			Fixed assets rented-in under finance lease	78	
	Other cash receipts relating to financing activities	43					
	Total cash inflows	44					
	Cash repayments of borrowings	45					
	Cash payments for distributions of dividends or profits and for interest expenses	46					
	Including cash payments for distribution of dividends to minority stockholders by subsidiaries	47					
	Other cash payments relating to financing activities	51		3.	Net increase in cash and cash equivalents		
	Including cash payments to minority stockholders by subsidiaries due to capital reduction	52			Cash at the end of the period	79	4,480.53
	Total cash outflows	53			Less: cash at the beginning of the period	80	30,331.17
	Net cash flows from financing activities	54			Add: cash equivalents at the end of the period	81	
4.	Effect to foreign exchange rate changes on cash	55			Less: cash equivalents at the beginning of the period	82	
5.	Net increase in cash and cash equivalents	56	(25,850.64)		Net increase in cash and cash equivalents	83	(25,850.64)

Legal Representative:

Officer in Charge of Accounting Work:

Head in Charge of Accounting Department:

NOTES TO FINANCIAL STATEMENTS FROM APRIL 2012 TO MARCH, 2013

Monetary unit: RMB Yuan

I. Company Profile

Hangzhou Grand Pearl Trading co., Ltd (the "Company"), with the 'Certificate of Approval for establishment of Enterprises with Investment of Taiwan, Hongkong, Macao And overseas Chinese In the People's Republic of China' numbered Shang Wai Zi Zhe Fu Zi (2009) 06522 by Zhejiang Provincial People's Government. NORWEST INDUSTRIES LIMITED from Hong Kong investment In Taiwan. Hong Kong and Macao. established operate-owned enterprise (limited liability company). On April 27 2009, the Company registered at Hangzhou Municipal Industry and Commerce Administration Bureau and obtained corporate business license numbered 330100400027941 with USD 150,000.00 as its registered capital and USD 150,000.00 as total investment. The Company operation term is a twenty-year period. The Company mainly involves In: Clothing, apparel, household goods, textiles, wholesale business and related Information and advice.

II. Main accounting policies and estimates adopted by the Company
(I) Accounting standards and accounting systems

The Company adopts "China Accounting System for Business Enterprises" and their supplementary regulations,

(II) Fiscal year

The fiscal year of the Company runs from April 1 to March 31 under the Gregorian calendar.

(III) Bookkeeping base currency

The Company takes Renminbi yuan (RMB) as its bookkeeping base currency.

(IV) Accounting basis and principle

The Company adopts the accrual basis and historical cost convention.

(V) Foreign currency translation

Transactions denominated in foreign currency are to be translated into RMB yuan at the average market rate (announced by the People's Bank of China) on the day of the transaction. At the end of a period, the balances of the foreign currency accounts are adjusted according to the average market rate on the last day of the period. The difference arising from the adjustment, if related to the acquisition of fixed assets which have not reached the expected useful conditions, shall be accounted for as the cost of the fixed assets; if occurred during the start-up period but not related to fixed assets, shall be recorded as "long-term prepayments"; otherwise, shall be recorded as "financial expenses".

(VI) Foreign currency financial statements translation

- Assets and liabilities in the balance sheet are translated at the average market rate ruling at the balance sheet date: items of stockholders' equity, except "undistributed profit", are translated at the average market rate ruling at the date when related transactions incurred: "undistributed profit" is stated at the amount of the translated statement of profit distribution. The difference between the translated assets, liabilities and stockholders' equity is stated as "foreign currency financial statements translation difference "after" undistributed profit".
- Items in the income statement and current cumulative in the statement of profit distribution are translated at the weighted average exchange rate for the reporting period; "net profit" in the statement of profit distribution is stated at the translated amount in the income statement; "undistributed profit at the beginning of the year" is stated at the amount of "undistributed profit" translated in the preceding period; "undistributed profit" is stated at the calculated amount of the items in the statement of profit distribution.

(VII) Criteria of cash equivalents

For the purpose of cash flow statement, cash equivalents refer to high liquidity and easy redemption investments that the Company intends to hold for no more than three months with little value-fluctuation risks.

(VIII) Inventories

- Inventories include raw materials, packaging materials, low-value consumables, work in process and goods on hand (or finished goods), held for sale, service or consumption during production.
- All Inventories are stated at the actual cost. Raw materials and finished goods dispatched from storage are accounted for with the weighted average method. Low-value consumables and packaging material consumed, put to lease or lend are fully charged to cost or expenses upon first usage.

- Perpetual inventory method is adopted.

- Where the cost of Inventories (excluding materials held for production) is higher than the net realizable value because the inventories are damaged, completely or partially obsolescent, or the selling price is lower than the cost, a provision for inventory impairment loss shall be made on the difference between the cost and the lower net realizable value for Individual inventory items. As for materials held for production, if the net realizable value of the finished goods is higher than the cost, the materials shall still be stated at cost. Only when the falling price of materials has caused the net realizable value of the finished goods to be lower than the cost, shall the materials be stated at their net realizable value.

(IX) Fixed assets and depreciation method

- Fixed assets are assets with a useful life over 1 year and a high unit price, held for the purpose of production, service, rent or operation management.
- Fixed assets are stated at the historical cost. Leasing fixed assets are stated at the lower of the original book value and the present value of the minimum leasing payment.
- Depreciation of fixed assets is calculated under the straight-line method. The depreciation rate of fixed assets is set according to their original cost, deducting the estimated residual value (0% of the original cost, if the period of land use right is longer than the useful life of the related buildings and structures, the amount not amortized at the end of the useful life shall be accounted for as residual value of the land use right; and no residual value for capitalized decoration expenditures and improvement expenditures on fixed assets rented-in under operation lease) and the estimated useful life. The depreciation rates of different categories of fixed assets if impairment loss is excluded are as follows:

Categories	Useful Life (year)	Annual Depreciation rate (%)
Electronic equipments	3	33.33
Production equipments	5	20.00

- At the end of an accounting period, a provision for impairment loss shall be made for each fixed assets whose net realizable value falls below its net book value because of continuous declining price, technology obsolescence, scrap or idleness.

(X) Revenue recognition

- Revenue from the sale of goods is recognized when all of the following conditions are satisfied;
 - material risks and rewards concerning the ownership of the goods have been transferred to the buyer,
 - the enterprise retains neither further managerial nor actual control of the goods,
 - the related revenue has been received or the right to collect receivables is established,
 - the related cost of the goods sold can be reliably measured.
- Revenue from services rendered is recognized when the service has been rendered, and the corresponding revenue has been received or the right to collect receivables has been established. When the service starts and completes in different accounting years, the percentage of completion method is used to recognize revenue and cost, provided all the following conditions are met; the total amount of revenue from the service contract and degree of completion of services can be reliably estimated, the related revenue can flow into the Company, the cost incurred and will be incurred can be measured reliably.
- Revenue arising from allowing others use the Company's intangible assets (such as the trademark, patent, loyalty, software and copyright), and other non-cash assets, shall be accrued according to the terms stipulated by contract or agreement, and be recognized when: the related economic benefit can flow into the Company; the amount of revenue can be measured reliably.

(XI) Enterprise, income tax

Tax payable method is used to account for enterprise income tax

III. Taxes

Categories	Tax rate
Value added tax	17%
Enterprise income tax	25%

IV. Notes on items of financial statements

1. Monetary funds

Items	Beginning	Ending balance
Cash in bank	30,331.17	4,480.53
Total	30,331.17	4,480.53

2. Other receivables

(1) Age analysis

Age	Beginning balance				Ending balance			
	Book balance	Ratio (%)	Provision for bad debts	Carrying value	Book balance	Ratio (%)	Provision for bad debts	Carrying value
1-2 year	7,416.99	100.00%		7,416.99				
2-3 year					7,416.99	100.00%		7,416.99
Total	7,416.99	100.00%		7,416.99	7,416.99	100.00%		7,416.99

(2) Balances due from related parties.

Related parties	Ending balance
Norwest Industries LTD Hangzhou Office	7,416.99
Subtotal	7,416.99

3. Advances to supplies

(1) Age analysis

Age	Beginning balance				Ending balance			
	Book balance	Ratio (%)	Provision for bad debts	Carrying value	Book balance	Ratio (%)	Provision for bad debts	Carrying value
Within 1 year	2,812.00	12.54%		2,812.00				
1-2 year	19,615.90	87.46%		19,615.90				
2-3 year					19,615.90	100.00%		19,615.90
Total	22,427.90	100.00%		22,427.90	19,615.90	100.00%		19,615.90

4. Inventories

Category	Beginning balance	Ending balance
	Book balance	Book balance
Goods	35,856.39	
Total	35,856.39	

5. Fixed asset

Category	Opening balance	Increase	Decrease	Ending balance
Fixed assets-cost				
Production equipment	296,121.13			296,121.13
Electronic equipment	57,060.30			57,060.30
Subtotal	353,181.43			353,181.43
Accumulated depreciation				
Production equipment	60,138.92	59,224.23		119,363.15
Electronic equipment	29,121.25	19,020.14		48,141.39
Subtotal	89,260.17	78,244.37		167,504.54
Less: impairment of fixed assets				
Net book value	263,921.26			185,676.89

6. Accounts payable

(1) Age analysis

Age	Beginning balance		Ending balance	
	Book balance	Ratio (%)	Book balance	Ratio (%)
Within 1 year	48,998.68	100.00%	57,544.50	100.00%
Total	48,998.68	100.00%	57,544.50	100.00%

7. Tax payables

Items	Beginning balance	Ending balance
VAT payable	6,667.06	11,506.54
Local tax payable	889.65	1,469.42
Total	7,556.71	12,975.96

8. Other payables

(1) Age analysis

Age	Beginning balance		Ending balance	
	Book balance	Ratio (%)	Book balance	Ratio (%)
Within 1 year	1,142,346.17	100.00%	655,566.12	62.04%
1-2 year			401,092.16	37.96%
Total	1,142,346.17	100.00%	1,056,658.28	100.00%

(2) Balances due to related parties

Related parties	Ending balance
Norwest Industries Ltd. Hangzhou Office	1,056,658.28
Sub Total	1,056,658.28

9. Paid-in capital

Investors	Beginning balance		Increase/Decrease		Ending balance	
	USD amount	RMB amount	USD amount	RMB amount	USD amount	RMB amount
Norwest Industries Ltd.	150,000.00	1,023,675.00			150,000.00	1,023,675.00
Total	150,000.00	1,023,675.00			150,000.00	1,023,675.00

10. Undistributed Profit

Items	Current Period Cumulative
Beginning balance	(1,862,664.85)
Increase	
Decrease	71,183.58
Ending Balance	(1,933,848.43)

11. Revenue from main operations

Items	Perceding Period Comparative	Current Period Cumulative
Domestic Sales	1,269,092.16	410,068.61
Total	1,269,092.16	410,068.61

12. Cost of main operations

Items	Perceding Period Comparative	Current Period Cumulative
Domestic Sales	362,991.98	78,839.33
Total	362,991.98	78,839.33

13. Financial expenses

Items	Perceding Period Comparative	Current Period Cumulative
Interest expenses		
Less: Interest proceeds	565.93	130.04
Exchange gains and losses		
Bank charges	2,669.46	1,044.41
Total	2,103.53	914.37

V. Related party relationships and transactions

(I) Related party relationships

Related parties	Relationships with the Company
Norwest Industries LTD Hangzhou Office	Branch of controlled subsidiary of the stockholder of the Company

(II) Related party transactions

Please check notes to items of financial statements for balances due to and from related parties.

Hangzhou Grand Pearl Trading Co., Ltd

Apr.16th, 2013

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 2013.

Principal activities

The principal activity of the Company has not changed during the year and was the trading of garments. Details of the principal activities 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.

Results and dividends

The Group's profit for the year ended 31 March 2013 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 46.

The directors do not recommend the payment of any dividend in respect of the year.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Company and the Group during the year is set out in note 11 to the financial statements.

Directors

The directors of the Company during the year were:

Deepak Kumar Seth

Pallak 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 of the directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiary, 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 subsidiary, 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
20 May 2013

INDEPENDENT AUDITORS' REPORT

To the shareholder of Nor Lanka Manufacturing Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Nor Lanka Manufacturing Limited (the "Company") and its subsidiary (together, the "Group") set out on pages 5 to 46, which comprise the consolidated and company statements of financial position as at 31 March 2013, 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 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 2013, 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.

Sd/-
Certified Public Accountants
Hong Kong
20 May 2013

CONSOLIDATED INCOME STATEMENT YEAR ENDED 31 MARCH 2013

	Notes	2013 HK\$	2012 HK\$
REVENUE	5	914,602,868	763,653,872
Cost of sales		(814,793,474)	(659,462,771)
Gross profit		99,809,394	104,191,101
Other income and gain	5	18,459,988	633,337
Selling and distribution costs		(11,812,853)	(18,455,440)
Administrative expenses		(54,884,242)	(52,675,167)
Other operating expenses		(2,351,108)	(1,253,179)
Finance costs	7	(12,481,723)	(3,716,514)
PROFIT BEFORE TAX	6	36,739,456	28,724,138
Income tax expense	9	(6,131,163)	(4,494,600)
PROFIT FOR THE YEAR		30,608,293	24,229,538

STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 MARCH 2013

	2013 HK\$	2012 HK\$
PROFIT FOR THE YEAR	30,608,293	24,229,538
OTHER COMPREHENSIVE INCOME/(LOSS)		
Cash flow hedges	2,152,769	(935,205)
Exchange differences on translation of foreign operations	(16,880)	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	2,135,889	(935,205)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	32,744,182	23,294,333

STATEMENT OF FINANCIAL POSITION 31 MARCH 2013

	Notes	2013 HK\$	2012 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	11	5,836,374	3,764,182
Goodwill	13	583,365	–
Total current assets		6,419,739	3,764,182
CURRENT ASSETS			
Inventories	14	111,859,270	91,491,640
Trade and bills receivables	15	188,764,527	146,465,797
Prepayments, deposits and other receivables		13,453,495	8,771,286
Due from fellow subsidiaries	23(b)	16,249,193	261,456
Derivative financial instruments	16	1,057,669	–
Cash and cash equivalents		829,804	960,624
Total current assets		332,213,958	247,950,803
CURRENT LIABILITIES			
Trade and bills payables		93,388,981	63,988,719
Other payables and accruals		5,078,978	1,289,183
Due to an intermediate holding company	23(b)	4,700,647	5,444,010
Due to the immediate holding company	23(b)	82,457,115	94,644,344
Due to the ultimate holding company	23(b)	98,028	156,657
Due to fellow subsidiaries	23(b)	1,683,441	4,215,189
Derivative financial instruments	16	–	1,520,497
Interest-bearing bank borrowings	17	81,874,775	50,405,396
Tax payable		10,895,602	4,818,307
Total current liabilities		280,177,567	226,482,302
NET CURRENT ASSETS		52,036,391	21,468,501
TOTAL ASSETS LESS CURRENT LIABILITIES		58,456,130	25,232,683

	Notes	2013 HK\$	2012 HK\$
NON-CURRENT LIABILITIES			
Deferred tax liabilities	18	(665,564)	(186,299)
Net assets		57,790,566	25,046,384
EQUITY			
Issued capital	19	10,000	10,000
Reserves		57,780,566	25,036,384
Total equity		57,790,566	25,046,384
Sd/- Director			Sd/- Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2013**

	Issued capital HK\$	Exchange reserve	Hedging reserve HK\$	Retained profits HK\$	Total equity HK\$
At 1 April 2011	10,000	–	(334,410)	2,076,461	1,752,051
Profit for the year	–	–	–	24,229,538	24,229,538
Other comprehensive loss for the year:					
Cash flow hedges, net of tax	–	–	(935,205)	–	(935,205)
At 31 March 2012 and at 1 April 2012	10,000	–*	(1,269,615)*	26,305,999*	25,046,384
Profit for the year	–	–	–	30,608,293	30,608,293
Other comprehensive income/(loss) for the year:					
Cash flow hedges, net of tax	–	–	2,152,769	–	2,152,769
Exchange differences on translation of foreign operations	–	(16,880)	–	–	(16,880)
Total comprehensive income/(loss) for the year	–	(16,880)	2,152,769	30,608,293	32,744,182
At 31 March 2013	10,000	(16,880)*	883,154*	56,914,292*	57,790,566

* These reserve accounts comprise the reserves of HK\$57,780,566 (2012: HK\$25,036,384) in the consolidated statement of financial position.

**CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 MARCH 2013**

	Notes	2013 HK\$	2012 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		36,739,456	28,724,138
Adjustments for:			
Interest income	5	(29,476)	(1,005)
Depreciation	6	2,351,108	1,127,994
Finance costs	7	12,481,723	3,716,514
		51,542,811	33,567,641
Increase in inventories		(20,327,592)	(39,511,642)
Increase in trade and bills receivables		(42,298,730)	(98,649,835)
Increase in prepayments, deposits and other receivables		(4,671,890)	(3,878,586)
Increase in amounts due from fellow subsidiaries		(15,987,737)	(261,456)
Increase in trade and bills payables		29,363,655	54,936,933
Increase in other payables and accruals		3,783,818	552,717

Nor Lanka Manufacturing Limited

	Notes	2013 HK\$	2012 HK\$
Increase/(decrease) in an amount due to an intermediate holding company		(743,363)	4,637,110
Increase/(decrease) in an amount due to the immediate holding company		(12,225,588)	32,134,548
Increase/(decrease) in an amount due to the ultimate holding company		(58,629)	156,657
Increase/(decrease) in amounts due to fellow subsidiaries		(2,531,748)	1,681,447
Cash used in operations		(14,154,993)	(14,634,466)
Interest received		29,476	1,005
Interest paid		(12,481,723)	(3,716,514)
Net cash flows used in operating activities		(26,607,240)	(18,349,975)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary		(583,500)	–
Purchases of items of property, plant and equipment		(4,410,825)	(2,272,908)
Net cash flows used in investing activities		(4,994,325)	(2,272,908)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new bank loans, net		31,469,379	17,467,138
NET DECREASE IN CASH AND CASH EQUIVALENTS		(132,186)	(3,155,745)
Cash and cash equivalents at beginning of year		960,624	4,116,369
Effect of foreign exchange rate changes, net		1,366	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		829,804	960,624
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		829,804	960,624

STATEMENT OF FINANCIAL POSITION 31 MARCH 2013

	Notes	2013 HK\$	2012 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	11	5,056,361	3,764,182
Investment in a subsidiary	12	583,500	–
Total non-current assets		5,639,861	3,764,182
CURRENT ASSETS			
Inventories	14	109,355,740	91,491,640
Trade and bills receivables	15	188,764,527	146,465,797
Prepayments, deposits and other receivables		12,808,247	8,771,286
Due from fellow subsidiaries	23(b)	16,249,193	261,456
Due from a subsidiary	23(b)	2,648,809	–
Derivative financial instruments	16	1,057,669	–
Cash and cash equivalents		751,949	960,624
Total current assets		331,636,134	247,950,803
CURRENT LIABILITIES			
Trade and bills payables		91,100,010	63,988,719
Other payables and accruals		4,705,264	1,289,183
Due to an intermediate holding company	23(b)	4,700,647	5,444,010
Due to the immediate holding company	23(b)	82,457,115	94,644,344
Due to the ultimate holding company	23(b)	98,028	156,657
Due to fellow subsidiaries	23(b)	1,683,441	4,215,189
Derivative financial instruments	16	–	1,520,497
Interest-bearing bank borrowings	17	81,874,775	50,405,396
Tax payable		10,895,602	4,818,307
Total current liabilities		277,514,882	226,482,302
NET CURRENT ASSETS		54,121,252	21,468,501
TOTAL ASSETS LESS CURRENT LIABILITIES		59,761,113	25,232,683

	Notes	2013 HK\$	2012 HK\$
NON-CURRENT LIABILITIES			
Deferred tax liabilities	18	(665,564)	(186,299)
Net assets		59,095,549	25,046,384
EQUITY			
Issued capital	19	10,000	10,000
Reserves	20(b)	59,085,549	25,036,384
Total equity		59,095,549	25,046,384
Sd/- Director			Sd/- Director

NOTES TO FINANCIAL STATEMENTS 31 MARCH 2013

1. CORPORATE INFORMATION

Nor Lanka Manufacturing 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, Kowloon, Hong Kong.

During the year, the Group was principally involved in the trading of garments.

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 Pearl Global Industries Limited, a company incorporated in India with shares listed on the National Stock Exchange and Bombay Stock Exchange in India.

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, 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

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 2013. 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.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it 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 the income statement or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Certain new and revised HKFRSs became 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 2013.

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 2013, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiary

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of a subsidiary are included in the Company's income statement to the extent of dividends received and receivable. The Company's investment in a subsidiary is stated at cost less any impairment losses.

Business combinations and goodwill

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 Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related 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 previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the income statement.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in the income statement or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for 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 identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in the income statement 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 2013. 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 has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

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 an 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 is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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 depreciates them accordingly.

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 $\frac{1}{3}$ %

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 including 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.

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 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 transaction cost, except in the case of financial assets recorded at fair value through the income statement.

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.

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 other income and gains in the income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans and in other operating expenses for receivables.

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, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it 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 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 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 write-off is later recovered, the recovery is credited to the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities of the Group within the scope of HKAS 39 are classified as loans and borrowings, 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, net of 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 subsequent 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 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 quotations (bid prices for long positions and ask prices 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 to 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 as other expenses.

Amounts recognised in other comprehensive income are transferred to the income statement when the hedged transaction affects the income statement, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts 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 the income statement.

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 current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to 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.

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. Deferred tax assets are recognised for deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, 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 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:

- 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;
- marketing income, when the services are rendered;
- handling income, when the 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 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.

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The employees of the Group's subsidiary which is based in Sri Lanka are required to participate in central pension schemes operated by the local government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values were determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the items whose fair value gain or loss is recognised in other comprehensive income or the income statement are also recognised in other comprehensive income or the income statement, respectively).

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 prevailing at the end of the reporting period and its income statement is translated into HK\$ at the weighted average exchange rate for the period. The resulting exchange differences are recognised in other comprehensive income and are 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 rate for the period.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosure of contingent liabilities. 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 property, plant and equipment

Items of property, plant and equipment are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value.

(b) 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 receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

(c) Current tax and deferred tax

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.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact on the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed.

(d) 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.

HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 require that the Group carries certain of its financial assets at fair value, which requires 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.

(e) Impairment of inventories

Management reviews the ageing analysis of inventories of the Group 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 the provision charge/write-back of provision for obsolete and slow-moving inventory items in the period in which estimate has been changed.

(f) Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2013 was HK\$585,365. Further details are given in note 13.

5. REVENUE, OTHER INCOME AND GAIN

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold.

An analysis of other income and gain is as follows:

	2013 HK\$	2012 HK\$
Interest income	29,476	1,005
Handling income	1,232,757	–
Marketing fee income	842,836	632,332
Foreign exchange differences, net	13,345,413	–
Others	3,009,506	–
	18,459,988	633,337

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2013 HK\$	2012 HK\$
Cost of inventories sold	814,793,474	659,462,771
Auditors' remuneration	214,627	72,100
Depreciation	2,351,108	1,127,994
Staff costs (excluding directors' remuneration (note 8)):		
Salaries and allowances	34,917,097	14,900,994
Pension scheme contributions (defined contribution schemes)	2,228,378	1,249,078
	37,145,475	16,150,072
Minimum lease payments under operating leases of land and buildings	1,214,670	816,970
Foreign exchange differences, net	(13,345,413)	125,185

7. FINANCE COSTS

	2013 HK\$	2012 HK\$
Interest on letters of credit	<u>12,481,723</u>	<u>3,716,514</u>

8. DIRECTORS' REMUNERATION

None of the directors received any fees or emoluments in respect of their services rendered to the Company during the year (2012: Nil).

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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.

	2013 HK\$	2012 HK\$
Group		
Current - Hong Kong		
Charge for the year	6,077,295	4,818,307
Overprovision in prior year	-	(463,254)
Deferred tax (note 18)	53,868	139,547
Total tax charge for the year	<u>6,131,163</u>	<u>4,494,600</u>

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Group is domiciled to the tax charge at the Group's effective tax rate is as follows:

Group - 2013

	Hong Kong HK\$	Others HK\$	Total HK\$
Profit/(loss) before tax	<u>37,777,323</u>	<u>(1,037,867)</u>	<u>36,739,456</u>
Tax at the applicable tax rate	6,233,258	(290,603)	5,942,655
Income not subject to tax	(143,931)	-	(143,931)
Expenses not deductible for tax	41,836	-	41,836
Tax losses not recognised	-	290,603	290,603
Tax at the effective rate	<u>6,131,163</u>	<u>-</u>	<u>6,131,163</u>

Group - 2012

	Hong Kong HK\$	Others HK\$	Total HK\$
Profit before tax	<u>28,724,138</u>	<u>-</u>	<u>28,724,138</u>
Tax at the applicable tax rate	4,739,482	-	4,739,482
Adjustments in respect of current tax of previous periods	(463,254)	-	(463,254)
Income not subject to tax	(166)	-	(166)
Expenses not deductible for tax	218,538	-	218,538
Tax at the effective rate	<u>4,494,600</u>	<u>-</u>	<u>4,494,600</u>

There was no significant unprovided deferred tax charge in respect of the year and as at the end of the reporting period (2011: Nil).

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 March 2013 includes a profit of HK\$31,896,396 (2012: HK\$24,229,538) which has been dealt with in the financial statements of the Company (note 20 (b)).

11. PROPERTY, PLANT AND EQUIPMENT**Group**

	Furniture and fixtures HK\$	Office equipment HK\$	Total HK\$
31 March 2013			
At 31 March 2012 and 1 April 2012:			
Cost	1,320,521	3,864,617	5,185,138
Accumulated depreciation	(376,181)	(1,044,775)	(1,420,956)
Net carrying amount	<u>944,340</u>	<u>2,819,842</u>	<u>3,764,182</u>
At 1 April 2012, net of accumulated depreciation	944,340	2,819,842	3,764,182
Additions	869,571	3,541,254	4,410,825
Depreciation provided during the year	(404,503)	(1,946,605)	(2,351,108)
Exchange realignment	9,544	2,931	12,475
At 31 March 2013, net of accumulated depreciation	<u>1,418,952</u>	<u>4,417,422</u>	<u>5,836,374</u>
At 31 March 2013:			
Cost	2,199,671	7,408,863	9,608,534
Accumulated depreciation	(780,719)	(2,991,441)	(3,772,160)
Net carrying amount	<u>1,418,952</u>	<u>4,417,422</u>	<u>5,836,374</u>

Group

	Furniture and fixtures HK\$	Office equipment HK\$	Total HK\$
31 March 2012			
At 1 April 2011:			
Cost	1,116,175	1,796,055	2,912,230
Accumulated depreciation	(71,296)	(221,666)	(292,962)
Net carrying amount	<u>1,044,879</u>	<u>1,574,389</u>	<u>2,619,268</u>
At 1 April 2011, net of accumulated depreciation	1,044,879	1,574,389	2,619,268
Additions	204,346	2,068,562	2,272,908
Depreciation provided during the year	(304,885)	(823,109)	(1,127,994)
At 31 March 2012, net of accumulated depreciation	<u>944,340</u>	<u>2,819,842</u>	<u>3,764,182</u>
At 31 March 2012:			
Cost	1,320,521	3,864,617	5,185,138
Accumulated depreciation	(376,181)	(1,044,775)	(1,420,956)
Net carrying amount	<u>944,340</u>	<u>2,819,842</u>	<u>3,764,182</u>

Company

	Furniture and fixtures HK\$	Office equipment HK\$	Total HK\$
31 March 2013			
At 31 March 2012 and 1 April 2012:			
Cost	1,320,521	3,864,617	5,185,138
Accumulated depreciation	(376,181)	(1,044,775)	(1,420,956)
Net carrying amount	<u>944,340</u>	<u>2,819,842</u>	<u>3,764,182</u>
At 1 April 2012, net of accumulated depreciation	944,340	2,819,842	3,764,182
Additions	280,242	3,357,158	3,637,400
Depreciation provided during the year	(402,350)	(1,942,871)	(2,345,221)
At 31 March 2013, net of accumulated depreciation	<u>822,232</u>	<u>4,234,129</u>	<u>5,056,361</u>
At 31 March 2013:			
Cost	1,600,763	7,221,775	8,822,538
Accumulated depreciation	(778,531)	(2,987,646)	(3,766,177)
Net carrying amount	<u>822,232</u>	<u>4,234,129</u>	<u>5,056,361</u>

Nor Lanka Manufacturing Limited

Company

	Furniture and fixtures HK\$	Office equipment HK\$	Total HK\$
31 March 2012			
At 1 April 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
At 1 April 2011, net of accumulated depreciation	1,044,879	1,574,389	2,619,268
Additions	204,346	2,068,562	2,272,908
Depreciation provided during the year	(304,885)	(823,109)	(1,127,994)
At 31 March 2012, net of accumulated depreciation	944,340	2,819,842	3,764,182
At 31 March 2012:			
Cost	1,320,521	3,864,617	5,185,138
Accumulated depreciation	(376,181)	(1,044,775)	(1,420,956)
Net carrying amount	944,340	2,819,842	3,764,182

12. INVESTMENT IN A SUBSIDIARY

	Company	
	2013 HK\$	2012 HK\$
Unlisted shares, at cost	583,500	–

The amount due from a subsidiary included in the Company's current assets is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the Company's subsidiary as at 31 March 2013 are as follows:

	Place of in- corporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity directly attributable to the Company	Principal activities
Nor Lanka Colombo Manufacturing Company Limited*	Sri Lanka	LK2,000	100%	Trading of garment products

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

During the year, the Group acquired Nor Lanka Colombo Manufacturing Company Limited from an independent third party. Further details of this acquisition are included in note 21 to the financial statements.

13. GOODWILL

	2013 HK\$	2012 HK\$
Cost and net carrying amount	583,365	–

Impairment testing of goodwill

Goodwill acquired through a business combination has been allocated to the relevant cash-generating unit for impairment testing. The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial forecast covering a five-year period approved by management. The discount rate applied to the cash flow projections is 12% and the budgeted revenue and results of operation have been determined based on management's expected market and business development. The discount rate used is before tax and reflects the specific risks relating to the cash-generating unit.

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

	Group and Company	
	2013 HK\$	2012 HK\$
Trade receivables	183,051,236	145,933,357
Bills receivable	5,713,291	532,440
	188,764,527	146,465,797

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.

An aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	Group and Company	
	2013 HK\$	2012 HK\$
Neither past due nor impaired	170,605,246	106,099,653
Past due but not impaired:		
Less than one month	14,159,395	26,950,670
Between one to three months	3,995,712	11,414,985
Over three months	4,174	2,000,489
	188,764,527	146,465,797

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

As at the end of the reporting period, the Group and Company had transferred certain bills of exchange amounting to HK\$65,296,128 (2012: HK\$32,550,549) to banks with recourse in exchange for cash. The proceeds of the Group and the Company from transferring the bills receivable of HK\$65,054,265 (2012: HK\$32,321,636) have been accounted for as collateralised bank advances and have been included in interest-bearing bank borrowings until the bills are collected or the Group/Company makes good of any losses incurred by the banks (note 17).

Receivables that were past due but not impaired relate to a number of customers that have had 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. DERIVATIVE FINANCIAL INSTRUMENTS

Assets

	Group and Company	
	2013 HK\$	2012 HK\$
Foreign currency contracts	1,057,669	–

Liabilities

	Group and Company	
	2013 HK\$	2012 HK\$
Foreign currency contracts	–	1,520,497

Cash flow hedges

At 31 March 2013, the Group and the Company held 26 forward currency contracts (2012: 43) designated as hedges in respect of expected future sales to customers in the United Kingdom and Europe for which the Group has firm commitments.

The terms of the forward currency contracts have been negotiated to match the terms of the commitments. The cash flow hedges relating to expected future sales between April 2013 and August 2013 (2012: between April 2012 and November 2012) were assessed to be highly effective and a net gain of HK\$883,154 (2012: a net loss of HK\$1,269,615) was included in the hedging reserve.

17. INTEREST-BEARING BANK BORROWINGS

	Contractual interest rate (%)	Maturity	Group and Company	
			2013 HK\$	2012 HK\$
Trust receipt loans	LIBOR plus 3.5%, LIBOR plus 4.0% or cost of funding plus 2.5%	April - May 2013	16,578,647	18,083,760
Collateralised bank advances	LIBOR plus 3.5%	April 2013	65,296,128	32,321,636
			<u>81,874,775</u>	<u>50,405,396</u>

Notes:

- (a) Certain of the Group's bank borrowings are secured by way of:
- (i) a joint corporate guarantee from its ultimate holding company and its immediate holding company to the extent of US\$5,000,000;
 - (ii) a corporate guarantee from the Company to the extent of US\$2,250,000; and
 - (iii) a corporate guarantee from the ultimate holding company to the aggregate of HK\$280,000,000 and British Pound Sterling ("GBP") 30,000,000.
- (b) The Group's trust receipt loans are all denominated in United States dollars ("US\$") whereas the collateralised bank advances are all denominated in GBP and US\$.

18. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities/(assets) during the year are as follows:

Group and Company

	Depreciation allowance in excess of related depreciation HK\$	Cash flow hedges HK\$	Total HK\$
At 1 April 2011	297,634	(66,081)	231,553
Deferred tax charged to the income statement during the year (note 9)	139,547	–	139,547
Deferred tax credited to other comprehensive income during the year	–	(184,801)	(184,801)
At 31 March 2012 and at 1 April 2012	437,181	(250,882)	186,299
Deferred tax charged to the income statement during the year (note 9)	53,868	–	53,868
Deferred tax charged to other comprehensive income during the year	–	425,397	425,397
At 31 March 2013	<u>491,049</u>	<u>174,515</u>	<u>665,564</u>

19. SHARE CAPITAL

	2013 HK\$	2012 HK\$
Authorised, issued and fully paid:		
10,000 ordinary shares of HK\$1 each	<u>10,000</u>	<u>10,000</u>

20. 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

	Issued capital HK\$	Hedging reserve HK\$	Retained profits HK\$	Total equity HK\$
At 1 April 2011	10,000	(334,410)	2,076,461	1,752,051
Profit for the year	–	–	24,229,538	24,229,538
Other comprehensive loss for the year:				
Cash flow hedges, net of tax	–	(935,205)	–	(935,205)
At 31 March 2012 and at 1 April 2012	10,000	(1,269,615)	26,305,999	25,046,384
Profit for the year	–	–	31,896,396	31,896,396
Other comprehensive income for the year:				
Cash flow hedges, net of tax	–	2,152,769	–	2,152,769
At 31 March 2013	<u>10,000</u>	<u>883,154</u>	<u>58,202,395</u>	<u>59,095,549</u>

* These reserve accounts comprise the reserves of HK\$59,085,549 (2012: HK\$25,036,384) in the Company's statement of financial position.

21. BUSINESS COMBINATION

On 13 August 2012, the Group acquired a 100% interest in Nor Lanka Colombo Manufacturing Limited ("NL Colombo") from an independent third party. NL Colombo is engaged in the trading of garments. The purchase consideration for the acquisition was in the form of cash of HK\$583,500 paid at the acquisition date.

The fair values of the identifiable assets of NL Colombo as at the date of acquisition were as follows:

	Note	Fair value recognised on acquisition HK\$
Other receivables		135
Total identifiable net assets at fair value		135
Provisional goodwill on acquisition	13	583,365
Satisfied by cash		<u>583,500</u>

Included in the goodwill of HK\$583,365 recognised above is not separable and therefore it does not meet the criteria for recognition as an intangible asset under HKAS 38 *Intangible Assets*. None of the goodwill recognised is expected to be deductible for income tax purposes.

Since its acquisition, NL Colombo contributed HK\$685,176 to the Group's turnover and a loss of HK\$1,037,867 to the consolidated profit for the year ended 31 March 2012. Prior to the acquisition, NL Colombo was inactive.

22. OPERATING LEASE ARRANGEMENTS

The Group leases certain office properties under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to two years.

At 31 March 2013, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$
Within one year	1,604,401	709,108	159,279	709,108
In the second to fifth years, inclusive	1,083,842	157,849	–	157,849
	<u>2,688,243</u>	<u>866,957</u>	<u>159,279</u>	<u>866,957</u>

23. 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	2013 HK\$	2012 HK\$
Immediate holding company:			
Sales of goods	(iii)	8,252,692	–
Commission income received	(i)	364,748	–
Intermediate holding company:			
Management fees paid	(ii)	2,882,117	1,685,693
Marketing fees paid	(ii)	2,987,520	12,362,296
Fellow subsidiaries:			
Sales of goods	(iii)	26,016,759	1,576,060
Logistics and storage charges paid	(iv)	–	485,735
Product design and development charges paid	(v)	–	7,614,738
Marketing fees paid	(ii)	562,390	3,501,000
Management fees received	(vi)	817,848	295,820
Management fees paid	(ii)	582,335	–
Sampling fees paid	(vii)	458,047	–

Notes:

- (i) The commission income received was related to referrals of customers and was charged at a rate mutually agreed between the Group and the immediate holding company.
- (ii) The management fees and marketing fees paid were based on terms mutually agreed between the Group and the respective intermediate holding company or fellow subsidiaries.
- (iii) The sales were made according to the prices and conditions similar to those offered to the other major customers of the Group.
- (iv) The logistics and storage charges paid were based on terms mutually agreed between the Group and a fellow subsidiary.
- (v) The product design and development charges paid were based on terms mutually agreed between the Group and a fellow subsidiary.
- (vi) The management fee income was charged to a fellow subsidiary for the provision of administrative services, which were based on terms mutually agreed between the Group and a fellow subsidiary.
- (vii) The sampling fees paid were charged at terms mutually agreed between the Group and a fellow subsidiary.
- (b) Outstanding balances with related parties:
- The balances with the ultimate holding company, an intermediate holding company, the immediate holding company and fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

24. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Group and the Company comprise trade and bills receivables, deposits and other receivables, amounts due from fellow subsidiaries and a subsidiary, and cash and bank balances which are categorised as loans and receivables. Derivative financial instruments are categorised as financial assets or financial liabilities at fair value through profit or loss - held for trading. The carrying amounts of these financial assets are the amounts shown on the consolidated or company statement of financial position or in the corresponding notes to the financial statements. The financial liabilities of the Group and the Company comprise trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, amounts due to fellow subsidiaries, the ultimate holding company, an intermediate holding company, the immediate holding company and fellow subsidiaries are categorised as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the consolidated or company statement of financial position or in the corresponding notes to the financial statements.

25. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair values 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 2013, the Group's and the Company's derivative financial instruments were measured at Level 2 fair value.

During the years ended 31 March 2013 and 31 March 2012, there were no transfers of fair value measurements between Level 1 and Level 2, and no transfer into or out of Level 3.

The fair values of trade and bills receivables, deposits and other receivables, amounts due from fellow subsidiaries and a subsidiary, cash and cash equivalents, trade and bills payables, other payables and accruals, amounts due to the ultimate holding company, an intermediate holding company, the immediate holding company and fellow subsidiaries and interest-bearing bank borrowings approximated to their carrying amounts largely due to the short term maturities of these instruments.

26. 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 bear interest at variable rates.

The following table demonstrates the sensitivity to a reasonably possible change in the HK\$ interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK\$	Increase/ (decrease) in equity HK\$
2013			
HK\$	50	(409,374)	(409,374)
HK\$	(50)	409,374	409,374
2012			
HK\$	50	(252,027)	(252,027)
HK\$	(50)	252,027	252,027

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by the Group in currencies (mainly GBP) other than the Group's functional currency. The Group mitigates the risk of foreign currency exposure by contracting with customers and suppliers primarily in the Group'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 Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Change in the exchange rate %	Decrease/ (increase) in profit before tax HK\$
31 March 2013		
If HK\$ weakens against GBP	10.0	9,399,470
If HK\$ strengthens against GBP	(10.0)	(9,399,470)
31 March 2012		
If HK\$ weakens against GBP	10.0	10,517,229
If HK\$ strengthens against GBP	(10.0)	(10,517,229)

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 and bank balances, arises from default of the counterparties with a maximum exposure equal to the aggregate carrying amount 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 from group companies.

The Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, either have no fixed terms of repayment or are repayable within one year subsequent to the end of the reporting period.

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 businesses 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 dividend payments to shareholders, return capital to the shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2013 and 31 March 2012.

27. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 May 2013.

Nor India Manufacturing Company Limited

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2013.

Principal activity

The principal activity of the Company is the trading of garments. There were no significant changes in nature of the Company's principal activities during the year.

Results and dividends

The Company's profit for the year ended 31 March 2013 and its state of affairs at that date are set out in the financial statements on pages 4 to 18.

The directors do not recommend the payment of any dividend in respect of the year.

Directors

The directors of the Company during the year were:

Deepak Kumar Seth

Pallak 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 period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the directors 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

20 May 2013

Independent auditors' report

To the shareholder of Nor India Manufacturing Company Limited

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Nor India Manufacturing Company Limited (the "Company") set out on pages 4 to 18, which comprise the statement of financial position as at 31 March 2013, 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 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 2013, 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

20 May 2013

STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 MARCH 2013

	Notes	Year ended 31 March 2013	Period from 17 December 2010 (date of incorporation) to 31 March 2012
		HK\$	HK\$
REVENUE	3	88,684,415	11,183,344
Cost of sales		(77,992,756)	(9,991,348)
Gross profit		10,691,659	1,191,996
Other income and gains	3	770,751	8,551
Selling and distribution expenses		(193,428)	–
Administrative expenses		(6,447,446)	(97,471)
Finance costs	6	(903,535)	(77,600)
PROFIT BEFORE TAX		3,918,001	1,025,476
Income tax expense	7	(646,470)	(169,203)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		3,271,531	856,273

STATEMENT OF FINANCIAL POSITION 31 MARCH 2013

	Notes	2013	2012
		HK\$	HK\$
CURRENT ASSETS			
Trade and bills receivables	8	15,195,103	6,738,803
Due from the immediate holding company	11(b)	2,896,429	–
Due from a fellow subsidiary	11(b)	1,865	–
Bank balances		577,994	657,973
Total current assets		18,671,391	7,396,776
CURRENT LIABILITIES			
Trade and bills payables		8,684,223	3,463,016
Other payables and an accrual		30,900	47,082
Due to an intermediate holding company	11(b)	–	58,350
Due to the immediate holding company	11(b)	–	421,297

Nor India Manufacturing Company Limited

	Notes	2013 HK\$	2012 HK\$
Due to a fellow subsidiary	11(b)	7,253	–
Interest-bearing bank borrowings	9	4,927,738	2,303,755
Tax payable		815,673	169,203
Total current liabilities		14,465,787	6,462,703
Net assets		4,205,604	934,073
EQUITY			
Issued capital	10	77,800	77,800
Retained profits		4,127,804	856,273
Total equity		4,205,604	934,073
Sd/- Director			Sd/- Director

STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31 MARCH 2013

	Notes	Issued capital HK\$	Retained profits HK\$	Total equity HK\$
Issue of shares on incorporation	10	77,800	–	77,800
Total comprehensive income for the period		–	856,273	856,273
At 31 March 2012 and at 1 April 2012		77,800	856,273	934,073
Total comprehensive income for the year		–	3,271,531	3,271,531
At 31 March 2013		77,800	4,127,804	4,205,604

STATEMENT OF CASH FLOWS YEAR ENDED 31 MARCH 2013

	Notes	Year ended 31 March 2013 HK\$	Period from 17 December 2010 (date of incorporation) to 31 March 2012 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		3,918,001	1,025,476
Adjustments for:			
Interest income	3	–	(45)
Finance costs	6	903,535	77,600
		4,821,536	1,103,031
Increase in trade and bills receivables		(8,456,300)	(6,738,803)
Decrease/(increase) in an amount due from the immediate holding company		(3,317,726)	421,297
Increase in an amount due from a fellow subsidiary		(1,865)	–
Increase in trade and bills payables		5,221,207	3,463,016
Increase/(decrease) in other payables and an accrual		(16,182)	47,082
Increase/(decrease) in an amount due to an intermediate holding company		(58,350)	58,350
Increase in an amount due to a fellow subsidiary		7,253	–
Cash used in operations		(1,800,427)	(1,646,027)
Interest received		–	45
Finance costs paid		(903,535)	(77,600)
Net cash flows used in operating activities		(2,703,962)	(1,723,582)

	Notes	Year ended 31 March 2013 HK\$	Period from 17 December 2010 (date of incorporation) to 31 March 2012 HK\$
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		–	77,800
Proceeds from interest-bearing bank borrowings		51,989,437	4,556,302
Repayment of interest-bearing bank borrowings		(49,365,454)	(2,252,547)
Net cash flows from financing activities		2,623,983	2,381,555
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(79,979)	657,973
Cash and cash equivalents at beginning of year/period		657,973	–
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		577,994	657,973

ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

Cash and bank balances	577,994	657,973
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NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Nor India Manufacturing Company 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, Kowloon, Hong Kong.

During the year, the Company was engaged in the trading of garments.

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 Pearl Global Industries Limited, a company incorporated in India with shares listed on the National Stock Exchange and Bombay Stock Exchange in India.

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Certain new and revised HKFRSs became 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 2013.

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 2013, 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 is a person or a close member of that person's family and that person
 - has control or joint control over the Company;
 - has significant influence over the Company; or
 - is a member of the key management personnel of the Company or of a parent of the Company;

or

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Company are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Company are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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 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 the 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.

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 the 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 the 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) commission income, when the services are rendered; and
- (c) interest income, on an accrual basis using the effective interest method.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

3. REVENUE, OTHER INCOME AND GAINS

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 2013	Period from 17 December 2010 (date of incorporation) to 31 March 2012
	HK\$	HK\$
Bank interest income	–	45
Foreign exchange difference, net	768,886	8,348
Commission income	1,865	–
Others	–	158
	770,751	8,551

4. AUDITORS' REMUNERATION

The auditors' remuneration for the year amounted to HK\$30,900 (Period ended 31 March 2012: HK\$30,000).

5. DIRECTORS' REMUNERATION

No directors received any fees or emoluments in respect of their services rendered to the Company during the year.

6. FINANCE COSTS

	Year ended 31 March 2013	Period from 17 December 2010 (date of incorporation) to 31 March 2012
	HK\$	HK\$
Interest on bank borrowings	<u>903,535</u>	<u>77,600</u>

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (Period ended 31 March 2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year/period.

A reconciliation of the tax expense applicable to profit before tax using the Hong Kong statutory rate of 16.5% to the tax charge 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 2013	%	Period from 17 December 2010 (date of incorporation) to 31 March 2012	%
	HK\$		HK\$	
Profit before tax	<u>3,918,001</u>		<u>1,025,476</u>	
Tax at the statutory tax rate	<u>646,470</u>	16.5	<u>169,203</u>	16.5
Tax at the effective tax rate	<u>646,470</u>	16.5	<u>169,203</u>	16.5

There was no unprovided deferred tax in respect of the period and as at the end of the reporting period. (Period ended 31 March 2012: Nil)

8. TRADE AND BILLS RECEIVABLES

	2013	2012
	HK\$	HK\$
Trade receivables	<u>14,128,498</u>	<u>6,738,803</u>
Bill receivables	<u>1,066,605</u>	<u>-</u>
	<u>15,195,103</u>	<u>6,738,803</u>

The Company's trading terms with its customers are mainly on credit. Trade and bills receivables are non-interest-bearing and are on terms of up to 90 days. The Company seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Company does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The aged analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2013	2012
	HK\$	HK\$
Neither past due nor impaired	<u>15,195,103</u>	<u>6,434,206</u>
Past due but not impaired:		
Less than one month	<u>-</u>	<u>304,597</u>
	<u>15,195,103</u>	<u>6,738,803</u>

Receivables that were neither past due nor impaired relate to a few customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to an independent customer that has had a good track record with the Company. The directors of the Company are of the opinion that no provision for impairment is necessary in respect of this balance as there has not been a significant change in credit quality and the balance is still considered fully recoverable.

At 31 March 2013, the Company had transferred certain bills of exchange amounting to HK\$4,927,738 (2012: HK\$2,320,837) to banks with recourse in exchange for cash. The proceeds from transferring the bills receivable of HK\$4,911,575 (2012: HK\$2,303,755) have been accounted for as collateralised bank advances and will be included in interest-bearing bank borrowings until the bills are collected or the Company makes good of any losses incurred by the banks (note 9).

9. INTEREST-BEARING BANK BORROWINGS

	2013	2012
	HK\$	HK\$
Collateralised bank advances	<u>4,911,575</u>	<u>2,303,755</u>

The collateralised bank advances as at 31 March 2013 were denominated in British Pound Sterling, interest-bearing at 3.99% - 4.00% (2012: 3.5%) per annum and matured in April 2013.

10. SHARE CAPITAL

	2013	2012
	HK\$	HK\$
Authorised:		
10,000 ordinary shares of US\$1 each	<u>77,800</u>	<u>77,800</u>
Issued and fully paid:		
10,000 ordinary shares of US\$1 each	<u>77,800</u>	<u>77,800</u>

On incorporation, the Company's authorised share capital was US\$10,000 divided into 10,000 ordinary shares of US\$1 each and 10,000 ordinary shares were issued at par for cash as the subscriber's shares.

11. RELATED PARTY TRANSACTIONS

- (a) 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:

	Notes	Year ended 31 March 2013	Period from 17 December 2010 (date of incorporation) to 31 March 2012
		HK\$	HK\$
Intermediate holding company:			
Management fees paid	(i)	<u>210,060</u>	<u>58,350</u>
A fellow subsidiary:			
Commissions received	(ii)	<u>1,865</u>	<u>-</u>

Notes:

- (i) The management fees paid were determined based on terms mutually agreed between the Company and the intermediate holding company.
- (ii) The commissions received for the referral of customers were charged at rates mutually agreed between the Company and a fellow subsidiary.
- (b) The balances with an intermediate holding company, the immediate holding company and fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

12. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Company comprise trade and bills receivables, amounts due from the immediate holding company and a fellow subsidiary, and bank balances which are categorised as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements. The financial liabilities of the Company comprise trade and bills payables, financial liabilities included in other payables and an accrual, amounts due to an intermediate holding company, the immediate holding company and a fellow subsidiary and interest-bearing bank borrowings which are categorised as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

13. FAIR VALUE

At the end of the reporting period, the carrying amounts of the Company's financial assets and financial liabilities approximated to their fair values.

The fair values of financial assets and liabilities are included at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation sale transactions. The fair values of trade receivables, amounts due from the immediate holding company and a fellow subsidiary, bank balances, trade payables, financial liabilities included in other payables and an accrual, amounts due to an intermediate holding company, the immediate holding company and a fellow subsidiary, and interest-bearing bank borrowings approximated to their carrying amounts largely due to the short term maturities of these instruments.

The Company did not have any financial assets and liabilities measured at fair value as at the end of the reporting period.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's exposure to interest rate risk, foreign currency risk, credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Company's financial management policies and practices described below:

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short term debt obligations with floating interest rates. The Company mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facilities regularly. The Company currently does not use any interest rate swap to hedge its exposure to interest rate risk and will continue to monitor if such need arises.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings) and the Company's equity.

	Increase/ (decrease) in basis points HK\$	Increase/ (decrease) in profit before tax %	Increase/ (decrease) in equity HK\$
31 March 2013			
GBP	50	(246,387)	(246,387)
GBP	(50)	246,387	246,387
31 March 2012			
GBP	50	(116,042)	(116,042)
GBP	(50)	116,042	116,042

Foreign currency risk

The Company has transactional currency exposures. Such exposures mainly arise from sales or purchases in currencies other than the functional currency of the Company. The Company manages its foreign currency risk by monitoring closely the movements in exchange rates.

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).

	Changes in the GBP exchange rate %	Increase/ (decrease) in profit before tax HK\$	Increase/ (decrease) in equity HK\$
31 March 2013			
If HK\$ weakens against GBP	10	421,119	421,119
If HK\$ strengthens against GBP	(10)	(421,119)	(421,119)
31 March 2012			
If HK\$ weakens against GBP	10	80,742	80,742
If HK\$ strengthens against GBP	(10)	(80,742)	(80,742)

Credit risk

The carrying amounts of bank balances and trade and bills receivables represent the Company's maximum exposure to credit risk in relation to financial assets. The Company's bank balances 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. At the end of the reporting period, the Company had a certain level of concentration of credit risk as 56% (2012: 55%) of the Company's trade receivables were due from the Company's top customer.

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 financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, either have no fixed terms of repayment or are repayable within three months subsequent to the end of the reporting period.

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 the 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 dividend payments to its shareholder, return capital to the shareholder or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 March 2013 and the period ended 31 March 2012.

15. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 May 2013.

Directors' Report

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2013.

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 principle activity during the year.

Results

The Company's loss for the year ended 31 March 2013 and its state of affairs at that date are set out in the financial statements on pages 5 to 23.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Company 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

Pallak 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 of the directors 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 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

20 May 2013

INDEPENDENT AUDITORS' REPORT

To the shareholder of Spring Near East Manufacturing Company Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Spring Near East Manufacturing Company Limited set out on pages 5 to 23, which comprise the statement of financial position as at 31 March 2013, 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 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 2013, 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

20 May 2013

STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 MARCH 2013

			Period from 17 December 2010 (date of incorporation) to 31 March 2012
		Year ended 31 March 2013 HK\$	2012 HK\$
	Notes		
REVENUE	3	273,376,616	26,510,500
Cost of sales		(252,197,049)	(24,464,011)
Gross profit		21,179,567	2,046,489
Other income and gain	3	1,347,042	291,789
Selling and distribution expenses		(1,134,800)	–
Administrative expenses		(20,539,297)	(9,493,159)
Other operating expenses		(813,060)	–
Finance costs		(300,523)	–
LOSS BEFORE TAX	4	(261,071)	(7,154,881)
Income tax expense	6	–	–
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		(261,071)	(7,154,881)

STATEMENT OF FINANCIAL POSITION 31 MARCH 2013

		2013 HK\$	2012 HK\$
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	7	2,503,627	1,233,541
Deposit		107,680	–
Total non-current assets		2,611,307	1,233,541
CURRENT ASSETS			
Trade and bills receivables	8	82,100,812	14,786,988
Deposits and other receivables		146,082	870,123
Due from a fellow subsidiary	13(b)	17,497	–
Bank balances		1,382,425	713,873
Total current assets		83,646,816	16,370,984
CURRENT LIABILITIES			
Trade and bills payables		64,602,911	13,770,410
Other payables and accruals	9	608,057	30,000
Due to an intermediate holding company	13(b)	731,655	58,350
Due to the immediate holding company	13(b)	24,029,662	8,693,237
Due to fellow subsidiaries	13(b)	992,198	2,129,609

Spring Near East Manufacturing Company Limited

	Notes	2013 HK\$	2012 HK\$
Interest-bearing bank borrowings	10	2,631,792	–
Total current liabilities		93,596,275	24,681,606
NET CURRENT LIABILITIES		(9,949,459)	(8,310,622)
Net liabilities		(7,338,152)	(7,077,081)
EQUITY			
Issued capital	11	77,800	77,800
Accumulated losses		(7,415,952)	(7,154,881)
Net deficiency in assets		(7,338,152)	(7,077,081)
Sd/- Director			Sd/- Director

STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31 MARCH 2013

	Issued capital HK\$	Accumulated losses HK\$	Net deficiency in assets HK\$
Issue of shares on incorporation	77,800	–	77,800
Total comprehensive loss for the period	–	(7,154,881)	(7,154,881)
At 31 March 2012 and at 1 April 2012	77,800	(7,154,881)	(7,077,081)
Total comprehensive loss for the year	–	(261,071)	(261,071)
At 31 March 2013	77,800	(7,415,952)	(7,338,152)

STATEMENT OF CASH FLOWS YEAR ENDED 31 MARCH 2013

	Notes	Year ended 31 March 2013 HK\$	Period from 17 December 2010 (date of incorporation) to 31 March 2012 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year/period		(261,071)	(7,154,881)
Adjustments for:			
Interest income	3	(89)	(45)
Depreciation	4	547,472	328,392
Loss on disposal of items of property, plant and equipment	4	426,136	–
Finance costs		300,523	–
		1,012,971	(6,826,534)
Increase in trade and bills receivables		(67,313,824)	(14,786,988)
Decrease/(increase) in deposits and other receivables		616,361	(870,123)
Increase in an amount due from a fellow subsidiary		(17,497)	–
Increase in trade and bills payables		50,832,501	13,770,410
Increase in other payables and accruals		578,057	30,000
Increase in an amount due to an intermediate holding company		673,305	58,350
Increase in an amount due to the immediate holding company		15,336,425	8,693,237
Increase/(decrease) in amounts due to fellow subsidiaries		(1,137,411)	2,129,609
Cash generated from operations		580,888	2,197,961
Interest received		89	45
Interest paid		(300,523)	–
Net cash flows from operating activities		280,454	2,198,006
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(2,243,694)	(1,561,933)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new bank loans, net		–	77,800

	Notes	Year ended 31 March 2013 HK\$	Period from 17 December 2010 (date of incorporation) to 31 March 2012 HK\$
Proceeds from interest-bearing bank borrowings		2,631,792	–
Net cash flows from financing activities		2,631,792	77,800
NET INCREASE IN CASH AND CASH EQUIVALENTS		668,552	713,873
Cash and cash equivalents at beginning of year/period		713,873	–
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		1,382,425	713,873
ANALYSIS OF BALANCES OF CASH AND			
Cash and bank balances		1,382,425	713,873

1. CORPORATE INFORMATION

Spring Near East Manufacturing Company 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, Kowloon, Hong Kong.

During the year, the Company was engaged in the trading of garments.

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 Pearl Global Industries Limited, a company incorporated in India with shares listed on the National Stock Exchange and Bombay Stock Exchange in India.

2.1 FUNDAMENTAL ACCOUNTING CONCEPT

These financial statements have been prepared on the going concern basis, notwithstanding that the Company had net current liabilities at the end of the reporting period, as the Company's ultimate holding company has agreed to provide adequate funds for the Company to meet its liabilities as and when they fall due.

2.2 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.

2.3 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 2013.

2.4 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 2013, 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Impairment of non-financial assets

Where an indication of impairment exists or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to 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 the reporting period as to whether there is an 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.

Related parties

A party is considered to be related to the Company if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Company are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Company are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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 $\frac{1}{3}$ %

Computer equipment 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 including 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 year 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.

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 Company is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

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 the 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.

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 period 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 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 the 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 the 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.

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Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

- from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and
- commission income, in the period in which the sales services are rendered; and
- interest income, on an accrual basis using the effective interest method.

Employee benefits

Retirement benefit costs

The Company 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 profit or loss 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 currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

3. REVENUE, OTHER INCOME AND GAIN

Revenue, which is also the Company's turnover, represents the net invoiced value of goods sold.

An analysis of other income and gain is as follows:

	Year ended 31 March 2013 HK\$	Period from 17 December 2010 (date of incorporation) to 31 March 2012 HK\$
Bank interest income	89	45
Commission income	976,347	—
Foreign exchange difference, net	—	291,744
Others	370,606	—
	<u>1,347,042</u>	<u>291,789</u>

4. LOSS BEFORE TAX

The Company's loss before tax is arrived at after charging/(crediting):

	Year ended 31 March 2013 HK\$	Period from 17 December 2010 (date of incorporation) to 31 March 2012 HK\$
Auditors' remuneration	30,900	30,000
Depreciation	547,472	328,392
Staff costs (excluding directors' remuneration (note 5)):		
Salaries and allowances	8,452,099	3,907,021
Pension scheme contributions (defined contribution schemes)	1,670,102	563,275
	<u>10,122,201</u>	<u>4,470,296</u>
Minimum lease payments under operating leases of land and buildings	903,376	764,118
Loss on disposal of items of property, plant and equipment	426,136	—
Foreign exchange difference, net	<u>265,138</u>	<u>(291,744)</u>

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 2012: Nil).

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Company did not generate any assessable profits in Hong Kong during the year (Period ended 31 March 2012: Nil).

A reconciliation of the tax credit applicable to loss for the year/period at the Hong Kong statutory rate of 16.5% (2012: 16.5%) to the tax charge 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 2013 HK\$	%	Period from 17 December 2010 (date of incorporation) to 31 March 2012 HK\$	%
Loss before tax	<u>(261,071)</u>		<u>(7,154,881)</u>	
Tax at the statutory tax rate	(43,077)	16.5	(1,180,555)	16.5
Expense not deductible for tax	19,876	(7.6)	12,157	(0.2)
Tax losses not recognised	129,618	(49.7)	1,168,398	(16.3)
Temporary differences not recognised	<u>(106,417)</u>	<u>40.8</u>	—	—
Tax at the effective tax rate	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

At the end of the reporting period, the Company had unused tax losses arising in Hong Kong of HK\$8,174,106 (2012: HK\$7,388,543), subject to the agreement of the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the Company.

At the end of the reporting period, deferred tax assets in respect of the unused tax losses have only been recognised to the extent to offset the deferred tax liabilities associated with chargeable temporary differences as the directors consider it uncertain that future taxable profits will be available to utilise all the unused tax losses. The deferred tax assets not recognised are analysed as follows:

	Year ended 31 March 2013 HK\$	Period from 17 December 2010 (date of incorporation) to 31 March 2012 HK\$
Unused tax losses	1,348,727	1,219,109
Depreciation allowances in excess of depreciation	<u>(157,128)</u>	<u>(50,711)</u>
	<u>1,191,599</u>	<u>1,168,398</u>

7. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK\$	Office equipment HK\$	Computer equipment HK\$	Total HK\$
31 March 2013				
At 31 March 2012 and at 1 April 2012:				
Cost	869,862	692,071	—	1,561,933
Accumulated depreciation	(203,645)	(124,747)	—	(328,392)
Net carrying amount	<u>666,217</u>	<u>567,324</u>	<u>—</u>	<u>1,233,541</u>
At 1 April 2012, net of accumulated depreciation	666,217	567,324	—	1,233,541
Additions	1,895,692	228,473	119,529	2,243,694
Disposals	(426,136)	—	—	(426,136)
Depreciated provided during the year	<u>(271,458)</u>	<u>(263,492)</u>	<u>(12,522)</u>	<u>(547,472)</u>
At 31 March 2013, net of accumulated depreciation	<u>1,864,315</u>	<u>532,305</u>	<u>107,007</u>	<u>2,503,627</u>

	Furniture and fixtures HK\$	Office equipment HK\$	Computer equipment HK\$	Total HK\$
At 31 March 2013				
Cost	1,931,986	920,544	119,529	2,972,059
Accumulated depreciation	(67,671)	(388,239)	(12,522)	(468,432)
Net carrying amount	<u>1,864,315</u>	<u>532,305</u>	<u>107,007</u>	<u>2,503,627</u>
31 March 2012				
At date of incorporation	–	–	–	–
Additions	869,862	692,071	–	1,561,933
Depreciation provided during the period	(203,645)	(124,747)	–	(328,392)
At 31 March 2012, net of accumulated depreciation	<u>666,217</u>	<u>567,324</u>	<u>–</u>	<u>1,233,541</u>
At 31 March 2012				
Cost	869,862	692,071	–	1,561,933
Accumulated depreciation	(203,645)	(124,747)	–	(328,392)
Net carrying amount	<u>666,217</u>	<u>567,324</u>	<u>–</u>	<u>1,233,541</u>

8. TRADE AND BILLS RECEIVABLES

	2013 HK\$	2012 HK\$
Trade receivables	<u>82,031,996</u>	14,786,988
Bill receivables	<u>68,816</u>	–
	<u>82,100,812</u>	<u>14,786,988</u>

The Company's trading terms with its customers are mainly on credit. The credit period is generally 30 days, 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. The Company does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The aged analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2013 HK\$	2012 HK\$
Neither past due nor impaired	<u>72,129,622</u>	14,775,400
Past due but not impaired		
Less than one month	<u>9,440,006</u>	11,588
One month to three months	<u>452,551</u>	–
Over three months	<u>78,633</u>	–
	<u>82,100,812</u>	<u>14,786,988</u>

Receivables that were neither past due nor impaired relate to a few customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to an independent customer that has had a good track record with the Company. The directors of the Company are of the opinion that no provision for impairment is necessary in respect of this balance as there has not been a significant change in credit quality and the balance is still considered fully recoverable.

At 31 March 2013, the Company had transferred certain bills of exchange amounting to HK\$2,631,792 (2012: Nil) to a bank with recourse in exchange for cash. The proceeds from transferring the bills receivable of HK\$2,623,677 (2012: 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 10).

9. OTHER PAYABLES AND ACCRUALS

	2013 HK\$	2012 HK\$
Other payables	<u>189,705</u>	–
Accrued employee benefits	<u>387,452</u>	–
Accruals	<u>30,900</u>	30,000
	<u>608,057</u>	<u>30,000</u>

10. INTEREST-BEARING BANK BORROWINGS

	2013 HK\$	2012 HK\$
Collateralised bank advances, secured	<u>2,631,792</u>	–

The collateralised bank advances are denominated in United States dollar ("US\$"), interest-bearing at 3.70% and matured in April 2013.

11. SHARE CAPITAL

	2013 HK\$	2012 HK\$
Authorised, issued and fully paid:		
10,000 ordinary shares of US\$1 each	<u>77,800</u>	<u>77,800</u>

12. OPERATING LEASE ARRANGEMENTS

The Company leases its office premise under an operating lease arrangement. Lease for the property is negotiated for a term of five years.

At the end of the reporting period, the Company had total future minimum lease payments under a non-cancellable operating lease falling due as follows:

	2013 HK\$	2012 HK\$
Within one year	<u>1,129,532</u>	698,544
In the second to fifth years, inclusive	<u>4,952,033</u>	–
	<u>6,081,565</u>	<u>698,544</u>

13. RELATED PARTY TRANSACTIONS

- (a) 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:

	Notes	2013 HK\$	2012 HK\$
Intermediate holding company:			
Management fees paid	(i)	<u>731,655</u>	58,350
Fellow subsidiaries:			
Management fees paid	(i)	<u>132,230</u>	–
Commissions received	(ii)	<u>976,347</u>	–

Note:

- (i) The management fees paid were determined based on terms mutually agreed between the Company and the respective intermediate holding company and a fellow subsidiary.
- (ii) The commissions received were related to referrals of customers and were charged at rates mutually agreed between the Company and the respective fellow subsidiaries.

- (b) Outstanding balances with related parties:

The balances with an intermediate holding company, the immediate holding company and fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

14. FAIR VALUE

At the end of the reporting period, the carrying amounts of the Company's financial assets and financial liabilities approximated to their fair values.

The fair values of financial assets and liabilities are included at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation sale transactions. The fair values of trade and bills receivables, deposits and other receivables, an amount due from a fellow subsidiary, bank balances, trade and bills payables, other payables and accruals, amounts due to an intermediate holding company, the immediate holding company and fellow subsidiaries, and interest-bearing bank borrowing approximated to their carrying amounts largely due to the short term maturities of these instruments.

The Company did not have any financial assets and liabilities measured at fair value as at the end of the reporting period.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's exposure to 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:

Foreign currency risk

The Company has transactional currency exposures. Such exposures mainly arise from sales or purchases in currencies (mainly British Pound Sterling ("GBP")) other than the functional currency of the Company. The Company manages its foreign currency risk by monitoring closely the movements in exchange rates.

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 loss before tax (due to changes in the fair value of monetary assets and liabilities).

	Change in the exchange rate %	Increase/ (decrease) in loss before tax HK\$
31 March 2013		
If HK\$ weakens against GBP	10	1,624,627
If HK\$ strengthens against GBP	(10)	(1,624,627)
31 March 2012		
If HK\$ weakens against GBP	10	153,700
If HK\$ strengthens against GBP	(10)	(153,700)

Credit risk

The aggregate carrying amount of bank balances, trade and bills receivables, an amount due from a fellow subsidiary, and deposits and other receivables represent the Company's maximum exposure to credit risk in relation to financial assets. The Company's bank balances

are deposited with creditworthy banks with no recent history of default. The Company has policies in place to evaluate credit risk when accepting new businesses 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. At the end of the reporting period, the Company had a certain concentration of credit risk as 84% (2012: 96%) of the Company's trade and bills receivables were due from the Company's top customer.

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 its group companies.

The Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, either have no fixed terms of repayment or are repayable within three months subsequent to the end of the reporting period.

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 the 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 dividend payments to its shareholder, return capital to the shareholder or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year/period ended 31 March 2013 and 31 March 2012.

16. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 May 2013.

REPORT OF THE DIRECTORS

The directors present their first report and the audited financial statements of the Company for the period from 3 January 2012 (date of incorporation) to 31 March 2013.

Principal activity

The principal activity of the Company during the period was the trading of footwear.

Results

The Company's loss for the period from 3 January 2012 (date of incorporation) to 31 March 2013 and its state of affairs as at 31 March 2013 are set out in the financial statements on pages 4 to 21.

Directors

The directors of the Company during the period were:

Pallak Seth (appointed on 3 January 2012)

Keith Thornton Lesbirel (appointed on 3 January 2012)

There being no provision in the Company's articles of association for the retirement of the directors who will continue in office for the ensuing year.

Directors' interests

At no time during the period was rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to the sole director or his 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

The directors had no material interest, either directly or indirectly, in any contract of significance to the business of the Company to which the Company or any of its holding companies or fellow subsidiaries was a party during the period.

Auditors

Ernst & Young 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
20 May 2013

INDEPENDENT AUDITORS' REPORT

To the shareholders of Sino West Manufacturing Company Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Sino West Manufacturing Company Limited (the "Company") set out on pages 4 to 21, which comprise the statement of financial position as at 31 March 2013, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 3 January 2012 (date of incorporation) to 31 March 2013, and a summary of significant accounting policies and other explanatory information.

Director's responsibility for the financial statements

The directors of the Company 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 sole director determines 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 2013, and of its loss and cash flows for the period from 3 January 2012 (date of incorporation) to 31 March 2013 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
20 May 2013

STATEMENT OF COMPREHENSIVE INCOME

Period from 3 January 2012 (date of incorporation) to 31 March 2013

	Notes	HK\$
REVENUE	4	3,037,040
Cost of sales		(2,609,943)
Gross profit		427,097
Other income	4	334,539
Administrative expenses		(6,274,272)
Distribution costs		(511,375)
Other operating expenses		(38,600)
Finance costs	6	(13,826)
LOSS BEFORE TAX	5	(6,076,437)
Income tax expense	8	(103,914)
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(6,180,351)

STATEMENT OF FINANCIAL POSITION 31 MARCH 2013

	Notes	HK\$
NON-CURRENT ASSETS		
Property, plant and equipment	9	910,405
CURRENT ASSETS		
Trade and bills receivables	10	1,053,739
Prepayments and deposits	11	128,396
Due from non-controlling shareholders	18(b)	15,560
Cash and cash equivalents		107,092
Total current assets		1,304,787
CURRENT LIABILITIES		
Trade payables		572,255
Other payables and accruals	12	73,876
Interest-bearing bank borrowings	13	370,859
Due to the immediate holding company	18(b)	4,825,801
Due to an intermediate holding company	18(b)	116,700
Due to fellow subsidiaries	18(b)	2,254,338
Total current liabilities		8,213,829
NET CURRENT LIABILITIES		(6,909,042)
TOTAL ASSETS LESS CURRENT LIABILITIES		(5,998,637)
NON-CURRENT LIABILITIES		
Deferred tax liabilities	14	(103,914)
Net liabilities		(6,102,551)

SINO WEST MANUFACTURING COMPANY LIMITED

	Notes	HK\$
EQUITY		
Issued capital	15	77,800
Accumulated loss		(6,180,351)
Net deficiency in assets		<u>(6,102,551)</u>
Sd/-		Sd/-
Director		Director

STATEMENT OF CHANGES IN EQUITY

Period from 3 January 2012 (date of incorporation) to 31 March 2013

	Note	Issued capital HK\$	Accumulated loss HK\$	Net deficiency in assets HK\$
Issue of shares on incorporation	15	77,800	–	77,800
Total comprehensive loss for the period		–	(6,180,351)	(6,180,351)
At 31 March 2013		<u>77,800</u>	<u>(6,180,351)</u>	<u>(6,102,551)</u>

STATEMENT OF CASH FLOWS

Period from 3 January 2012 (date of incorporation) to 31 March 2013

	Notes	HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax		(6,076,437)
Adjustments for:		
Interest income	4	(31)
Depreciation	5	31,584
Finance costs	6	13,826
		<u>(6,031,058)</u>
Increase in trade and bills receivables		(1,053,739)
Increase in prepayments and deposits		(128,396)
Increase in trade payables		572,255
Increase in other payables and accruals		73,876
Increase in amount due to the immediate holding company		4,888,041
Increase in an amount due to an intermediate holding company		116,700
Increase in amounts due to fellow subsidiaries		<u>2,254,338</u>
Cash used in operations		692,017
Interest received		31
Finance costs paid		<u>(13,826)</u>
Net cash flows from operating activities		<u>678,222</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	9	<u>(941,989)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from new bank loans, net	13	<u>370,859</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS AND CASH AND CASH EQUIVALENTS AT END OF PERIOD		
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances		<u>107,092</u>

NOTES TO FINANCIAL STATEMENTS 31 March 2013
1. CORPORATE INFORMATION

Sino West Manufacturing Company 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, Kowloon, Hong Kong.

During the period, the Company was engaged in the trading of footwear.

The Company is a subsidiary of Norwest Industries Limited, a company incorporated in Hong Kong. In the opinion of the directors, the Company's ultimate holding company is Pearl Global Industries Limited, a company incorporated in India with shares listed on the National Stock Exchange and Bombay Stock Exchange in India.

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.

2.2 FINANCIAL SUPPORT

The Company's ultimate holding 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 period ended 31 March 2013, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Related parties

A party is considered to be related to the Company if:

- the party is a person or a close member of that person's family and that person
 - has control or joint control over the Company;
 - has significant influence over the Company; or
 - is a member of the key management personnel of the Company or of a parent of the Company;

or

- the party is an entity where any of the following conditions applies:
 - the entity and the Company are members of the same group;
 - one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - the entity and the Company are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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.

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 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	25% - 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 including equipment including 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 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 the 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.

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 the 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 the 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:

- 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.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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:

	Period from 3 January, 2013 (date of incorporation) to 31 March 2013 HK\$
Bank interest income	31
Commission income	334,508
	<u>334,539</u>

SINO WEST MANUFACTURING COMPANY LIMITED
5. LOSS BEFORE TAX

The Company's loss before tax is arrived at after charging:

	Period from 3 January, 2013 (date of incorporation) to 31 March 2013 HK\$
Cost of inventories sold	2,609,943
Auditors' remuneration	30,900
Depreciation	31,584
Staff costs (excluding the directors' remuneration (note 7)):	
Salaries, allowances and welfares	1,461,397
Pension scheme contributions (defined contribution scheme)	87,153
	1,548,550
Minimum lease payments under operating leases of office premises	533,435
Foreign exchange differences, net	6,566

6. FINANCE COSTS

	Period from 3 January, 2013 (date of incorporation) to 31 March 2013 HK\$
Interest on overdrafts and other loans	4,846
Bank charges arising from letters of credit	8,980
	13,826

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	Period from 3 January, 2013 (date of incorporation) to 31 March 2013 HK\$
Fees	—
Salaries, allowances and benefits in kind	586,301
Pension scheme contribution	68,286
	654,587

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 period.

	Period from 3 January, 2013 (date of incorporation) to 31 March 2013 HK\$
Charge for the period	—
Deferred tax	103,914
Tax charge for the period	103,914

A reconciliation of the tax credit applicable to loss before tax using the Hong Kong statutory rate of 16.5% to the tax charge 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:

	HK\$	%
Loss before tax	(6,024,836)	
Tax credit at the statutory tax rate	(994,098)	16.5
Tax loss not recognised	1,098,012	(18.2)
Tax charge at the effective tax rate	103,914	(1.7)

As at 31 March 2013, the Company had unused tax losses of HK\$6,654,618 which arose in Hong Kong and but the Company did not recognise any corresponding deferred tax assets as the directors consider it uncertain that there will be available taxable profits to utilise the unused tax losses.

9. PROPERTY, PLANT AND EQUIPMENT

	Office equipment HK\$	Computer equipment HK\$	Total HK\$
31 March 2013			
At 3 January 2012 (date of incorporation)	—	—	—
Additions	876,939	65,050	941,989
Depreciation provided during the period	(24,357)	(7,227)	(31,584)
At 31 March 2013, net of accumulated depreciation	852,582	57,823	910,405
At 31 March 2013:			
Cost	876,939	65,050	941,989
Accumulated depreciation	(24,357)	(7,227)	(31,584)
Net carrying amount	852,582	57,823	910,405

10. TRADE AND BILLS RECEIVABLES

	HK\$
Trade receivables	1,046,350
Bills receivable	7,389
	1,053,739

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. The Company does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

The aged analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	HK\$
Neither past due nor impaired	667,094
Past due but not impaired:	
Less than one month	384,123
One to three months	2,522
	1,053,739

Receivables that were neither past due nor impaired relate to a few customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to an independent customer that has had a good track record with the Company. 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.

At 31 March 2013, the Company had transferred certain bills of exchange amounting to HK\$370,859 to banks with recourse in exchange for cash. The proceeds from transferring the bills receivable of HK\$369,716 have been accounted for as collateralised bank advances and will be 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).

11. PREPAYMENTS AND DEPOSITS

	HK\$
Prepayments	95,439
Deposits	32,957
	128,396

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

12. OTHER PAYABLES, ACCRUALS AND RECEIPTS IN ADVANCE

	HK\$
Accrued employee benefits	14,824
Other payables	30,900
Accrual	28,152
	73,876

13. INTEREST-BEARING BANK BORROWINGS

	HK\$
Collateralised bank advances	370,859
The collateralised bank advances are denominated in United States Dollar ("US\$"), interest-bearing at the London Interbank Offered Rate plus 3.7% and mature within a year.	

14. DEFERRED TAX LIABILITIES

	Depreciation allowance in excess of related depreciation HK\$
At 3 January 2012 (date of incorporation)	–
Deferred tax charged to the profit or loss during the period	103,914
At 31 March 2013	103,914

15. SHARE CAPITAL

	HK\$
Authorised:	
10,000 ordinary shares of US\$1 each	77,800
Issued and fully paid:	
10,000 ordinary shares of US\$1 each	77,800

On incorporation, the Company's authorised share capital was US\$10,000 divided into 10,000 ordinary shares of US\$1 each and 10,000 ordinary shares were issued at par for cash as the subscriber's shares.

16. NOTE TO THE STATEMENT OF CASH FLOWSMajor non-cash transactions

On 3 January 2012 (date of incorporation), the Company issued 10,000 ordinary shares of US\$1 each at par, of which 8,000 shares were issued to the immediate holding company and 2,000 shares were issued to the non-controlling shareholders. The corresponding considerations of HK\$62,240 and HK\$15,560 were settled through and debited to an amount due to the immediate holding company and an amount due from the non-controlling shareholders, respectively.

17. OPERATING LEASE COMMITMENTS

The Company leases its office premise under an operating lease arrangement with the lease for the property negotiated for a term of two years.

At 31 March 2013, the Company had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	HK\$
Within one year	206,379
In the second to fifth years, inclusive	103,189
	<u>309,568</u>

18. RELATED PARTY TRANSACTIONS

- (a) 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 period:

	Notes	HK\$
Fellow subsidiaries		
Management fees paid	(i)	132,231
Commission income received	(ii)	334,509
Rental paid	(iii)	410,411
Intermediate holding company		
Management fees paid	(i)	116,700
Immediate holding company		
Rental paid	(iii)	<u>7,687</u>

Notes:

- (i) The management fees paid were based on mutually agreed terms with a fellow subsidiary or the immediate holding company.

- (ii) The commission income received was based on terms mutually agreed between the Company and a fellow subsidiary.

- (iii) The rentals paid were based on the area of the office space occupied and on terms mutually agreed with a fellow subsidiary or the immediate holding company.

- (b) The balances with the immediate holding company, an intermediate holding company, fellow subsidiaries and the non-controlling shareholders are unsecured, interest-free and have no fixed terms of repayment.

19. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Company comprise trade and bills receivables, deposits, amounts due from non-controlling shareholders and cash and cash equivalents which are categorised as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements. The financial liabilities of the Company comprises trade payables, financial liabilities included in other payables and accruals, and amounts due to the immediate holding company, an intermediate holding company and fellow subsidiaries which are categorised as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

20. FAIR VALUE

At the end of the reporting period, the carrying amounts of the Company's financial assets and financial liabilities approximated to their fair values.

The fair values of financial assets and liabilities are included at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation sale transactions. The fair values of trade and bills receivables, deposits, amounts due from non-controlling shareholders, cash and cash equivalents, trade payables, financial liabilities included in other payables and accruals and amounts due to the immediate holding company, an intermediate holding company and fellow subsidiaries approximated to their carrying amounts largely due to the short term maturities of these instruments.

21. 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 aggregate carrying amount of cash and cash equivalents, trade and bills receivables, deposits and amounts due from the non-controlling shareholders represents 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 businesses and to limit its credit exposure to individual customers. The maximum exposure for trade receivables is the carrying amount as disclosed in note 10 to the financial statements. At the end of the reporting period, the Company had a certain level of concentration of credit risk as the Company's entire trade receivables balance was due from the Company's sole customer.

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 financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, either have no fixed terms of repayment or are repayable within three months subsequent to the end of the reporting period.

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 the shareholders' value.

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 the 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 issue new shares. No changes were made in the objectives, policies or processes for managing capital during the period from 3 January 2012 (date of incorporation) to 31 March 2013.

22. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 May 2013.

GEM AUSTRALIA MANUFACTURING COMPANY LIMITED

REPORT OF THE DIRECTORS

The directors present their first report and the audited financial statements of the Company for the period from 6 June 2012 (date of incorporation) to 31 March 2013.

Principal activity

The principal activity of the Company during the period was the trading of garments.

Results

The Company's result for the period from 6 June 2012 (date of incorporation) to 31 March 2013 and the state of affairs of the Company as at 31 March 2013 are set out in the financial statements on pages 4 to 20.

Directors

The directors of the Company during the period were:

Pallak Seth	(appointed on 6 June 2012)
Victoria Jane Treloar	(appointed on 6 June 2012)
Faiza Habeeb Seth	(appointed on 25 June 2012)
Anuj Banaik	(appointed on 25 June 2012)

In accordance with the Company's articles of association, all remaining directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' interests

At no time during the period 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 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
20 May 2013

Independent auditors' report

To the shareholders of GEM Australia Manufacturing Company Limited

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of GEM Australia Manufacturing Company Limited (the "Company") set out on pages 4 to 20, which comprise the statement of financial position as at 31 March 2013, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 6 June 2012 (date of incorporation) to 31 March 2013, 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 2013, and of its loss and cash flows for the period from 6 June 2012 (date of incorporation) to 31 March 2013 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
20 May 2013

STATEMENT OF COMPREHENSIVE INCOME

Period from 6 June 2012 (date of incorporation) to 31 March 2013

	Notes	HK\$
REVENUE	4	14,615,464
Cost of sales		(12,010,330)
Gross profit		2,605,134
Administrative expenses		(10,773,451)
Selling and distribution costs		(1,091,564)
Other operating expenses		(347,649)
Finance costs	6	(12,344)
LOSS BEFORE TAX		(9,619,874)
Income tax expense	8	(120,616)
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(9,740,490)

STATEMENT OF FINANCIAL POSITION 31 March 2013

	Notes	HK\$
NON-CURRENT ASSETS		
Property, plant and equipment	9	1,009,060
CURRENT ASSETS		
Trade receivables	10	9,541,863
Prepayments		589,496
Due from the non-controlling shareholder	14(b)	194,500
Cash and cash equivalents		956,882
Total current assets		11,282,741
CURRENT LIABILITIES		
Trade payables		1,414,359
Other payables and accruals		1,411,439
Due to the immediate holding company	14(b)	16,571,120
Due to the ultimate holding company	14(b)	42,012
Due to fellow subsidiaries	14(b)	1,694,745
Total current liabilities		21,133,675
NET CURRENT LIABILITIES		(9,850,934)
TOTAL ASSETS LESS CURRENT LIABILITIES		(8,841,874)

	Notes	HK\$
NON-CURRENT LIABILITIES		
Deferred tax liabilities	11	(120,616)
Net liabilities		<u>(8,962,490)</u>
EQUITY		
Issued capital	12	778,000
Accumulated loss		(9,740,490)
Net deficiency in assets		<u>(8,962,490)</u>
Sd/-		Sd/-
Director		Director

STATEMENT OF CHANGES IN EQUITY

Period from 6 June 2012 (date of incorporation) to 31 March 2013

Note	Issued capital	Accumulated loss	Net deficiency in assets
	HK\$	HK\$	HK\$
Issue of shares on incorporation	12	778,000	–
Total comprehensive loss for the period		–	(9,740,490)
At 31 March 2013		778,000	(9,740,490)
		<u>(8,962,490)</u>	

STATEMENT OF CASH FLOWS

Period from 6 June 2012 (date of incorporation) to 31 March 2013

	Notes	HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax		(9,619,874)
Adjustments for:		
Depreciation	5	174,509
Finance costs	6	12,344
		<u>(9,433,021)</u>
Increase in trade receivables		(9,541,863)
Increase in prepayments		(589,496)
Increase in trade payables		1,414,359
Increase in other payables and accruals		1,411,439
Increase in amount due to the immediate holding company		17,154,620
Increase in amount due to the ultimate holding company		42,012
Increase in amounts due to fellow subsidiaries		1,694,745
Cash generated from operations		<u>2,152,795</u>
Bank charges paid		(12,344)
Net cash flows from operating activities		<u>2,140,451</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	9	(1,183,569)
NET INCREASE IN CASH AND CASH EQUIVALENTS AND CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>956,882</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances		<u>956,882</u>

NOTES TO FINANCIAL STATEMENTS 31 MARCH 2013**1. CORPORATE INFORMATION**

GEM Australia Manufacturing Company 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, Kowloon, Hong Kong.

During the period, the Company was engaged in the trading of footwear.

The Company is a subsidiary of Norwest Industries Limited, a company incorporated in Hong Kong. In the opinion of the directors, the Company's ultimate holding company is Pearl Global Industries Limited, a company incorporated in India with shares 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.

2.2 FINANCIAL SUPPORT

The Company's ultimate holding 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 2013, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Related parties**

A party is considered to be related to the Company if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Company are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Company are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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 an 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.

GEM AUSTRALIA MANUFACTURING COMPANY LIMITED

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 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	25% - 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 including equipment including 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 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 the 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.

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 the 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 the 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 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.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

4. REVENUE

Revenue, which is also the Company's turnover, represents the net invoiced value of goods sold.

5. LOSS BEFORE TAX

The Company's loss before tax is arrived at after charging:

	Period from 6 June 2012 (date of incorporation) to 31 March 2013 HK\$
Cost of inventories sold	10,965,357
Auditors' remuneration	30,900
Depreciation	174,509
Staff costs (excluding directors' remuneration (note 7)):	
Salaries and allowances	3,253,312
Pension scheme contributions (defined contribution scheme)	258,656
	<u>3,511,968</u>
Minimum lease payments under operating leases of land and buildings	493,273
Foreign exchange differences, net	<u>173,140</u>

6. FINANCE COSTS

	Period from 6 June 2012 (date of incorporation) to 31 March 2013 HK\$
Bank charges arising from letters of credit	<u>12,344</u>

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	Period from 6 June 2012 (date of incorporation) to 31 March 2013 HK\$
Fees	–
Other emoluments:	
Salaries, allowances and benefits in kind	1,797,331
Pension scheme contributions	<u>165,448</u>
	<u>1,962,779</u>

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 period.

	Period from 6 June 2012 (date of incorporation) to 31 March 2013 HK\$
Charge for the period	–
Deferred tax	<u>120,616</u>
Tax charge for the period	<u>120,616</u>

A reconciliation of the tax credit applicable to loss before tax using the Hong Kong statutory rate of 16.5% to the tax charge 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:

	HK\$	%
Loss before tax	<u>(9,619,874)</u>	
Tax credit at the statutory tax rate	<u>(1,587,279)</u>	16.5
Expenses not deductible for tax	95,130	(1.0)
Tax loss not recognised	<u>1,612,765</u>	<u>(16.8)</u>
Tax charge at the effective tax rate	<u>120,616</u>	<u>(1.3)</u>

As at 31 March 2013, the Company had unused tax losses of HK\$9,774,337 which arose in Hong Kong and but the Company did not recognise any corresponding deferred tax assets as the directors consider it uncertain that there will be available taxable profits to utilise the unused tax losses.

9. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK\$	Office equipment HK\$	Total HK\$
31 March 2013			
At 6 June 2012 (date of incorporation)	–	–	–
Additions	582,821	600,748	1,183,569
Depreciation provided during the period	<u>(89,198)</u>	<u>(87,311)</u>	<u>(174,509)</u>
At 31 March 2013, net of accumulated depreciation	<u>495,623</u>	<u>513,437</u>	<u>1,009,060</u>

	Furniture and fixtures HK\$	Office equipment HK\$	Total HK\$
At 31 March 2013:			
Cost	582,821	600,728	1,183,569
Accumulated depreciation	<u>(89,198)</u>	<u>(87,311)</u>	<u>(174,509)</u>
Net carrying amount	<u>495,623</u>	<u>513,437</u>	<u>1,009,060</u>

10. TRADE 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. The Company does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The aged analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	HK\$
Neither past due nor impaired	<u>7,930,263</u>
Past due but not impaired - less than one month	<u>1,611,600</u>
	<u>9,541,863</u>

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to customers that have had a good track record with the Company. The directors of the Company are of the opinion that no provision for impairment is necessary in respect of this balance as there has not been a significant change in credit quality and the balance is still considered fully recoverable.

11. DEFERRED TAX LIABILITIES

	Depreciation allowance in excess of related depreciation HK\$
At 6 June 2012 (date of incorporation)	–
Deferred tax credited to the profit or loss during the period	<u>120,616</u>
At 31 March 2013	<u>120,616</u>

12. SHARE CAPITAL

Authorised:	
100,000 ordinary shares of US\$1 each	778,000
Issued and fully paid:	
100,000 ordinary shares of US\$1 each	<u>778,000</u>

On incorporation, the Company's authorised share capital was US\$100,000 divided into 100,000 ordinary shares of US\$1 each and 100,000 ordinary shares were issued at par for cash as the subscriber's shares.

13. NOTE TO THE STATEMENT OF CASH FLOWS

Major non-cash transactions

On 6 June 2012 (date of incorporation), the Company issued 100,000 ordinary shares of US\$1 each at par, of which 75,000 shares were issued to the immediate holding company and 25,000 shares were issued to the non-controlling shareholder. The corresponding considerations of HK\$583,500 and HK\$194,500 were settled through and debited to an amount due to the immediate holding company and an amount due from the non-controlling shareholder, respectively.

14. 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 period:

GEM AUSTRALIA MANUFACTURING COMPANY LIMITED

	Notes	2013 HK\$
Fellow subsidiaries:		
Purchases of goods	(i)	1,062,230
Management fees paid	(ii)	132,231
Marketing fees paid	(ii)	336,374

Notes:

- (i) The purchases were made according to the prices and conditions offered by the fellow subsidiaries to their respective major customers.
- (ii) The management fees and marketing fees were charged at terms mutually agreed between the Company and the fellow subsidiaries.

(b) Outstanding balances with related parties:

The balances with the immediate holding company, the ultimate holding company, fellow subsidiaries and the non-controlling shareholder are unsecured, interest-free and have no fixed terms of repayment.

15. OPERATING LEASE COMMITMENTS

The Company leases its office premise under operating lease arrangement with the lease for the property negotiated for a term of three years.

At 31 March 2013, the Company had total future minimum lease payments under non-cancellable operating lease falling due as follows:

	HK\$
Within one year	657,473
In the second to fifth years, inclusive	876,405
	<u>1,533,838</u>

16. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Company comprise trade receivables, an amount due from the non-controlling shareholder and cash and cash equivalents which are categorised as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements. The financial liabilities of the Company comprise trade payables, financial liabilities included in other payables and accruals, amounts due to the immediate holding company and ultimate holding company which are categorised as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the statement of financial position or the corresponding notes to the financial statements.

17. FAIR VALUE

At the end of the reporting period, the carrying amounts of the Company's financial assets and financial liabilities approximated to their fair values.

The fair values of financial assets and liabilities are included at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation sale transactions. The fair values of trade receivables, bank balances, trade payables, other payables and accruals, balances with the immediate holding company, the ultimate holding company, the non-controlling shareholder and fellow subsidiaries approximated to their carrying amounts largely due to the short term maturities of these instruments.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's exposure to 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:

Foreign currency risk

The Company has transactional currency exposures. Such exposures mainly arise from sales or purchases in currencies other than the functional currency of the Company. The Company manages its foreign currency risk by monitoring closely the movements in exchange rates.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in Australian dollar ("AUD") 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).

	Change in the AUD exchange rate	Increase/ (decrease) in loss before tax	Increase/ (decrease) in equity
	%	HK\$	HK\$
31 March 2013			
If HK\$ weakens against AUD	1	(9,220)	(9,220)
If HK\$ strengthens against AUD	(1)	9,220	9,220

Credit risk

The aggregate carrying amount of cash and cash equivalents, trade receivables, and an amount due from the non-controlling shareholder represents 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 businesses and to limit its credit exposure to individual customers. The maximum exposure for trade receivables is the carrying amount as disclosed in note 10 to the financial statements. At the end of the reporting period, the Company had certain concentration of credit risks as 56% of the Company's trade receivables was due from the Company's top customer.

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 financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, either have no fixed terms of repayment or are repayable within three months subsequent to the end of the reporting period.

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 the shareholders' value.

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 the 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 issue new shares. No changes were made in the objectives, policies or processes for managing capital during the period from 6 June 2012 (date of incorporation) to 31 March 2013.

19. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 May 2013.

NOR EUROPE MANUFACTURING COMPANY LIMITED
(formerly Nor Barcelona Manufacturing Company Limited)

REPORT OF THE DIRECTORS

The directors present their first report and the audited financial statements of the Company for the period from 4 November 2011 (date of incorporation) to 31 March 2013.

Change of name

Pursuant to a resolution of directors on 14 March 2012, the name of the company was changed from Nor Barcelona Manufacturing Company Limited to Nor Europe Manufacturing Company Limited.

Principal activity

The principal activity of the Company during the period was the trading of garments.

Results

The Company's results for the period from 4 November 2011 (date of incorporation) to 31 March 2013, and the state of affairs of the Company as at 31 March 2013 are set out in the financial statements on pages 4 to 20.

Directors

The directors of the Company during the period were:

Pallak Seth (appointed on 4 November 2011)

Albert Farre Moll (appointed on 4 November 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 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 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
20 May 2013

INDEPENDENT AUDITORS' REPORT

To the shareholders of Nor Europe Manufacturing Company Limited (formerly Nor Barcelona Manufacturing Company Limited)
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Nor Europe Manufacturing Company Limited (formerly Nor Barcelona Manufacturing Company Limited) (the "Company") set out on pages 4 to 20, which comprise the statement of financial position as at 31 March 2013, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 4 November 2011 (date of incorporation) to 31 March 2013, 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 2013, and of its loss and cash flows for the period from 4 November 2011 (date of incorporation) to 31 March 2013 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Certified Public Accountants

Sd/-

Hong Kong
20 May 2013

STATEMENT OF COMPREHENSIVE INCOME

Period from 4 November 2011 (date of incorporation) to 31 March 2013

	Notes	HK\$
REVENUE	3	93,954,816
Cost of sales		(84,457,416)
Gross profit		9,497,400
Other income	3	730,735
Selling and distribution costs		(5,768,569)
Administrative expenses		(6,920,374)
Other operating expenses		(297,913)
Finance costs	5	(277,330)
LOSS BEFORE TAX	4	(3,036,051)
Income tax expense	7	—
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u>(3,036,051)</u>

STATEMENT OF FINANCIAL POSITION 31 MARCH 2013

	Notes	HK\$
NON-CURRENT ASSETS		
Property, plant and equipment	8	83,373
CURRENT ASSETS		
Trade and bills receivables	9	27,561,866
Deposits		27,121
Due from a non-controlling shareholder	14(b)	233,400
Cash and cash equivalents		803,909
Total current assets		<u>28,626,296</u>
CURRENT LIABILITIES		
Trade payables		12,013,381
Receipts in advance and an accrual	10	88,246
Due to the immediate holding company	14(b)	14,840,057
Due to an intermediate holding company	14(b)	3,880,161
Due to fellow subsidiaries	14(b)	145,875
Total current liabilities		<u>30,967,720</u>
NET CURRENT LIABILITIES		<u>(2,341,424)</u>
Net liabilities		<u>(2,258,051)</u>

NOR EUROPE MANUFACTURING COMPANY LIMITED
(formerly Nor Barcelona Manufacturing Company Limited)

	Notes	HK\$
EQUITY		
Issued capital	11	778,000
Accumulated loss		(3,036,051)
Net deficiency in assets		<u>(2,258,051)</u>
Sd/-		Sd/-
Director		Director

STATEMENT OF CHANGES IN EQUITY

Period from 4 November 2011 (date of incorporation) to 31 March 2013

	Note	Issued capital HK\$	Accumulated loss HK\$	Net deficiency in assets HK\$
Issue of shares on incorporation	11	778,000	–	778,000
Total comprehensive loss for the period		–	(3,036,051)	(3,036,051)
At 31 March 2013		<u>778,000</u>	<u>(3,036,051)</u>	<u>(2,258,051)</u>

STATEMENT OF CASH FLOWS

Period from 4 November 2011 (date of incorporation) to 31 March 2013

	Notes	HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax		(3,036,051)
Adjustments for:		
Depreciation	4	39,407
Finance costs	5	277,330
		<u>(2,719,314)</u>
Increase in trade and bills receivables		(27,561,866)
Increase in deposits		(27,121)
Increase in trade payables		12,013,381
Increase in receipts in advance and an accrual		88,246
Increase in an amount due to the immediate holding company		15,384,657
Increase in an amount due to an intermediate holding company		3,880,161
Increase in amounts due to fellow subsidiaries		145,875
Cash flows generated from operations		<u>1,204,019</u>
Interest paid		(277,330)
Net cash flows from operating activities		<u>926,689</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment		<u>(122,780)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS AND CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>803,909</u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances		<u>803,909</u>

NOTES TO FINANCIAL STATEMENTS 31 MARCH 2013

1. CORPORATE INFORMATION

Nor Europe Manufacturing Company 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, Kowloon, Hong Kong.

During the period, the Company was engaged in the trading of garments.

Pursuant to a resolution of directors on 14 March 2012, the name of the company was changed from Nor Barcelona Manufacturing Company Limited to Nor Europe Manufacturing Company Limited.

The Company is a subsidiary of Norwest Industries Limited, a company incorporated in Hong Kong. In the opinion of the directors, the Company's ultimate holding company is Pearl Global Industries Limited, a company incorporated in India with shares listed on The National Stock Exchange of India Limited and Bombay Stock Exchange.

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 at fair value.

2.2 FINANCIAL SUPPORT

The Company's ultimate holding 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 period ended 31 March 2013, 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:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Company are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Company are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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 an 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 the 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:

Leasehold improvement	Over the shorter of the lease terms and 33 $\frac{1}{3}$ %
Furniture and fixtures	25%
Office equipment	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 including 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 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 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 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.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised

outside the 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.

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.

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 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.

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 profit or loss 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 Spain 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 profit or loss as they become payable in accordance with the rules of the central pension scheme.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

NOR EUROPE MANUFACTURING COMPANY LIMITED
(formerly Nor Barcelona Manufacturing Company Limited)

3. REVENUE AND OTHER INCOME

Revenue, which is also the Company's turnover, represents the net invoiced value of goods sold. Other income represents the penalty charges received from suppliers.

4. LOSS BEFORE TAX

The Company's loss before tax is arrived at after charging:

	Period from 4 November 2011 (date of incorporation) to 31 March 2013 HK\$
Cost of inventories sold	84,457,416
Auditors' remuneration	30,900
Depreciation	39,407
Staff costs (excluding directors' remuneration (note 6)):	
Salaries and allowances	1,546,048
Pension scheme contributions (defined contribution scheme)	170,144
	1,716,192
Minimum lease payments under operating leases of land and buildings	524,994
Foreign exchange differences, net	258,506

5. FINANCE COSTS

	Period from 4 November 2011 (date of incorporation) to 31 March 2013 HK\$
Interest on overdrafts and bank charges arising from letters of credit	401,401

6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	Period from 4 November 2011 (date of incorporation) to 31 March 2013 HK\$
Salaries, allowances and benefits in kind	1,213,680
	1,213,680

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Company did not generate any assessable profits in Hong Kong during the period from 4 November 2011 (date of incorporation) to 31 March 2013.

A reconciliation of the tax credit applicable to loss 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:

	HK\$	%
Loss before tax	(3,036,051)	
Tax at the statutory tax rate	(500,948)	16.5
Expenses not deductible for tax	19,617	(0.7)
Tax loss not recognised	483,339	(15.8)
Others	(2,008)	
Tax at the effective tax rate	—	—

As at 31 March 2013, the Company had unused tax losses of HK\$2,929,328 which arose in Hong Kong but the Company did not recognise any corresponding deferred tax assets as the directors consider it uncertain that there will be available taxable profits to utilise the unused tax losses.

8. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Office equipment	Total
	HK\$	HK\$	HK\$	HK\$
31 March 2013				
At 4 November 2011 (date of incorporation)	—	—	—	—
Additions	49,871	10,674	62,235	122,780
Depreciation provided during the period	(17,409)	(4,141)	(17,857)	(39,407)
At 31 March 2013, net of accumulated depreciation	32,462	6,533	44,378	83,373
At 31 March 2013:				
Cost	49,871	10,674	62,235	122,780
Accumulated depreciation	(17,409)	(4,141)	(17,857)	(39,407)
Net carrying amount	32,462	6,533	44,378	83,373

9. TRADE AND BILLS RECEIVABLES

	HK\$
Trade receivables	23,103,598
Bills receivables	4,458,268
	27,561,866

The Company's trading terms with its customers are mainly on credit. Trade and bills receivables are non-interest-bearing and are on terms of upto 90 days. The Company seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

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:

	HK\$
Neither past due nor impaired	26,371,112
Past due but not impaired - less than one month	1,190,754
	27,561,866

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default. Receivables that were past due but not impaired relate to customers that have a good track record with the Company. 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.

10. RECEIPTS IN ADVANCE AND AN ACCRUAL

	HK\$
Receipts in advance	57,346
Accrual	30,900
	88,246

11. SHARE CAPITAL

	HK\$
Authorised, issued and fully paid:	
10,000 ordinary shares of US\$1 each	778,000

On incorporation, the Company's authorised share capital was US\$100,000 divided into 10,000 ordinary shares of US\$1 each and 10,000 ordinary shares were issued at par for cash as subscribers' shares.

12. NOTE TO THE STATEMENT OF CASH FLOWS

Major non-cash transaction

On 4 November 2011 (date of incorporation), the Company issued 100,000 ordinary shares of US\$1 each at par, of which 70,000 shares were issued to the immediate holding company and 30,000 shares were issued to the non-controlling shareholder. The corresponding considerations of HK\$544,600 and HK\$233,400 were settled through and debited to an amount due to the immediate holding company and an amount due from the non-controlling shareholder, respectively.

NOR EUROPE MANUFACTURING COMPANY LIMITED
(formerly *Nor Barcelona Manufacturing Company Limited*)

13. OPERATING LEASE COMMITMENTS

The Company leases its office premise and car park under operating lease arrangements. Leases for the properties are negotiated for terms ranging from one to four years.

At 31 March 2013, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	HK\$
Within one year	156,504
In the second to fifth years, inclusive	386,231
	<u>542,735</u>

14. 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 period:

	Notes	HK\$
Immediate holding company:		
Marketing service fees	(i)	31,680
Commission income	(ii)	3,147,127
Intermediate holding company:		
Management fees	(i)	291,750
Fellow subsidiaries:		
Marketing service fees	(i)	341,024
Commission income	(ii)	1,930,232

Notes:

- (i) The management fees and marketing service fees paid were based on terms mutually agreed between the Company and the immediate holding company or an intermediate holding company.
- (ii) The commission income received was based on terms mutually agreed between the Company and the immediate holding company or the fellow subsidiaries.
- (b) Outstanding balances with related parties:
- The balances with an intermediate holding company, the immediate holding company, the non-controlling shareholder and fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

15. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Company comprise trade and bills receivables, deposits, an amount due from a non-controlling shareholder, and cash and cash equivalents which are categorised as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements. The financial liabilities of the Company comprise trade payables, receipts in advance, an accrual, an amount due to the immediate holding company, an amount due to an intermediate holding company, and amounts due to fellow subsidiaries which are categorised as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

16. FAIR VALUE

At the end of the reporting period, the carrying amounts of the Company's financial assets and financial liabilities approximated to their fair values.

The fair values of financial assets and liabilities are included at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation sale transactions. The fair values of trade and bills receivables, deposits, an amount due from the non-controlling shareholder, cash and cash equivalents, trade payables, receipts in advance and an accrual, amounts due to fellow subsidiaries, the immediate holding company and an intermediate holding company approximated to their carrying amounts largely due to the short term maturities of these instruments.

The Company did not have any financial assets and liabilities measured at fair value as at the end of each reporting period.

17. 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 aggregate carrying amount of cash and cash equivalents, trade and bills receivables, deposits, an amount due from the non-controlling shareholder represents 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 businesses 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 9 to the financial statements. At the end of the reporting period, the Company had certain concentrations of credit risks as 37% of the Company's trade and bills receivables was due from the Company's top customer.

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 financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, either have no fixed terms of repayment or are repayable within three months subsequent to the end of the reporting period.

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 issue new shares. No changes were made in the objectives, policies or processes for managing capital during the period from 4 November 2011 (date of incorporation) to 31 March 2013.

18. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 May 2013.

DESIGNED AND SOURCED LIMITED

REPORT OF THE DIRECTORS

The directors present their first report and the audited financial statements of the Company for the period from 27 August 2012 (date of incorporation) to 31 March 2013.

Principal activity

The Company was inactive during the period.

Results and dividends

The Company's result for the period from 27 August 2012 (date of incorporation) to 31 March 2013 and the state of affairs of the Company as at 31 March 2013 are set out in the financial statements on pages 4 to 17.

Directors

The directors of the Company during the period were:

Pallak Seth	(appointed on 27 August 2012)
Liang Kan Ke	(appointed on 27 August 2012)
Faiza Habeeb Seth	(appointed on 27 August 2012)

In accordance with the Company's articles of association, all remaining directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' interests

At no time during the period 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 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
20 May 2013

INDEPENDENT AUDITORS' REPORT

To the shareholders of Designed and Sourced Limited

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Designed and Sourced Limited (the "Company") set out on pages 4 to 17, which comprise the statement of financial position as at 31 March 2013, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 27 August 2012 (date of incorporation) to 31 March 2013, 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 2013, and of its loss and cash flows for the period from 27 August 2012 (date of incorporation) to 31 March 2013 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
20 May 2013

STATEMENT OF COMPREHENSIVE INCOME

Period from 27 August 2012 (date of incorporation) to 31 March 2013

	Notes	HK\$
Administrative expenses		(4,292,797)
Selling and distribution costs		(19,377)
Other operating expenses		(12,016)
LOSS BEFORE TAX		(4,324,190)
Income tax expense	6	–
LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(4,324,190)

STATEMENT OF FINANCIAL POSITION

31 March 2013

	Notes	HK\$
NON-CURRENT ASSETS		
Property, plant and equipment		125,803
CURRENT ASSETS		
Deposits		77,785
Cash and cash equivalents		66,764
Due from non-controlling shareholders	10(b)	622,400
Total current assets		766,949
CURRENT LIABILITIES		
Other payables and accruals	8	295,266
Due to the immediate holding company	10(b)	850,423
Due to fellow subsidiaries	10(b)	2,515,253
Total current liabilities		3,660,942
NET CURRENT LIABILITIES		(2,893,993)
Net liabilities		(2,768,190)
EQUITY		
Issued capital	9	1,556,000
Accumulated loss		(4,324,190)
Net deficiency in assets		(2,768,190)
Sd/-		Sd/-
Director		Director

STATEMENT OF CHANGES IN EQUITY

Period from 27 August 2012 (date of incorporation) to 31 March 2013

	Note	Issued capital	Accumulated loss	Net deficiency in assets
		HK\$	HK\$	HK\$
Issue of shares on incorporation	9	1,556,000	–	1,556,000
Total comprehensive loss for the period		–	(4,324,190)	(4,324,190)
At 31 March 2013		1,556,000	(4,324,190)	(2,768,190)

STATEMENT OF CASH FLOWS

Period from 27 August 2012 (date of incorporation) to 31 March 2013

	Notes	HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax		(4,324,190)
Adjustment for depreciation	4	7,689
		(4,316,501)
Increase in deposits		(77,785)
Increase in other payables and accruals		295,266
Increase in an amount due to the immediate holding company		1,784,023
Increase in amounts due to fellow subsidiaries		2,515,253
Cash generated from operations and net cash flows used in operating activities		200,256
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	7	(133,492)
NET INCREASE IN CASH AND CASH EQUIVALENTS AND CASH AND CASH EQUIVALENTS AT END OF PERIOD		66,764
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances		66,764

NOTES TO FINANCIAL STATEMENTS**31 March 2013****1. CORPORATE INFORMATION**

Designed and Sourced 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, Kowloon, Hong Kong.

During the period, the Company was inactive.

The Company is a subsidiary of Norwest Industries Limited, a company incorporated in Hong Kong. In the opinion of the directors, the Company's ultimate holding company is Pearl Global Industries Limited, a company incorporated in India with shares listed on the National Stock Exchange in India.

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.

2.2 FINANCIAL SUPPORT

The Company's ultimate holding 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 2013, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Related parties**

A party is considered to be related to the Company if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Company are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Company are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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 an 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 the 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	25% - 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.

DESIGNED AND SOURCED LIMITED

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 including equipment including 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 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 the 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.

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 the 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 the 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.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

4. LOSS BEFORE TAX

The Company's loss before tax is arrived at after charging:

	Period from 27 August 2012 (date of incorporation) to 31 March 2013 HK\$
Auditors' remuneration	30,900
Depreciation	7,689
Staff costs (excluding directors' remuneration (note 5)):	
Salaries and allowances	2,160,425
Pension scheme contributions (defined contribution scheme)	97,299
	<u>2,257,724</u>
Minimum lease payments under operating leases of land and buildings	98,148
Foreign exchange differences, net	<u>4,327</u>

5. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	Period from 27 August 2012 (date of incorporation) to 31 March 2013 HK\$
Fees	-
Other emoluments:	
Salaries, allowances and benefits in kind	155,000
	<u>155,000</u>

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Company did not generate any assessable profits in Hong Kong during the period from 27 August 2012 (date of incorporation) to 31 March 2013.

A reconciliation of the tax credit applicable to loss before tax using the Hong Kong statutory rate of 16.5% to the tax 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:

	Period from 27 August 2012 (date of incorporation) to 31 March 2013 HK\$	%
Loss before tax	(4,324,190)	
Tax credit at the statutory tax rate	(713,491)	(16.5)
Expenses not deductible for tax	713,491	16.5
Tax at the effective tax rate	—	—

7. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK\$	Office equipment HK\$	Total HK\$
31 March 2013			
At 27 August 2012 (date of incorporation)	—	—	—
Additions	1,615	131,877	133,492
Depreciation provided during the period	(67)	(7,622)	(7,689)
At 31 March 2013, net of accumulated depreciation	1,548	124,255	125,803
At 31 March 2013:			
Cost	1,615	131,877	133,492
Accumulated depreciation	(67)	(7,622)	(7,689)
Net carrying amount	1,548	124,255	125,803

8. OTHER PAYABLES, ACCRUALS AND RECEIPTS IN ADVANCE

	HK\$
Accrued employee benefits	264,366
Other payables	30,900
	295,266

Other payables are non-interest-bearing and have an average term of three months.

9. SHARE CAPITAL

	HK\$
Authorised:	
500,000 ordinary shares of US\$1 each	3,890,000
Issued and fully paid:	
200,000 ordinary shares of US\$1 each	1,556,000

On incorporation, the Company's authorised share capital was US\$500,000 divided into 500,000 ordinary shares of US\$1 each and 200,000 ordinary shares were issued at par for cash as the subscriber's shares.

10. NON-CASH TRANSACTION**Major non-cash transaction**

On 27 August 2012 (date of incorporation), the Company issued 200,000 ordinary shares of US\$1 each at par, of which 120,000 shares were issued to the immediate holding company and 80,000 shares were issued to the non-controlling shareholders. The corresponding considerations of HK\$933,600 and HK\$622,400 were settled through and debited to an amount due to the immediate holding company and an amount due from the non-controlling shareholders, respectively.

11. RELATED PARTY TRANSACTIONS

- The Company paid management fees of HK\$116,700 in respect of the provision of corporate management services by a fellow subsidiary during the period from 27 August 2012 (date of incorporation) to 31 March 2013. The management fees paid were determined based on terms mutually agreed between the Company and the fellow subsidiary.
- The balances with the immediate holding company, fellow subsidiaries and the non-controlling shareholder are unsecured, interest-free and have no fixed terms of repayment.

12. OPERATING LEASE COMMITMENTS

The Company leases its office premise under an operating lease arrangement with the lease for the property negotiated for a term of one year.

At 31 March 2013, the Company had total future minimum lease payments under the non-cancellable operating lease falling due within one year of HK\$18,079.

13. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Company comprise deposits, amounts due from non-controlling shareholders and cash and cash equivalents which are categorised as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements. The financial liabilities of the Company comprise financial liabilities included in other payables and accruals, amounts due to the immediate holding company and fellow subsidiaries which are categorised as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

14. FAIR VALUE

At the end of the reporting period, the carrying amounts of the Company's financial assets and financial liabilities approximated to their fair values.

The fair values of financial assets and liabilities are included at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation sale transactions. The fair values of deposits, bank balances, financial liabilities included in other payables and accruals, balances with the immediate holding company, the non-controlling shareholders and fellow subsidiaries approximated to their carrying amounts largely due to the short term maturities of these instruments.

15. 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 aggregate carrying amount of deposits, cash and cash equivalents, amount due from the non-controlling shareholders represents 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.

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 financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, either have no fixed terms of repayment or are repayable within three months subsequent to the end of the reporting period.

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 the 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 issue new shares. No changes were made in the objectives, policies or processes for managing capital during the period from 27 August 2012 (date of incorporation) to 31 March 2013.

16. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 May 2013.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 2013.

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.

Results and dividends

The Group's profit for the year ended 31 March 2013 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 38.

The directors do not recommend the payment of any dividend in respect of the year.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 10 to the financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 19 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

Guiloff Titelman 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 of the directors 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

Chairman

Hong Kong

20 May 2013

INDEPENDENT AUDITORS' REPORT

To the shareholders of PG Group Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of PG Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 5 to 38, which comprise the consolidated and company statements of financial position as at 31 March 2013, and the consolidated income statements, the consolidated and company 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 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 2013, and of the Company's profit and 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

20 May 2013

CONSOLIDATED INCOME STATEMENT Year ended 31 March 2013

	Notes	2013 US\$	2012 US\$
REVENUE	4	27,706,919	28,116,318
Cost of sales		(22,245,557)	(23,351,992)
Gross profit		5,461,362	4,764,326
Other income	4	145,903	70,380
Selling and administrative expenses		(4,755,985)	(3,805,831)
Finance costs	7	(135,025)	(85,265)
PROFIT BEFORE TAX	5	716,255	943,610
Income tax expense	8	(204,055)	(140,137)
PROFIT FOR THE YEAR		512,200	803,473
Attributable to:			
Owners of the parent	9	488,652	796,673
Non-controlling interests		23,548	6,800
		512,200	803,473

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 MARCH 2013

	2013 US\$	2012 US\$
PROFIT FOR THE YEAR	512,200	803,473
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange differences on translation of foreign operations	(184)	949
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	(184)	949
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	512,016	804,422
Attributable to:		
Owners of the parent	488,313	797,527
Non-controlling interests	23,703	6,895
	512,016	804,422

CONSOLIDATED STATEMENT OF FINANCIAL POSITION 31 MARCH 2013

	Notes	2013 US\$	2012 US\$		Issued capital US\$	Exchange reserve US\$	Accumulated losses US\$	Total equity attributable to owners of the parent US\$	Non- controlling interests US\$	Total US\$
NON-CURRENT ASSETS										
Property, plant and equipment	10	47,283	63,059	Other comprehensive						
Intangible assets	11	5,635	13,883	loss for the year:						
Deposits		27,278	26,980	Exchange difference						
Due from a director	18	7,000	-	on translation of						
Total non-current assets		87,196	103,922	foreign operations	-	(339)	-	(339)	155	(184)
CURRENT ASSETS										
Inventories	13	327,344	-	Total comprehensive						
Trade and bills receivables	14	2,211,969	775,749	income for the year	-	(339)	488,652	488,313	23,703	512,016
Prepayments and other receivables		140,279	249,232	At 31 March 2013	1,000,000	(40,184)*	(113,235)*	846,581	29,705	876,286
Due from a fellow subsidiary	22(b)(i)	2,173	138,316	*These reserve accounts comprise the deficit reserves of HK\$153,419 (2012: HK\$641,732) in the consolidated statement of financial position.						
Due from a related company	17	232,126	446,434							
Due from directors	18	404,000	411,000							
Cash and cash equivalents		569,216	672,243							
Total current assets		3,887,107	2,692,974							
CURRENT LIABILITIES										
Trade payables		426,811	797,017							
Other payables, accruals and receipts in advance	15	559,312	269,181							
Interest-bearing bank borrowings	16	235,253	-							
Due to the immediate holding company	22(b)(ii)	948,000	1,250,000							
Due to fellow subsidiaries	22(b)(i)	667,188	8,483							
Tax payable		261,453	107,945							
Total current liabilities		3,098,017	2,432,626							
NET CURRENT ASSETS										
Net assets		876,286	364,270							
EQUITY										
Equity attributable to owners of the parent										
Issued capital	19	1,000,000	1,000,000							
Reserves	20	(153,419)	(641,732)							
		846,581	358,268							
Non-controlling interests		29,705	6,002							
Total equity		876,286	364,270							
Director			Director							

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31 MARCH 2013

	Issued capital US\$	Exchange reserve US\$	Accumulated losses US\$	Total equity attributable to owners of the parent US\$	Non- controlling interests US\$	Total US\$
At 1 April 2011	1,000,000	(40,699)	(1,398,560)	(439,259)	(893)	(440,152)
Profit for the year	-	-	796,673	796,673	6,800	803,473
Other comprehensive income for the year:						
Exchange difference on translation of foreign operations	-	854	-	854	95	949
Total comprehensive income for the year	-	854	796,673	797,527	6,895	804,422
At 31 March 2012 and at 1 April 2012	1,000,000	(39,845)*	(601,887)*	358,268	6,002	364,270
Profit for the year	-	-	488,652	488,652	23,548	512,200

	Issued capital US\$	Exchange reserve US\$	Accumulated losses US\$	Total equity attributable to owners of the parent US\$	Non- controlling interests US\$	Total US\$
Other comprehensive loss for the year:						
Exchange difference on translation of foreign operations	-	(339)	-	(339)	155	(184)
Total comprehensive income for the year	-	(339)	488,652	488,313	23,703	512,016
At 31 March 2013	1,000,000	(40,184)*	(113,235)*	846,581	29,705	876,286

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED 31 MARCH 2013

	Notes	2013 US\$	2012 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		716,255	943,610
Adjustments for:			
Interest income	4	(472)	(14,256)
Depreciation	5	24,753	28,567
Finance costs	7	135,025	85,265
Amortisation of an intangible asset	11	8,359	-
		883,920	1,043,186
Increase in inventories		(327,344)	-
Decrease/(increase) in trade and bills receivables		(1,428,972)	625,664
Decrease/(increase) in prepayments, deposits and other receivables		110,480	(40,283)
Decrease/(increase) in an amount due from a fellow subsidiary		136,143	(138,316)
Decrease in an amount due from a related company		214,308	460,372
Decrease in trade payables		(370,351)	(343,454)
Increase/(decrease) in other payables, accruals and receipts in advance		286,517	(243,980)
Increase/(decrease) in amounts due to fellow subsidiaries		658,705	(47,342)
Cash generated from operations		163,406	1,315,847
Interest received		472	14,256
Overseas tax paid		(50,547)	(44,152)
Net cash flows from operating activities		113,331	1,285,951
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	10	(8,629)	(49,838)
Purchase of a merchandise license	11	-	(8,359)
Net cash flows used in investing activities		(8,629)	(58,197)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in an amount due to the immediate holding company		(302,000)	(1,148,524)
Proceeds from interest-bearing bank borrowings, net		235,253	-
Interest paid		(135,025)	(85,265)
Net cash flows used in financing activities		(201,772)	(1,233,789)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(97,070)	(6,035)
Cash and cash equivalents at beginning of year		672,243	679,287
Effect of foreign exchange rate changes, net		(5,957)	(1,009)
CASH AND CASH EQUIVALENTS AT END OF YEAR		569,216	672,243
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		569,216	672,243

STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 MARCH 2013

	Notes	2013 US\$	2012 US\$
REVENUE	4	21,697,593	22,936,566
Cost of sales		(17,472,809)	(19,110,975)
Gross profit		4,224,784	3,825,591
Other income	4	170,019	290,839
Selling and administrative expenses		(3,442,773)	(3,155,558)
Finance costs	7	(134,455)	(85,265)
PROFIT BEFORE TAX	5	817,575	875,607
Income tax expense	8	(167,541)	(140,137)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		650,034	735,470

STATEMENT OF FINANCIAL POSITION 31 MARCH 2013

	Notes	2013 US\$	2012 US\$
NON-CURRENT ASSETS			
Property, plant and equipment	10	36,813	53,773
Investments in subsidiaries	12	425,025	225,000
Deposit		20,770	20,770
Due from a director	18	7,000	-
Total non-current assets		489,608	299,543
CURRENT ASSETS			
Trade and bills receivables	14	1,563,463	488,234
Prepayments		15,982	167,240
Due from subsidiaries	12	1,081,726	593,638
Due from a fellow subsidiary	22(b)(i)	2,173	138,316
Due from a related company	17	232,126	446,434
Due from directors	18	404,000	411,000
Cash and cash equivalents		377,232	358,717
Total current assets		3,676,702	2,603,579
CURRENT LIABILITIES			
Trade payables		260,621	541,227
Other payables, accruals and receipts in advance	15	380,835	196,027
Interest-bearing bank borrowings	16	235,253	-
Due to the immediate holding company	22(b)(ii)	948,000	1,250,000
Due to fellow subsidiaries	22(b)(i)	667,188	8,483
Tax payable		224,939	107,945
Total current liabilities		2,716,836	2,103,682
NET CURRENT ASSETS		959,866	499,897
Net assets		1,449,474	799,440
Issued capital	19	1,000,000	1,000,000
EQUITY			
Retained earnings/(accumulated losses)		449,474	(200,560)
Total equity		1,449,474	799,440
Sd/- Director			Sd/- Director

NOTES TO FINANCIAL STATEMENTS 31 MARCH 2013
1. CORPORATE INFORMATION

PG Group Limited is a limited liability 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.

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 Pearl Global Industries Limited, a company incorporated in India with shares listed on the National Stock Exchange in India.

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

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 2013. 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 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.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it 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 income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to the income statement or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Certain new and revised HKFRSs became 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 2013.

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 2013, 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 profit or loss 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 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 Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related 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 previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in income statement.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in income statement or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for 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 identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in income statement 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 has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

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 an 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 is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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 depreciates them accordingly.

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
Furniture and fixtures	10% - 33 $\frac{1}{3}$ %
Office equipment	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 including 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 brand name and merchandise license are 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 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 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. An 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 loans and 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average 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 cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is 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 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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange prevailing at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair values were determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or the income statement are also recognised in other comprehensive income or the income statement, respectively).

The functional currencies of overseas subsidiaries are currencies other than the US\$. As at the end of the reporting period, the assets and liabilities of the subsidiaries are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period, and its income statement is translated into US\$ at the weighted average exchange rate for the year. 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 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. 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	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Interest income	472	14,256	58,455	36,574
Commission income	–	–	–	212,051
Compensation from suppliers for late shipments	94,722	38,686	71,928	38,686
Compensation from customers for late payments	27,265	–	27,265	–
Foreign exchange differences, net	23,444	–	12,371	–
Others	–	17,438	–	3,528
	<u>145,903</u>	<u>70,380</u>	<u>170,019</u>	<u>290,839</u>

5. PROFIT BEFORE TAX

The Group's and the Company's profit before tax is arrived at after charging/(crediting):

	Group		Company	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Auditors' remuneration	22,853	23,598	18,753	11,799
Depreciation	24,753	28,567	21,431	25,146
Amortisation of an intangible asset	8,359	–	–	–
Minimum lease payments under operating leases of land and buildings	137,909	198,185	36,246	164,774
Staff costs (excluding directors' remuneration (note 6)):				
Salaries and allowances	912,082	939,176	516,955	569,131
Pension scheme contributions (defined contribution scheme)	145,660	167,757	66,100	160,832
	<u>1,057,742</u>	<u>1,069,933</u>	<u>583,055</u>	<u>729,963</u>
Foreign exchange differences, net	(23,444)	35,953	(12,371)	26,586

6. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group		Company	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Fees	–	–	–	–
Other emoluments:				
Salaries and allowances	313,101	281,225	92,713	105,133
	<u>313,101</u>	<u>281,225</u>	<u>92,713</u>	<u>105,133</u>

7. FINANCE COSTS

	Group		Company	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Interest on bank borrowings and overdrafts	90,357	41,874	89,787	41,874
Interest on an amount due to the immediate holding company	44,668	43,391	44,668	43,391
	<u>135,025</u>	<u>85,265</u>	<u>134,455</u>	<u>85,265</u>

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 ended 31 March 2013. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group and the Company operate.

	Group		Company	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Current:				
Hong Kong	145,472	79,467	145,472	79,467
Mainland China	22,069	60,670	22,069	60,670
Chile	36,514	–	–	–
Total tax charge for the year	<u>204,055</u>	<u>140,137</u>	<u>167,541</u>	<u>140,137</u>

A reconciliation of the tax expense applicable to profit before tax at the Hong Kong statutory tax rate to the tax charge at the effective tax rate is as follows:

	Group		Company	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Profit before tax	716,255	943,610	817,575	875,607
Tax charge at the Hong Kong statutory tax rate	118,182	155,696	134,900	144,475
Difference in tax rates applied for specific provinces or local authority	(23,356)	(874)	–	–
Income not subject to tax	(59)	–	(59)	–
Expenses not deductible for tax	110,767	8,179	8,791	7,341
Tax losses utilised from previous periods	(25,388)	(88,582)	–	(77,397)
Deemed income tax of the Group's representative office located in Mainland China	22,069	60,670	22,069	60,670
Others	1,840	5,048	1,840	5,048
Tax at the effective tax rate	<u>204,055</u>	<u>140,137</u>	<u>167,541</u>	<u>140,137</u>

At the end of the reporting period, the Group had tax losses arising in Hong Kong of approximately US\$52,190 (2012: US\$123,853), subject to the agreement of the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the company arising in Hong Kong. As at 31 March 2012, the Group also had tax losses arising in Chile of US\$67,820 which have been fully utilised during the current year.

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.

9. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 March 2013 includes a profit of US\$650,034 (2012: US\$735,470) which has been dealt with in the financial statements of the Company (note 20(b)).

10. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements US\$	Furniture and fixtures US\$	Office equipment US\$	Total US\$
31 March 2013				
At 31 March 2012 and at 1 April 2012:				
Cost	40,720	60,945	60,772	162,437
Accumulated depreciation	(1,150)	(49,822)	(48,406)	(99,378)
Net carrying amount	<u>39,570</u>	<u>11,123</u>	<u>12,366</u>	<u>63,059</u>
At 1 April 2012, net of accumulated depreciation	39,570	11,123	12,366	63,059
Additions	–	2,386	6,243	8,629
Depreciation provided during the year	(13,572)	(4,269)	(6,912)	(24,753)
Exchange realignment	–	90	258	348
At 31 March 2013, net of accumulated depreciation	<u>25,998</u>	<u>9,330</u>	<u>11,955</u>	<u>47,283</u>
At 31 March 2013:				
Cost	40,720	63,331	67,015	171,066
Accumulated depreciation	(14,722)	(54,001)	(55,060)	(123,783)
Net carrying amount	<u>25,998</u>	<u>9,330</u>	<u>11,955</u>	<u>47,283</u>

Group

	Leasehold improvements US\$	Furniture and fixtures US\$	Office equipment US\$	Total US\$
31 March 2012				
At 1 April 2011:				
Cost	–	51,938	60,661	112,599
Accumulated depreciation	–	(36,542)	(34,098)	(70,640)
Net carrying amount	<u>–</u>	<u>15,396</u>	<u>26,563</u>	<u>41,959</u>
At 1 April 2011, net of accumulated depreciation	–	15,396	26,563	41,959
Additions	40,720	9,007	111	49,838
Depreciation provided during the year	(1,150)	(13,252)	(14,165)	(28,567)
Exchange realignment	–	(28)	(143)	(171)
At 31 March 2012, net of accumulated depreciation	<u>39,570</u>	<u>11,123</u>	<u>12,366</u>	<u>63,059</u>
At 31 March 2012:				
Cost	40,720	60,945	60,772	162,437
Accumulated depreciation	(1,150)	(49,822)	(48,406)	(99,378)
Net carrying amount	<u>39,570</u>	<u>11,123</u>	<u>12,366</u>	<u>63,059</u>

Company

	Leasehold improvements US\$	Furniture and fixtures US\$	Office equipment US\$	Total US\$
31 March 2013				
At 31 March 2012 and at 1 April 2012:				
Cost	40,720	58,382	46,824	145,926
Accumulated depreciation	(1,150)	(48,815)	(42,188)	(92,153)
Net carrying amount	<u>39,570</u>	<u>9,567</u>	<u>4,636</u>	<u>53,773</u>
At 1 April 2012, net of accumulated depreciation	39,570	9,567	4,636	53,773

	Leasehold improvements US\$	Furniture and fixtures US\$	Office equipment US\$	Total US\$
Additions	–	–	4,471	4,471
Depreciation provided during the year	(13,572)	(3,599)	(4,260)	(21,431)
At 31 March 2013, net of accumulated depreciation	<u>25,998</u>	<u>5,968</u>	<u>4,847</u>	<u>36,813</u>
At 31 March 2013:				
Cost	40,720	58,382	51,295	150,397
Accumulated depreciation	(14,722)	(52,414)	(46,448)	(113,584)
Net carrying amount	<u>25,998</u>	<u>5,968</u>	<u>4,847</u>	<u>36,813</u>

Company

	Leasehold improvements US\$	Furniture and fixtures US\$	Office equipment US\$	Total US\$
31 March 2012				
At 1 April 2011:				
Cost	–	49,375	46,824	96,199
Accumulated depreciation	–	(36,032)	(30,975)	(67,007)
Net carrying amount	<u>–</u>	<u>13,343</u>	<u>15,849</u>	<u>29,192</u>
At 1 April 2011, net of accumulated depreciation	–	13,343	15,849	29,192
Additions	40,720	9,007	–	49,727
Depreciation provided during the year	(1,150)	(12,783)	(11,213)	(25,146)
At 31 March 2012, net of accumulated depreciation	<u>39,570</u>	<u>9,567</u>	<u>4,636</u>	<u>53,773</u>
At 31 March 2012:				
Cost	40,720	58,382	46,824	145,926
Accumulated depreciation	(1,150)	(48,815)	(42,188)	(92,153)
Net carrying amount	<u>39,570</u>	<u>9,567</u>	<u>4,636</u>	<u>53,773</u>

11. INTANGIBLE ASSETS

Group

	Merchandise license US\$	Brand name US\$	Total US\$
Cost and net carrying value			
At 1 April 2011	–	5,524	5,524
Additions	8,359	–	8,359
At 31 March 2012 and at 1 April 2012	<u>8,359</u>	<u>5,524</u>	<u>13,883</u>
Amortisation during the year	(8,359)	–	(8,359)
Exchange realignment	–	111	111
At 31 March 2013	<u>–</u>	<u>5,635</u>	<u>5,635</u>

The launch date of the merchandise license was on 1 August 2012 and was fully amortised during the year. The brand name was not used during the years ended 31 March 2013 and 31 March 2012.

12. INVESTMENTS IN SUBSIDIARIES

	Company 2013 US\$	2012 US\$
Unlisted shares, at cost	<u>425,025</u>	<u>225,000</u>

The amounts due from subsidiaries as included in the Company's current assets of US\$1,081,726 (2012: US\$593,638) are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Company's subsidiaries as at the end of the reporting period 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	Hong Kong	US\$250,000	90	–	Trading of home and garment products, and investment holding
PG Home Group S.P.A. #	Chile	Chilean Pesos 3,000,000	–	90	Sales and marketing
PG Shanghai Manufacturer Co. Ltd #*	Shanghai	US\$200,025	100	–	Provision of sourcing services

Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

* On 8 June 2012, the Group established PG Shanghai Manufacturer Company Limited.

13. INVENTORIES

	Group		Company	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Finished goods	<u>327,344</u>	<u>–</u>	<u>–</u>	<u>–</u>

14. TRADE AND BILLS RECEIVABLES

	Group		Company	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Trade receivables	<u>993,912</u>	<u>307,521</u>	<u>387,033</u>	<u>121,245</u>
Bills receivable	<u>1,218,057</u>	<u>468,228</u>	<u>1,176,430</u>	<u>366,989</u>
	<u>2,211,969</u>	<u>775,749</u>	<u>1,563,463</u>	<u>488,234</u>

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 credit terms of 30 to 120 days. The Group and the Company seek to maintain strict control over their outstanding receivables and overdue balances are reviewed regularly by management. The Group and the Company do not hold any collateral or other credit enhancements over its trade receivable balances.

An aged analysis of the trade and bill receivables that are not individually nor collectively considered to be impaired is as follows:

	Group		Company	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Neither past due nor impaired	<u>986,262</u>	<u>775,749</u>	<u>516,314</u>	<u>488,234</u>
Past due but not impaired:				
Less than one month	<u>247,297</u>	<u>–</u>	<u>186,720</u>	<u>–</u>
One to three months	<u>939,905</u>	<u>–</u>	<u>860,429</u>	<u>–</u>
Over three months	<u>38,505</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>2,211,969</u>	<u>775,749</u>	<u>1,563,463</u>	<u>488,234</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 independent customers that have a good track record with the Group and/or 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.

As at the end of the reporting period, the Group and Company had transferred certain bills of exchange amounting to US\$235,981 (2012: Nil) to a bank with recourse in exchange for cash. The proceeds of the Group and the Company from transferring the bills receivable of US\$235,253 (2012: 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 Group/ Company makes good of any losses incurred by the banks (note 16).

15. OTHER PAYABLES, ACCRUALS AND RECEIPTS IN ADVANCE

	Group		Company	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Accruals	<u>73,368</u>	<u>87,920</u>	<u>55,682</u>	<u>78,524</u>
Accrued employee benefits	<u>22,729</u>	<u>14,792</u>	<u>5,000</u>	<u>1,374</u>
Other payables	<u>142,561</u>	<u>96,598</u>	<u>4,699</u>	<u>46,258</u>
Receipts in advance	<u>320,654</u>	<u>69,871</u>	<u>315,454</u>	<u>69,871</u>
	<u>559,312</u>	<u>269,181</u>	<u>380,835</u>	<u>196,027</u>

Other payables are non-interest-bearing and have an average term of three months.

16. INTEREST-BEARING BANK BORROWINGS

Group and Company	2013 US\$	2012 US\$
Collateralised bank advances	<u>235,253</u>	<u>–</u>

The collateralised bank advances are denominated in US\$, interest-bearing at 3.70% - 3.71% and matured in April 2013.

17. 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	
	31 March 2013 US\$	1 April 2012 US\$
Grupo Extremo SUR S.A.	<u>232,126</u>	<u>3,126,082</u>
	<u>446,434</u>	

The related company held a 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.

18. 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	
	31 March 2013 US\$	1 April 2012 US\$
Mr. Sebastian Felipe Berstein Jauregui	<u>196,000</u>	<u>196,000</u>
Mr. Yariv Guiloff Titelman	<u>215,000</u>	<u>215,000</u>
	<u>411,000</u>	<u>411,000</u>
Amount classified as non-current	<u>(7,000)</u>	<u>–</u>
Current	<u>404,000</u>	<u>411,000</u>

The amounts due from directors are unsecured, interest-free and have no fixed terms of repayment.

19. SHARE CAPITAL

	2013 US\$	2012 US\$
Authorised, issued and fully paid:		
1,000,000 ordinary shares of US\$1 each	<u>1,000,000</u>	<u>1,000,000</u>

PG Group Limited

20. 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

	Retained earnings/ (accumulated losses) US\$
At 1 April 2011	(936,030)
Total comprehensive income for the year	735,470
At 31 March 2012 and at 1 April 2012	(200,560)
Total comprehensive income for the year	650,034
At 31 March 2012	449,474

21. OPERATING LEASE ARRANGEMENTS

The Group and the Company lease office premises under operating lease arrangements and the leases are negotiated for an original term of 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:

	Group		Company	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Within one year	103,600	135,314	86,944	49,581
In the second to fifth years, inclusive	57,963	159,415	57,963	16,527
	161,563	294,729	144,907	66,108

22. 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	2013 US\$	2012 US\$
Fellow subsidiaries:			
Sales of goods	(i)	209,855	977,548
Management fees received	(ii)	–	55,534
Management fees paid	(ii)	3,541	–
Immediate holding company:			
Management fees paid	(ii)	28,409	28,429
Interest paid	(iii)	44,668	43,391
A related company:			
Sales of goods	(i)	10,629,869	12,371,598
Commissions paid	(iv)	1,650,846	877,127

Notes:

- The sales were made according to the published prices and conditions offered to the major customers of the Group.
- The management fees received and paid were charged at rates mutually agreed between the Group and the respective fellow subsidiaries or the immediate holding company.
- The interest term for an amount due to the immediate holding company is disclosed in (b)(ii) below.
- The commissions paid were related to sourcing services received and were charged at rates mutually agreed between the Group and the related company.

- (b) Outstanding balances with related parties:

- The balances with fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.
- The amount due to the immediate holding company is unsecured, bears interest at 6% (2012: 4%) per annum and has no fixed terms of repayment.

23. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Group and the Company comprise trade and bills receivables, other receivables, amounts due from subsidiaries, an amount due from a fellow subsidiary, an amount due from a related company, amounts due from directors and cash and cash equivalents which are categorised as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements. The financial liabilities of the Group and the Company comprise trade payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, an amount due to the immediate holding company and amounts due to fellow subsidiaries which are categorised as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

24. FAIR VALUE

At the end of the reporting period, the carrying amounts of the Group's financial assets and financial liabilities approximated to their fair values.

The fair values of financial assets and liabilities are included at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation sale transactions. The fair values of trade and bills receivables, other receivables, amounts due from a fellow subsidiary, a related company and directors, cash and cash equivalents, trade and bills payables, financial liabilities included in other payables and accruals, amounts due to fellow subsidiaries and the immediate holding company approximated to their carrying amounts largely due to the short term maturities of these instruments.

The Group did not have any financial assets and liabilities measured at fair value as at the end of each reporting period.

25. 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 aggregate carrying amount of cash and cash equivalents, trade and bills receivables, other receivables and amounts due from a fellow subsidiary, a related company and 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 businesses 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 14 to the financial statements. At the end of the reporting period, the Group had certain concentrations of credit risks as 92% (2012: 54%) of the Group's trade and bills receivables were due from the Group's top five customers.

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 financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, either have no fixed terms of repayment or are repayable within three months subsequent to the end of the reporting period.

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 dividend payments to its shareholders, return capital to the shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2013 and 31 March 2012.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 May 2013.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 2013.

Principal activities

The principal activities of the Company were 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.

Results

The Group's profit for the year ended 31 March 2013 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 10 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 16 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

Guiloff Titelman Yariv

Mahesh Kumar Seth

Pallak Seth

Payel Seth

Vial Cerda Vicente

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 of the directors 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

Sd/-

Chairman

Hong Kong

20 May 2013

INDEPENDENT AUDITORS' REPORT

To the shareholders of PG Home Group Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of PG Home Group Limited (the "Company") and its subsidiary (together, the "Group") set out on pages 5 to 31, which comprise the consolidated and company statements of financial position as at 31 March 2013, 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 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 2013, and of the Company's profit and 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.

Sd/-

Certified Public Accountants

Hong Kong

20 May 2013

CONSOLIDATED INCOME STATEMENT
Year Ended 31 March 2013

	Notes	2013 US\$	2012 US\$
REVENUE	4	6,009,326	5,179,752
Cost of sales		(4,772,748)	(4,241,017)
Gross profit		1,236,578	938,735
Other income	4	38,835	13,910
Administrative expenses		(944,774)	(862,324)
Finance costs	7	(58,648)	(22,318)
PROFIT BEFORE TAX	5	271,991	68,003
Income tax expense	8	(36,514)	–
PROFIT FOR THE YEAR		235,477	68,003

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 March 2013

	2013 US\$	2012 US\$
PROFIT FOR THE YEAR	235,477	68,003
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	1,550	949
OTHER COMPREHENSIVE INCOME FOR THE YEAR	1,550	949
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	237,027	68,952

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2013

	Notes	2013 US\$	2012 US\$
NON-CURRENT ASSETS			
Property, plant and equipment	10	8,323	9,286
Intangible assets	11	5,635	13,883
Deposits		6,508	6,210
Total non-current assets		20,466	29,379
CURRENT ASSETS			
Inventories	13	327,344	–
Trade and bills receivables	14	648,506	287,515
Prepayments and other receivables		116,730	81,992
Cash and cash equivalents		112,195	313,526
Total current assets		1,204,775	683,033
CURRENT LIABILITIES			
Trade payables		166,190	255,790
Other payables, accruals and receipts in advance	15	134,954	73,154
Due to the immediate holding company	19(b)	860,726	593,638
Tax payable		36,514	–
Total current liabilities		1,198,384	922,582
NET CURRENT ASSETS/(LIABILITIES)		6,391	(239,549)
Net assets/(liabilities)		26,857	(210,170)
EQUITY			
Issued capital	16	250,000	250,000
Reserves	17	(223,143)	(460,170)
Total equity/(net deficiency in assets)		26,857	(210,170)
Sd/-			Sd/-
Director			Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year Ended 31 March 2013

	Issued capital US\$	Exchange reserve US\$	Accumulated losses US\$	Net deficiency in assets US\$
At 1 April 2011	250,000	(41,633)	(487,489)	(279,122)
Profit for the year	–	–	68,003	68,003
Other comprehensive income for the year:				
Exchange differences on translation of foreign operations	–	949	–	949
Total comprehensive loss for the year	–	949	68,003	68,952
At 31 March 2012 and at 1 April 2012	250,000	(40,684)*	(419,486)*	(210,170)
Profit for the year	–	–	235,477	235,477
Other comprehensive income for the year:				
Exchange differences on translation of foreign operations	–	1,550	–	1,550
Total comprehensive income for the year	–	1,550	235,477	237,027
At 31 March 2013	250,000	(39,134)*	(184,009)*	26,857

* These reserve accounts comprise the deficit reserves of US\$223,143 (2012: US\$460,170) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended 31 March 2013

	Notes	2013 US\$	2012 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		271,991	68,003
Adjustments for:			
Interest income	4	(27)	–
Depreciation	5	3,057	3,421
Finance costs	7	58,648	22,318
Amortisation of an intangible asset	11	8,359	–
		342,028	93,742
Increase in inventories		(320,053)	–
Decrease/(increase) in trade and bills receivables		(353,743)	588,579
Increase in prepayments and other receivables		(33,303)	(26,224)
Decrease in trade payables		(89,745)	(148,230)
Increase/(decrease) in other payables, accruals and receipts in advance		58,716	(103,649)
Cash generated from operations		(396,100)	404,218
Interest received		27	–
Net cash flows from operating activities		(396,073)	404,218
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment	10	(1,772)	(113)
Purchase of a merchandise license	11	–	(8,359)
Net cash flows from/(used in) investing activities		(1,772)	(8,472)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in an amount due to the immediate holding company		252,000	(261,706)
Interest paid		(58,648)	(22,318)
Net cash flows from/(used in) financing activities		193,352	(284,024)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(204,493)	111,722
Cash and cash equivalents at beginning of year		313,526	202,813

	Notes	2013 US\$	2012 US\$
Effect of foreign exchange rate changes, net		3,162	(1,009)
CASH AND CASH EQUIVALENTS AT END OF YEAR		112,195	313,526
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		112,195	313,526

STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 March 2013

	Notes	2013 US\$	2012 US\$
REVENUE	4	5,786,532	5,179,752
Cost of sales		(4,797,574)	(4,241,017)
Gross profit		988,958	938,735
Other income	4	22,821	13,910
Administrative expenses		(881,468)	(862,544)
Finance costs	7	(58,648)	(22,318)
PROFIT BEFORE TAX	5	71,663	67,783
Income tax expense	8	–	–
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		71,663	67,783

STATEMENT OF FINANCIAL POSITION

31 March 2013

	Notes	2013 US\$	2012 US\$
NON-CURRENT ASSET			
Investment in a subsidiary	12	5,967	5,967
CURRENT ASSETS			
Trade and bills receivables	14	288,881	287,515
Prepayments		52,624	68,157
Due from a subsidiary	12	770,398	268,979
Cash and cash equivalents		13,682	250,637
Total current assets		1,125,585	875,288
CURRENT LIABILITIES			
Trade payables		158,982	255,790
Other payables, accruals and receipts in advance	15	45,846	37,492
Due to the immediate holding company	19(b)	860,726	593,638
Total current liabilities		1,065,554	886,920
NET CURRENT ASSETS/(LIABILITIES)		60,031	(11,632)
Net assets/(liabilities)		65,998	(5,665)
EQUITY			
Issued capital	16	250,000	250,000
Accumulated losses		(184,002)	(255,665)
Net deficiency in assets		(65,998)	(5,665)
Sd/-			Sd/-
Director			Director

NOTES TO FINANCIAL STATEMENTS

31 March 2013

1. CORPORATE INFORMATION

PG Home Group Limited is a limited liability 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.

The Company is a subsidiary of PG Group Limited, a company incorporated in Hong Kong. In the opinion of the directors, the Company's ultimate holding company is Pearl Global Industries Limited, a company incorporated in India with shares listed on the National Stock Exchange in India.

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

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 2013. 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 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.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it 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 the income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to the income statement or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Certain new and revised HKFRSs became 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 2013.

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 2013, 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 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 Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related 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 previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the income statement.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in the income statement or as a change to other comprehensive income. If the contingent consideration is not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for 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 identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in the income statement 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 has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

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 an 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 is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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 depreciates them accordingly.

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
Furniture and fixtures	10%
Office equipment	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 including 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 brand name and merchandise license are 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 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 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average 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.

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; 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 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

Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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 rate prevailing at the end of the reporting period, and the subsidiary's income statement is translated into US\$ at the weighted average exchange rate for the year. 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 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 rate for the year.

4. 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	
	2013	2012	2013	2012
	US\$	US\$	US\$	US\$
Compensation from suppliers for late shipments	22,794	13,910	22,794	13,910
Foreign exchange differences, net	16,014	–	–	–
Interest income	27	–	27	–
	38,835	13,910	22,821	13,910

5. PROFIT BEFORE TAX

The Group's and the Company's profit before tax is arrived at after charging/(crediting):

	Group		Company	
	2013	2012	2013	2012
	US\$	US\$	US\$	US\$
Auditors' remuneration	11,799	11,799	11,799	11,799
Depreciation	3,057	3,421	–	–
Amortisation of an intangible asset	8,359	–	–	–
Minimum lease payments under operating leases of land and buildings	58,720	33,411	58,720	33,411
Staff costs (excluding directors' remuneration (note 6)):				
Salaries and allowances	207,971	193,956	207,971	193,956

	Group		Company	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Pension scheme contributions (defined contribution scheme)	9,178	6,925	9,178	6,925
	<u>217,149</u>	<u>200,881</u>	<u>217,149</u>	<u>200,881</u>
Foreign exchange differences, net	(16,014)	9,367	7	–

6. DIRECTORS' REMUNERATION

Director's remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group and Company	
	2013 US\$	2012 US\$
Fees	–	–
Other emoluments:		
Salaries and allowances	182,907	176,092
	<u>182,907</u>	<u>176,092</u>

7. FINANCE COSTS

	Group and Company	
	2013 US\$	2012 US\$
Interest on bank overdrafts	553	–
Interest on an amount due to the immediate holding company (note 19(b))	58,095	22,318
	<u>58,648</u>	<u>22,318</u>

8. INCOMETAX

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 ended 31 March 2013. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group and the Company operate.

	Group		Company	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Current:				
Hong Kong	–	–	–	–
Chile	36,514	–	–	–
Total tax charge for the year	<u>36,514</u>	<u>–</u>	<u>–</u>	<u>–</u>

A reconciliation of the tax expense applicable to profit before tax at the Hong Kong statutory tax rate to the tax amount at the effective tax rate is as follows:

	Group		Company	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Profit before tax	271,991	68,003	71,663	67,783
Tax charge at the Hong Kong statutory tax rate	44,878	11,220	11,824	11,184
Difference in tax rates applied for specific provinces or local authority	8,419	(874)	–	–
Expenses not deductible for tax	8,605	838	–	–
Tax losses utilised from prior years	(25,388)	(11,184)	(11,824)	(11,184)
Tax at the effective tax rate	<u>36,514</u>	<u>–</u>	<u>–</u>	<u>–</u>

At the end of the reporting period, the Group and the Company had tax losses arising in Hong Kong of approximately US\$52,190 (2012: US\$123,853), 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. As at 31 March 2012, the Group also had tax losses arising in Chile of US\$67,820 which have been fully utilised during the current year.

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.

9. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 March 2013 includes a profit of US\$71,663 (2012: US\$67,783) which has been dealt with in the financial statements of the Company (note 17(b)).

10. PROPERTY, PLANT AND EQUIPMENT

Group

	Furniture and fixtures US\$	Office equipment US\$	Total US\$
31 March 2013			
At 31 March 2012 and at 1 April 2012:			
Cost	2,563	13,950	16,513
Accumulated depreciation	(1,007)	(6,220)	(7,227)
Net carrying amount	<u>1,556</u>	<u>7,730</u>	<u>9,286</u>
At 1 April 2012, net of accumulated depreciation	1,556	7,730	9,286
Additions	–	1,772	1,772
Depreciation provided during the year	(405)	(2,652)	(3,057)
Exchange realignment	64	258	322
At 31 March 2013, net of accumulated depreciation	<u>1,215</u>	<u>7,108</u>	<u>8,323</u>

At 31 March 2013:

Cost	2,563	15,722	18,285
Accumulated depreciation	(1,348)	(8,614)	(9,962)
Net carrying amount	<u>1,215</u>	<u>7,108</u>	<u>8,323</u>

Group

	Furniture and fixtures US\$	Office equipment US\$	Total US\$
31 March 2012			
At 1 April 2011:			
Cost	2,563	13,837	16,400
Accumulated depreciation	(510)	(3,123)	(3,633)
Net carrying amount	<u>2,053</u>	<u>10,714</u>	<u>12,767</u>
At 1 April 2011, net of accumulated depreciation	2,053	10,714	12,767
Additions	–	113	113
Depreciation provided during the year	(469)	(2,952)	(3,421)
Exchange realignment	(28)	(145)	(173)
At 31 March 2012, net of accumulated depreciation	<u>1,556</u>	<u>7,730</u>	<u>9,286</u>

At 31 March 2012:

Cost	2,563	13,950	16,513
Accumulated depreciation	(1,007)	(6,220)	(7,227)
Net carrying amount	<u>1,556</u>	<u>7,730</u>	<u>9,286</u>

11. INTANGIBLE ASSETS

Group			
	Merchandise license US\$	Brand name US\$	Total US\$
<u>Cost and net carrying value</u>			
At 1 April 2011	–	5,524	5,524
Additions	8,359	–	8,359
At 31 March 2012 and at 1 April 2012	8,359	5,524	13,883
Amortisation during the year	(8,359)	–	(8,359)
Exchange realignment	–	111	111
At 31 March 2013	–	5,635	5,635

The launch date of the merchandise license was on 1 August 2012 and was fully amortised during the year. The brand name was not used during the years ended 31 March 2013 and 31 March 2012.

12. INVESTMENT IN A SUBSIDIARY

	Company	
	2013 US\$	2012 US\$
Unlisted shares, at cost	5,967	5,967

The amount due from a subsidiary included in the Company's current assets of US\$770,398 (2012: US\$268,979) is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the Company's subsidiary as at the end of the reporting period are as follows:

Name	Place of incorporation 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. #	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. INVENTORIES

	Group		Company	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Finished goods	327,344	–	–	–

14. TRADE AND BILLS RECEIVABLES

	Group		Company	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Trade receivables	606,879	186,276	247,254	186,276
Bills receivable	41,627	101,239	41,627	101,239
	648,506	287,515	288,881	287,515

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 credit terms of 30 to 60 days. The Group and the Company seek to maintain strict control over their outstanding receivables and overdue balances are reviewed regularly by management. The Group and the Company do not hold any collateral or other credit enhancements over its trade receivable balances.

An aged analysis of the trade and bill receivables that are not individually nor collectively considered to be impaired is as follows:

	Group		Company	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Neither past due nor impaired	469,948	287,515	279,581	287,515
Past due but not impaired:				
Less than one month	60,577	–	9,300	–
One to three months	79,476	–	–	–
Over three months	38,505	–	–	–
	648,506	287,515	288,881	287,515

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 independent 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.

15. OTHER PAYABLES, ACCRUALS AND RECEIPTS IN ADVANCE

	Group		Company	
	2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$
Accruals	17,686	9,396	10,523	3,856
Accrued employee benefits	17,729	13,418	–	–
Other payables	94,339	50,340	30,123	33,636
Receipts in advance	5,200	–	5,200	–
	134,954	73,154	45,846	37,492

Other payables are non-interest-bearing and have an average term of three months.

16. SHARE CAPITAL

	2013 US\$	2012 US\$
Authorised, issued and fully paid:		
250,000 ordinary shares of US\$1 each	250,000	250,000

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 8 of the financial statements.

- (b) Company

	Accumulated losses US\$
At 1 April 2011	(323,448)
Total comprehensive income for the year	67,783
At 31 March 2012 and at 1 April 2012	(255,665)
Total comprehensive income for the year	71,663
At 31 March 2013	(184,002)

18. OPERATING LEASE ARRANGEMENTS

The Group and the Company lease an office premise under an operating lease arrangement and the lease is negotiated for an original 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:

	2013 US\$	2012 US\$
Within one year	16,656	49,581
In the second to fifth years, inclusive	–	16,527
	16,656	66,108

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	2013 US\$	2012 US\$
Commissions paid to the immediate holding company	(i)	–	212,051
Interest paid to the immediate holding company	(ii)	<u>58,095</u>	<u>22,310</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 term for an amount due to the immediate holding company is disclosed in (b) below.
- (b) The amount due to the immediate holding company is unsecured, interest-bearing at 6% (2012: 4.2%) per annum and has no fixed terms of repayment.

20. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Group and the Company comprises trade and bills receivables, other receivables, an amount due from a subsidiary and cash and cash equivalents which are categorised as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the statement of financial position or in notes to the financial statements. The financial liabilities of the Group and the Company comprises trade payables, financial liabilities included in other payables and accruals, and an amount due to the immediate holding company which are categorised as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the statement of financial position or disclosed in the corresponding notes to the financial statements.

21. FAIR VALUE

At the end of the reporting period, the carrying amounts of the Group's financial assets and financial liabilities approximated to their fair values.

The fair values of financial assets and liabilities are included at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation sale transactions. The fair values of trade and bills receivables, deposits, cash and cash equivalents, trade and bills payables, financial liabilities included in other

payables and accruals, and an amount due to the immediate holding company approximated to their carrying amounts largely due to the short term maturities of these instruments.

The Group did not have any financial assets and liabilities measured at fair value as at the end of each reporting period.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's exposure to credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Group's financial management policies and practices described below:

Credit risk

The carrying amounts of cash and cash equivalents, trade and bills 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 businesses 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 14 to the financial statements. At the end of the reporting period, the Group had certain concentrations of credit risk as 87% (2012: 95%) of the Group's trade and bills receivables were due from the Group's top five customers.

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 financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, either have no fixed terms of repayment or are repayable within three months subsequent to the end of the reporting period.

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 issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2013 and 31 March 2012.

23. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 May 2013.

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, 2013 and the related statements of income, changes in Equity and cash flow for the period between April 1st 2012 to March 31st 2013. 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, 2013 and income of its operations, the changes in Equity and its cash flows for the period between April 1st 2012 to March 31st 2013 in conformity with and International Financial Reporting Standards.

Sd/-
Claudio Navarro Caviedes

Pérez & Navarro
Auditores, Consultores Ltda

Chile, Santiago, April 15, 2013

Sd/-
Myriam Pérez Provoste

BALANCE SHEETS AS OF MARCH 31ST, 2013 AND 2012

Assets	2013 Ch.\$	2012 Ch.\$
Non current		
Fixed assets		
Equipment and Computers	8,714,239	7,914,382
Office furniture	1,459,595	1,459,595
Accumulated depreciation	(6,240,670)	(4,826,214)
Total fixed assets	3,933,164	4,547,763
Other assets		
Deferred taxes	-	6,541,563
Intangible	2,662,836	6,799,247
Other assets	3,075,072	3,041,632
Total other assets	5,737,908	16,382,442
Current		
Cash and equivalents	46,551,405	30,800,705
Clients	169,937,027	-
Sundry debtors	16,611,591	6,185,963
Inventories	170,928,265	-
Prepaid income tax	13,681,168	589,922
Total Current Assets	417,709,456	37,576,590
Total Assets	427,380,528	58,506,795
Liabilities and Equity		
Equity		
Capital	3,000,000	3,000,000
Accumulated losses previous periods	(32,032,573)	(14,140,744)
Profit (loss) for the period	91,855,595	(17,891,829)
Total Equity	62,823,022	(29,032,573)
Current Liabilities		
Suppliers	3,405,835	4,571,712
Accounts payable to related companies	301,789,816	70,073,508
Sundry credits	11,763,127	9,284,973
Withholdings	3,823,498	3,609,175
Taxes payable	43,775,230	-
Total Current Liabilities	364,557,506	87,539,368
Total Liabilities and Equity	427,380,528	58,506,795

STATEMENTS OF INCOME FOR THE PERIODS BETWEEN APRIL 1st 2012 TO MARCH 31st 2013, AND APRIL 1st 2011 TO MARCH 31st 2012

Income	2013 Ch.\$	2012 Ch.\$
Operational income:		
Advisories	57,406,386	47,146,995
Income for sale of goods	445,268,195	-
Non operational income:		
Exchange rate difference	8,705,890	-
Total income	511,380,471	47,146,995
Expenses		
Administrative expenses	(71,571,068)	(51,493,808)
Cost of goods sold	(309,271,964)	-
Financial expenses	(14,531,224)	-
Exchange rate	-	(16,883,352)
Total expenses	(395,374,256)	(68,377,160)
Net result before income tax	116,006,215	(21,230,165)
Income tax	(24,150,620)	3,338,336
Profit / (loss) for the period	91,855,595	(17,891,829)

STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS BETWEEN APRIL 1st 2012 TO MARCH 31st 2013, AND APRIL 1st 2011 TO MARCH 31st 2012

Capital	2013 Ch.\$	2012 Ch.\$
Paid- in capital at the beginning of period	3,000,000	3,000,000
Capital increase during the period	-	-
Total Capital at the end of the period	3,000,000	3,000,000
Accumulated losses at the beginning of period		
Loss for the previous period	(32,032,573)	(14,140,744)
Profit / (loss) for the current period	91,855,595	(17,891,829)
Total accumulated losses	59,823,022	(32,032,573)
Total Equity at the end of period	62,823,022	(29,032,573)

STATEMENTS OF CASH FLOW (INDIRECT METHOD) FOR THE PERIODS BETWEEN APRIL 1st 2012 TO MARCH 31st 2013, AND APRIL 1st 2011 TO MARCH 31st 2012

	2013 Ch.\$	2012 Ch.\$
Cash flow from operating activities		
Profit / (Loss) for the period	91,855,595	(17,891,829)
Debits / (credits) that do not represent cash flow		
Depreciation	1,474,455	1,661,503
Income tax	24,150,620	(3,338,336)
Exchange rate difference	(8,705,890)	16,883,352
Assets variations (increase)-decrease		
Sundry debtors and others	(323,940,531)	(605,263)
Liabilities variations (decrease)-increase		
Suppliers and others	231,716,308	(3,278,256)
Total operational cash flow	16,550,557	(6,568,829)
Cash flow from investing activities		
Investments in fixed assets and intangibles	(799,857)	(4,191,014)
Total cash flow from investing activities	(799,857)	(4,191,014)
Cash flow from Financing Activities		
Loans from related parties	-	261,686,436
Payment to related parties	-	(249,014,109)
Total flow from financing activities	-	12,672,327
Net cash flow for the period	15,750,700	1,912,484
Cash and equivalents at beginning of period	30,800,705	28,888,221
Cash and equivalents at the end of period	46,551,405	30,800,705

NOTES TO FINANCIAL STATEMENTS AS OF MARCH 31ST, 2013 AND 2012

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° 4980, office N° 131, 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 accordance to the International Financial Reporting Standards. The accounting periods comprise since April 1st 2013 to March 31st, 2013 and April 1st 2012 to March 31st, 2013.

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. The exchange rate applied to convert the US, Dollars balances at the end of the current period, was Ch. \$ 522.62 for each US Dollar as of March 31st, 2013.

h) Recognition of operating income:

The Company recognizes the operating income (services) in accordance to the completion percentage. Since 2012 the Company is developing advisory activities, related with market and design professional advisory services, to its parent company. These incomes are accounted in accordance to the previously explained criteria,

i) Administrative expenses reimbursements:

Since November 2009, the company has subscribed an agreement with its parent company in order to obtain the reimbursement of certain administrative expenses, paid during this year. The refunds of those expenses obtained for this concept are shown deducting the operational income and administrative expenses.

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. This item comprises also, the cost of the merchandise licenses, acquired by the Company. These assets are accounted to their cost which does not exceed their realizable value. These licenses were not amortized, due the products are in initial trade process.

3. Accounting Changes

There were no accounting Changes in both periods.

4. Income Taxes and Deferred Taxes

a) As of March 31st, 2013

- In the period April 1st, 2012 to March 31st, 2013 the company determined a taxable profit Ch.\$ 88,045,287 which determines a credit to results for the period for an amount of 17,609,057.

	Gross amount Ch.\$	Deferred tax Ch.\$
Determination of the deferred tax net effect on results for the period		20%
Tax Profit for the period April 1 to March 31, 2013	88,045,287	17,609,057
Reversal of deferred taxes previous period		6,541,563
Total accumulated asset to March 31, 2013		24,150,620

For the current tax year (January to December 2013) the income tax rate has been stated in 20%..

- There are not accumulated assets or liabilities originated in deferred taxes to March 31st 2013
- Reconciliation between the nominal tax rate and the effective tax rate, for the period April 1st 2012, to March 31st, 2013

	Ch.\$
Net income before income tax	116,006,215
Nominal tax rate	20%
Net nominal credit to results for the period, due to income tax,	23,201,243
Net effective credit to results for the period, due to income tax	24,150,620
Effective tax rate	20.8%

b) As of March 31st, 2012

- In the period April 1st, 2011 to March 31st, 2012 the company determined a taxable loss of Ch.\$ 19,343,665 which determines an accumulated tax loss for an amount of Ch.\$ 35,359,798 and a credit to results for an amount of Ch.\$ 3,338,336 to that closing date, in accordance to the following detail:

	Gross amount Ch.\$	Deferred tax Ch.\$
Determination of the deferred tax net effect on results for the period		18.5%
Tax loss for the period April 1 to March 31, 2012	35,359,798	6,541,563
Total accumulated asset to March 31, 2012		6,541,563

- For the current tax year (January to December 2012) the income tax rate has been decreased from 20% to 18.5%. In 2013 that rate will return to 17%, as the same as previous years. These are temporary changes in the tax rate, established by the Chilean Government as a way to increase the fiscal funds required to finance the earthquake that affected the country in 2010.

The accumulated assets and liabilities to March 31st 2012 are the following:

	2012 Ch.\$
Accumulated tax loss	6,541,563
Total	6,541,563

- Reconciliation between the nominal tax rate and the effective tax rate, for the period April 1st 2011, to March 31st, 2012

	Ch.\$
Net income before income tax	(21,230,165)
Nominal tax rate	18.5%
Net nominal credit to results for the period, due to income tax,	3,927,581
Net effective credit to results for the period, due to income tax	3,338,336
Effective tax rate	15.7%

5. Intercompany balances and transactions

a) Balances

1) As of March 31st, 2013

	Initial Balance	Transactions Transfer of funds	Collect of funds and reimbursements	Final Balance
	Ch.\$	Ch.\$	Ch.\$	Ch.\$
Accounts payable				
Pearl Ges Home Group Limited	68,678,661	430,784,000	333,552,591	301,789,816
Total	68,678,661	430,784,000	333,552,591	301,789,816

2) As of March 31st, 2012

	Balance	Transfer of funds	Collect of funds and reimbursements	Balance
	Ch.\$	Ch.\$	Ch.\$	Ch.\$
Accounts payable				
Pearl Ges Home Group Limited	40,517,829	261,186,436	233,025,604	68,678,661
Total	40,517,829	261,186,436	233,025,604	68,678,661

Note 1: The expenses reimbursed are expressed in Chilean Pesos. Its conversion to United States Dollars is presented only for referential purposes.

b) Design professional advisory agreement

On 1st day of November 2009 the parent company PEARL GES HOME GROUP LIMITED, and Pearl Ges Home Group S.P.A. have subscribed a market and design professional advisory agreement. This document establishes the following:

- To assist the performance of each transaction that is made or could probably be made by PGHGL within the Chilean and South American market, in particular with respect to the determination of home décor products pursuant consumer's requirements.
- To provide specialized advisory services to implement and develop a local strategic planning for the relevant market.
- To provide assistance in furnishing and designing of catalogues for collections of home décor products to serve the regional market.
- To provide assistance with respect to sampling, publicity, promotion and introduction and marketing of new products in the market.
- To provide advisory services in the development and implementation of introduction and stay of new home décor products within the market.
- To provide advisory services relating to purchase techniques and procedures as well as the development of suppliers, inventory keeping, among others, taking into account for these purposes the production methods and techniques used by other companies within the same industry.

Furthermore, in accordance with that agreement PEARL GES HOME GROUP LIMITED, shall solely bear and reimburse to Pearl Ges Home Group S.P.A. the following costs:

- Employee costs
- Expenses relating to Travel
- Sampling and courier costs

On a monthly basis, Pearl Ges Home Group S.P.A. Chile shall deliver to its Parent Company a written statement itemizing above cost and expenses.

Parties agree to fix the service fees as the resulting sum of costs and expenses (excluding costs referred above) incurred by PGHG Chile to support services provided herein with a 2% accrued margin.

c) Expenses reimbursements,

In accordance to the referred agreement, the following are the details of the expenses reimbursements for the period April 1st 2012 to March 31st, 2013:

	2013 Ch.\$
Salaries	146,481,083
Gratification	6,498,972
Pension plan	4,974,989
Vacations	3,243,706

	2013 Ch.\$
Bonus	3,540,208
Mobilization	1,990,121
Air trips	5,946,691
Hotel	4,955,849
Trip allowances	114,219
Samples	2,306,903
Office repairs	3,393,330
Consumptions	14,925
Others	1,535,166
Total	184,996,162

In accordance to the referred agreement, the following are the details of the expenses reimbursements for the period April 1st 2011 to March 31st, 2012:

	2012 Ch.\$
Salaries	152,475,683
Gratification	6,699,682
Pension plan	4,437,966
Vacations	12,924,730
Bonus	997,977
Mobilization	601,366
Quittance	2,215,842
Air tickets	9,078,001
Hotel expenses	4,973,866
Travel allowances	-
Freights	3,941,542
Samples expenses	1,266,176
Office maintenance	2,430,420
Total	202,043,251

6. Equity Changes

The Changes in the Equity occurred in both periods are the following:

a) As of March 31st, 2012:

As of 31st, 2012	Capital Ch.\$	Accumulated losses Ch.\$	Profit for the period Ch.\$	Total Ch.\$
Balance at the beginning of period	3,000,000	(73,972,880)	59,832,136	(11,140,744)
Reclassification profit previous period	-	59,832,136	(59,832,136)	-
Profit for the period	-	-	(17,891,829)	(17,891,829)
Balance at the end of the period	3,000,000	(14,140,744)	(17,891,829)	(29,032,573)

b) As of March 31st, 2013

As of March 31st, 2013	Capital Ch.\$	Accumulated losses Ch.\$	Profit for the period Ch.\$	Total Ch.\$
Balance at the beginning of period	3,000,000	(14,140,744)	(17,891,829)	(29,032,573)
Reclassification profit previous period	-	(17,891,829)	17,891,829	-
Profit for the period	-	-	91,855,595	91,855,595
Balance at the end of the period	3,000,000	(32,032,573)	91,855,595	62,823,022

The capital is comprised by 1,000 shares, fully paid. There were not share transactions during the periods April 1st to March 31st, 2013 and 2012,

7. Commitments and Contingencies

There are not judgments, contingencies or litigations, which could affect the company.

8. Provisional monthly payments

In both periods this item comprises the provisional monthly payments, which will be applied to the annual income tax. Their balances have amounted to Ch.\$ 5,325,688 and Ch. \$ 589,922 as of March 31st, 2013 and 2012 respectively.

This prepayment to the annual income tax is determined based in a percentage of the taxable gross income, applied to the average gross income of the previous three months.

9. Administrative Expenses

The detail of the administrative expenses item for the period April 1st 2012 to March 31st, 2013 is the following:

	April 1st 2012 to March 31st, 2012 Ch.\$
Rent Office	15,774,150
Accounting Fees	12,526,898
Office community spendings	3,339,313
Office and cleaning expenses	3,676,795
Telephone-Internet	2,708,869
Subscriptions	1,670,991
Attention consumptions	1,474,331
Depreciation Expenses	1,661,503
Fees	1,404,454
Electricity consumption	1,300,934
Professional advisings	975,012
Legal Fees	430,000
Insurances	387,805
Banking commissions	283,414
Rent Parking	323,587
Security	314,806
Mobilization	420,694
Water consumption	183,948
Notarials expenses	119,870
License county	154,493
Banking expenses	90,034
Post office	10,340
Interests, fines	22,892
Equipment repairs	68,222
Readjustments	(45,389)
Other expenses	2,215,842
TOTAL	51,493,808

	2013 Ch.\$
Office lease	21,690,607
Accounting advisories	10,869,348
Previous years adjustments	4,544,852
Mutual expenses due to leased properties	3,446,311
Fees	3,164,949
Office and cleaning expenses	2,283,050
Other distribution and logistics costs	2,048,331
Trip expenses	2,000,000
Telephone-fax	1,961,599
Accessories Professionals	1,771,090
Non recovered VAT Credit	1,756,682
Mobilization	1,686,108
Tickets for air trips	1,500,000
Depreciation	1,474,455
Advertising	1,399,255
Insurances	1,378,516
Webs B2B	1,337,712
Other repairs	1,271,134
Consumptions	1,219,391
Electricity	1,086,706
Banking commissions	984,486
Design supplies	773,484
Additional tax	762,150

	2013 Ch.\$
Security	320,018
Other expenses	294,251
Water consumption	150,017
County tax	106,331
Legal advisories	90,365
Repairs	75,054
Parking lease	60,088
Notarial expenses	50,800
Fines, interests	9,588
Mail	4,000
Photocopies	340
TOTAL	71,571,068

10. Lease contracts

The main lease contract subscribed by the Company since July 2012 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 2012 to July 31st, 2013.
- Monthly Rent: Period from August 1st 2012 to July 31st 2013: UF, 60 plus V.A.T. Approximately Th. Ch. \$ 1,351, Period from August 1st 2013 to July 31st 2013: UF 90, approximately Th. Ch. \$ 2,027. The "unidades de fomento" is a local currency which value Changes every day in accordance to the inflation rate.
- 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.)

11. 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.

12. Fixed assets and intangibles

a) The composition of these items to March 31st, 2012 is the following:

	Leasehold Improvement Ch.\$	Furniture & Fixtures Ch.\$	Office Equipment Ch.\$	Brand Ch.\$	Total Ch.\$
<u>Cost</u>					
Initial balance to 31.3.2011	-	1,459,595	7,859,779	2,662,836	11,982,210
Write-off	-	-	-	-	-
Acquisitions	-	-	54,603	4,136,411	4,191,014
Balance to March 31, 2012	-	1,459,595	7,914,382	6,799,247	16,173,224
<u>Less:</u>					
<u>Accumulated depreciation</u>					
Movements for the period April 1, 2011 to March 31, 2012	-	470,001	2,694,710	-	3,164,711
Net depreciation for the period	-	227,783	1,433,720	-	1,661,503
Write-off	-	-	-	-	-
Total accumulated depreciation to March 31, 2012	-	697,784	4,128,430	-	4,826,214
Net book value to March 31, 2012	-	761,811	3,785,952	6,799,247	11,347,010

b) The composition of these items to March 31st, 2013 is the following:

	Leasehold Improvement Ch.\$	Furniture & Fixtures Ch.\$	Office Equipment Ch.\$	Brand Ch.\$	Total Ch.\$
Cost					
Initial balance to 31.3.2012	-	1,459,595	7,914,382	6,799,247	16,173,224
Plus:					
Write-off	-	-	-	(4,136,411)	(4,136,411)
Acquisitions for the period	-	-	799,857	-	799,857
Balance to 31.03.2013	-	<u>1,459,595</u>	<u>8,714,239</u>	<u>2,662,836</u>	<u>12,836,670</u>
Less:					
<u>Accumulated depreciation</u>					
Initial balance to 31.3.2012	-	697,784	4,128,430	-	4,826,214
Net depreciation for the period	-	167,784	1,246,672	-	1,414,456
Write-off	-	-	-	-	-
Total accumulated depreciation to March 31, 2013	-	<u>865,568</u>	<u>5,375,102</u>	-	<u>6,240,670</u>
Net book value to March 31, 2013	-	<u>594,027</u>	<u>3,339,137</u>	<u>2,662,836</u>	<u>6,596,000</u>

c) Intangibles

	2013 Ch.\$	2012 Ch.\$
Brands	<u>2,662,836</u>	2,662,836
Merchandise licenses (1)	-	4,136,411
Total	<u>2,662,836</u>	<u>6,799,247</u>

(1) The Company has subscribed a merchandise license agreement, in order to perform locally a new business line.

13. Sundry credits

The composition of these items in both periods is the following:

	2013 Ch.\$	2012 Ch.\$
Salaries to be paid	<u>328,473</u>	-
Provisional Monthly payment to be paid	<u>718,828</u>	35,863
Vacations provision	<u>8,049,070</u>	6,571,692
Accrued expenses	<u>2,338,283</u>	2,677,418
Total	<u>11,763,127</u>	<u>9,284,973</u>

14. Income statement for the last quarter:

The composition of the income statement for these periods is the following:

	January 1st to March 31st, 2013 Ch.\$	January 1st to March 31st, 2012 Ch.\$
Income		
Operational income:		
Advisories	<u>23,346,142</u>	9,538,865
Sale of goods	<u>138,074,658</u>	-
Other	<u>307,437</u>	-
Non operational income:		
Exchange rate difference	<u>6,534,575</u>	3,604,660
Total income	<u>168,262,812</u>	<u>13,143,525</u>
Expenses		
Administrative expenses	<u>(18,026,988)</u>	(13,462,417)
Financial expenses	<u>(14,531,224)</u>	-
Cost of goods sold	<u>(141,906,844)</u>	-
Total expenses	<u>(174,465,056)</u>	<u>(13,462,417)</u>
Net result before income tax	<u>(6,202,244)</u>	(318,892)
Income tax	<u>(27,426)</u>	(878,997)
Profit / (loss) for the period	<u>(6,229,670)</u>	<u>(1,197,889)</u>

15. Clients receivable

The composition of this item is the following as of March 31st, 2013

	Balance		(not yet due) Current Ch.\$	(overdue) 0-30 days Ch.\$	(overdue) 31-60 days Ch.\$	(overdue) 61-90 days Ch.\$	(overdue) >90 days Ch.\$
	Ch.\$	%	Ch.\$	Ch.\$	Ch.\$	Ch.\$	Ch.\$
Cencosud Retail	32,244,044	19%	244,474	8,383,807	8,165,028	-	15,450,735
Comercializadora S.A.	10,098,453	6%	-	-	6,068,870	4,029,583	-
Distribuidora de Industrias Nacionales S.A.	18,718,410	11%	13,817,566	-	4,900,844	-	-
Comercial Eccsa S.A.	31,109,473	18%	29,157,351	-	1,952,122	-	-
Empresas La Polar S.A.	61,550,645	36%	40,523,693	15,802,157	2,480,293	-	2,744,502
Sodimac S.A.	6,212,795	4%	6,212,795	-	-	-	-
Jorge Bravo	9,399,567	6%	-	-	-	9,399,567	-
Others	603,640	0%	-	44,360	559,280	-	-
TOTAL	<u>169,937,027</u>	<u>100%</u>	<u>89,955,879</u>	<u>24,230,324</u>	<u>24,126,437</u>	<u>13,429,150</u>	<u>18,195,237</u>

16. Cost of goods sold

The detail of this heading is the following as of March 31st, 2013.

	Ch.\$
Direct cost of goods sold	211,163,516
Royalties	63,392,545
Warehouse costs	30,533,684
Logistics and distribution costs	4,182,219
TOTAL	<u>309,271,964</u>

17. Financial expenses

This item comprises the net loss for the period originated by the forward operations performed by the Company, for an amount of Ch.\$ 14,531,224.

18. 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,



PEARL GLOBAL INDUSTRIES 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 **24th ANNUAL GENERAL MEETING** of the Company held on Friday, 27th September, 2013 at 10:30 A. M. at Sri 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.



PEARL GLOBAL INDUSTRIES LIMITED

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

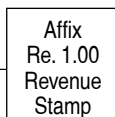
PROXY

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 **24th ANNUAL GENERAL MEETING** of the Company held on Friday, 27th September, 2013 at 10:30 A. M. at Sri 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 2013.

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.





Pearl Global Industries Limited
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)