

ANNUAL REPORT 2010-11



Building on strong foundation
HOUSE OF PEARL FASHIONS LTD.

Board of Directors

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

Company Secretary

Mr. Sandeep Sabharwal

Audit Committee

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

Remuneration Committee

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

Shareholders Grievance & Transfer Committee

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

Finance Committee

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

Auditors

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

Bankers:

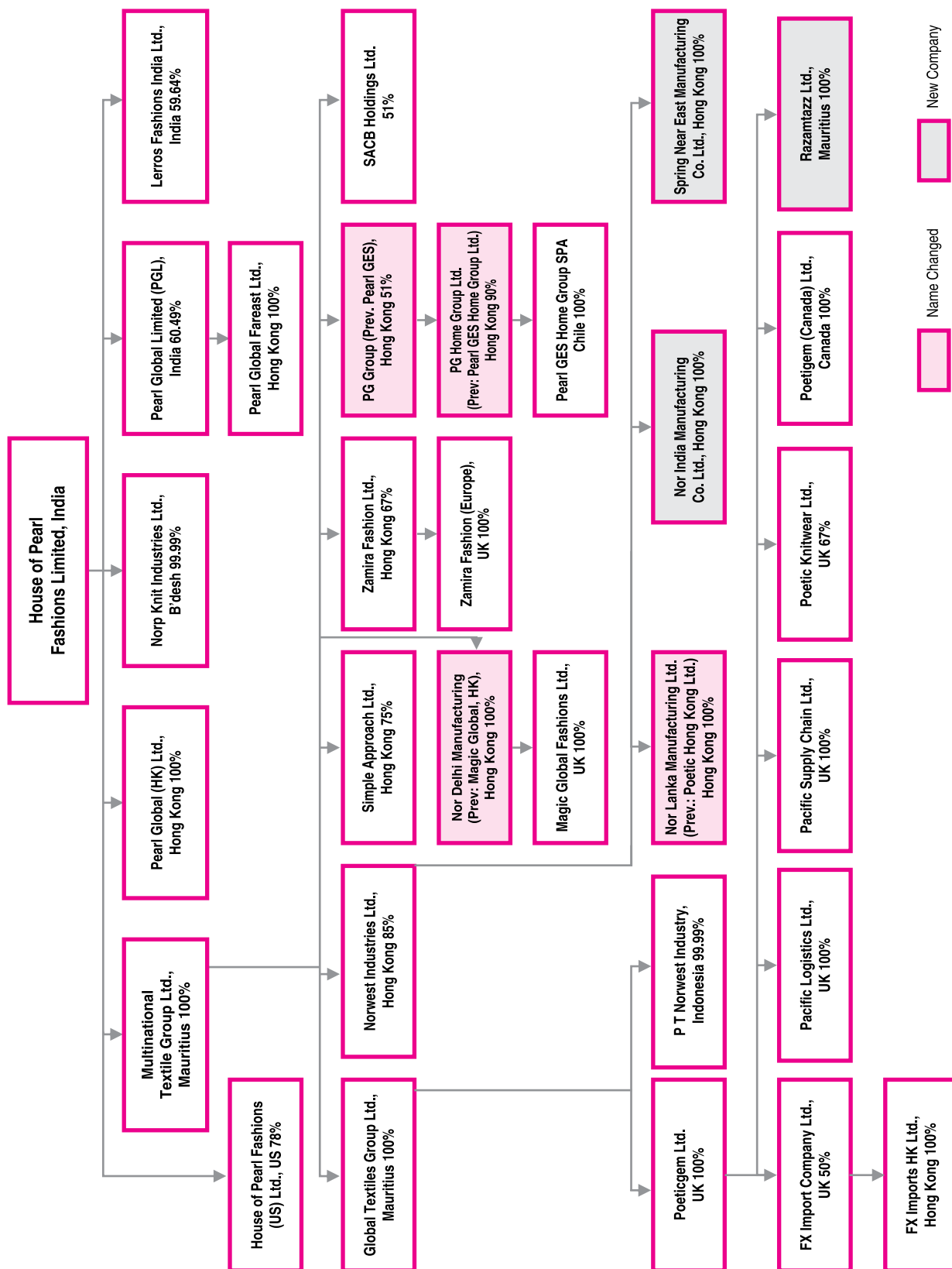
Punjab National Bank
Standard Chartered Bank
UCO Bank
Bank of Baroda
China Trust Commercial Bank
YES Bank
Intesa Sanpaolo S.p.A.
Royal Bank of Scotland

Registered Office:

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

Corporate Office:

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



New Company

Name Changed

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NOTICE

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

ORDINARY BUSINESS

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

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

(Sandeep Sabharwal)
Company Secretary

Place : Gurgaon
Date : 30th May, 2011

Notes:

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

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

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

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

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

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

EXPLANATORY STATEMENT

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

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

Item No. 2

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

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

Directorship

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

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

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

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

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

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

Item No. 3

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

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

He is Director in Pipavav Shipyard Limited.

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

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

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

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

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

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

(**Sandeep Sabharwal**)
Company Secretary

Place: Gurgaon
Date: 30th May, 2011

DIRECTORS' REPORT

To the Shareholders,

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

CONSOLIDATED WORKING RESULTS

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

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

WORKING RESULTS OF THE COMPANY (STANDALONE)

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

BUSINESS AND OPERATIONS

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

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

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

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

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

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

CORPORATE SOCIAL RESPONSIBILITY

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

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

DIVIDEND

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

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of your Company, Dr. Ashutosh P Bhupatkar and Mr. S.B. Mohapatra, would retire by Rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Necessary resolutions for their appointment are included in the notice convening Annual General Meeting.

DIRECTORS IDENTIFICATION NUMBER (DIN)

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

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

SUBSIDIARY COMPANIES

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

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

AUDITORS

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

FIXED DEPOSITS

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

LISTING

The shares of your Company are listed at Bombay Stock Exchange Limited, Mumbai and National Stock Exchange of India Limited, Mumbai. The listing fees to the Stock Exchanges for the year 2011-12 have been paid.

REGISTRAR AND SHARE TRANSFER AGENT

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

CORPORATE GOVERNANCE

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

CORPORATE GOVERNANCE VOLUNTARY GUIDELINES 2009

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

NOTES TO ACCOUNTS

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

PARTICULARS OF EMPLOYEES

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

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

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

Foreign Exchange Earnings and Outgo

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

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

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

Foreign Exchange Earnings Particulars

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

Foreign Exchange Outgo

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

ACKNOWLEDGEMENT

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

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

(DEEPAK SETH)
Chairman
(DIN - 00003021)

Place: Gurgaon
Date: 30th May, 2011

CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY

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

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

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

House of Pearl Fashions strives not only to foster a corporate culture, ethical behavior but individual accountability and transparency. Over the years, governance process and systems have been strengthened at House of Pearl Fashions. In addition to complying with the statutory requirements, effective governance system and practices towards improving transparency, disclosures, internal controls and promotion of ethics at work-place.

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

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

2. BOARD OF DIRECTORS

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

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

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

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

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

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

Notes:

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

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

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

Information supplied to the Board

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

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

Compliance with the Code of Conduct

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