

Company Registration No 01292813 (England and Wales)

**PEARLCASTLE LIMITED**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**



# PEARLCASTLE LIMITED

## DIRECTORS AND ADVISERS

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<b>Directors</b>	Mr Kantilal K Shah Mr Avnish K Shah Mr Sanjiv K Shah Mr Manish K Shah
<b>Secretary</b>	Mr Avnish K Shah
<b>Company number</b>	01292813
<b>Registered office</b>	28 Friern Park North Finchley N12 9DA
<b>Registered auditors</b>	Glazers 843 Finchley Road London NW11 8NA

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# PEARLCASTLE LIMITED

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# PEARLCASTLE LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2010

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The directors present their report and financial statements for the year ended 31 December 2010

#### **Principal activities and review of the business**

The principal activities of the group continued to be that of wholesalers and retailers of motor spare parts and accessories and property investment

The results for the year and the financial position at the year end were considered satisfactory by the directors who consider that the company is meeting its key performance indicator of ongoing profitability and will continue to do so for the foreseeable future

In common with all businesses, the company is affected by a number of risk factors, not all of which are wholly within the control of the directors. The directors are responsible for the company's system of internal control and risk management and for reviewing the effectiveness of these systems. Such systems are designed to manage rather than eliminate the risk of failure to reach business objectives

#### **Results and dividends**

The consolidated profit and loss account for the year is set out on page 5

An interim ordinary dividend was paid amounting to £303,328. The directors do not recommend payment of a final dividend

#### **Future developments**

There are no significant plans for future developments

#### **Directors**

The following directors have held office since 1 January 2010

Mr Kantilal K Shah  
Mr Avnish K Shah  
Mr Sanjiv K Shah  
Mr Manish K Shah

#### **Financial instruments**

##### Liquidity risk

The group manages its cash and borrowing requirements centrally in order to maximise interest income and minimise interest expense, whilst ensuring the group has sufficient liquid resources to meet the operating needs of the business

##### Interest rate risk

The group is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on floating rate deposits, bank overdrafts and loans. The group bank loans are fixed at 1.25% above the base rate for the period of the loan

##### Credit risk

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary

# PEARLCASTLE LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2010**

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### Auditors

The auditors, Glazers, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

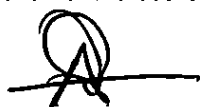
- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditors are aware of that information.

On behalf of the board



Mr Avnish K Shah

Director

12.09.2011

# PEARLCASTLE LIMITED

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF PEARLCASTLE LIMITED

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We have audited the group and parent company financial statements (the "financial statements") of Pearlcastle Limited for the year ended 31 December 2010 set out on pages 5 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on pages 1 - 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 Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2010 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter 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.

# PEARLCASTLE LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF PEARLCASTLE LIMITED

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### 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

✓

Philippe Herszaft ACA (Senior Statutory Auditor)  
for and on behalf of Glaziers

13/04/2010

Chartered Accountants  
Statutory Auditor

843 Finchley Road  
London  
NW11 8NA

# PEARLCASTLE LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £	2009 £
Turnover	2	5,489,659	5,614,259
Cost of sales		(3,055,292)	(3,153,857)
<b>Gross profit</b>		<b>2,434,367</b>	<b>2,460,402</b>
Administrative expenses		(1,966,080)	(2,011,512)
Other operating income		90,687	66,516
<b>Operating profit</b>	<b>3</b>	<b>558,974</b>	<b>515,406</b>
<b>Operating profit</b>	<b>3</b>		
Continuing operations		565,689	515,406
Acquisitions		(6,715)	-
		<b>558,974</b>	<b>515,406</b>
Other interest receivable and similar income		46,095	47,952
Interest payable and similar charges	4	(172,591)	(126,036)
<b>Profit on ordinary activities before taxation</b>		<b>432,478</b>	<b>437,322</b>
Tax on profit on ordinary activities	5	(113,042)	(123,541)
<b>Profit on ordinary activities after taxation</b>		<b>319,436</b>	<b>313,781</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account



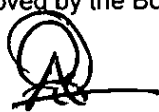
# PEARLCASTLE LIMITED

## BALANCE SHEETS

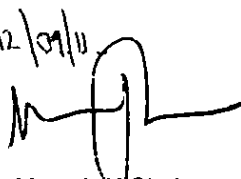
AS AT 31 DECEMBER 2010

	Notes	Group 2010 £	2009 £	Company 2010 £	2009 £
<b>Fixed assets</b>					
Intangible assets	8	58,631	7,001	5,251	7,001
Tangible assets	9 and 10	6,195,400	3,415,359	4,652,356	3,415,359
Investments	11	-	-	301,510	-
		<u>6,254,031</u>	<u>3,422,360</u>	<u>4,959,117</u>	<u>3,422,360</u>
<b>Current assets</b>					
Stocks	12	378,732	466,242	378,732	466,242
Debtors	13	2,245,052	2,440,278	2,328,662	2,440,278
Cash at bank and in hand		22,203	78,797	7,152	78,797
		<u>2,645,987</u>	<u>2,985,317</u>	<u>2,714,546</u>	<u>2,985,317</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(3,246,819)</u>	<u>(1,520,214)</u>	<u>(3,029,444)</u>	<u>(1,520,214)</u>
<b>Net current (liabilities)/assets</b>		<u>(600,832)</u>	<u>1,465,103</u>	<u>(314,898)</u>	<u>1,465,103</u>
<b>Total assets less current liabilities</b>		5,653,199	4,887,463	4,644,219	4,887,463
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(2,464,889)</u>	<u>(1,717,001)</u>	<u>(1,488,521)</u>	<u>(1,717,001)</u>
<b>Provisions for liabilities</b>	16	<u>(36,154)</u>	<u>(34,414)</u>	<u>(36,154)</u>	<u>(34,414)</u>
		<u>3,152,156</u>	<u>3,136,048</u>	<u>3,119,544</u>	<u>3,136,048</u>
<b>Capital and reserves</b>					
Called up share capital	17	140	140	140	140
Share premium account	18	121,658	121,658	121,658	121,658
Revaluation reserve	18	2,344,287	2,344,287	2,344,287	2,344,287
Profit and loss account	18	686,071	669,963	653,459	669,963
<b>Shareholders' funds</b>	19	<u>3,152,156</u>	<u>3,136,048</u>	<u>3,119,544</u>	<u>3,136,048</u>

Approved by the Board and authorised for issue on 12/01/11



Mr Avnish K Shah  
Director



Mr Manish K Shah  
Director

Company Registration No 01292813

# PEARLCASTLE LIMITED

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	£	2010 £	£	2009 £
<b>Net cash inflow from operating activities</b>	<b>24</b>		<b>1,393,431</b>		<b>795,310</b>
<b>Returns on investments and servicing of finance</b>					
Interest received		46,095		47,952	
Interest paid		(172,591)		(126,036)	
<b>Net cash outflow for returns on investments and servicing of finance</b>			<b>(126,496)</b>		<b>(78,084)</b>
<b>Taxation</b>			<b>(165,638)</b>		<b>(59,999)</b>
<b>Capital expenditure and financial investment</b>					
Payments to acquire tangible assets		(2,852,315)		(18,835)	
Payments to acquire investments		(56,189)		-	
Receipts from sales of tangible assets		4,250		4,000	
<b>Net cash outflow for capital expenditure</b>			<b>(2,904,254)</b>		<b>(14,835)</b>
<b>Equity dividends paid</b>			<b>(303,328)</b>		<b>(278,605)</b>
<b>Net cash (outflow)/inflow before management of liquid resources and financing</b>			<b>(2,106,285)</b>		<b>363,787</b>
<b>Financing</b>					
New long term bank loan		1,027,385		-	
Other new long term loans		10,500		-	
Other new short term loans		1,351,175		-	
Repayment of long term bank loan		(289,997)		(217,774)	
Repayment of other short term loans		(232,424)		-	
Capital element of hire purchase contracts		(425)		(41,105)	
<b>Net cash inflow/(outflow) from financing</b>			<b>1,866,214</b>		<b>(258,879)</b>
<b>(Decrease)/increase in cash in the year</b>	<b>25, 26</b>		<b>(240,071)</b>		<b>104,908</b>

# PEARLCASTLE LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 DECEMBER 2010**

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### **1 Accounting policies**

#### **1.1 Accounting convention**

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings

#### **1.2 Compliance with accounting standards**

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

#### **1.3 Basis of consolidation**

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 2010. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

#### **1.4 Turnover**

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

#### **1.5 Goodwill**

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the Balance Sheet and amortised over its estimated useful life up to a maximum of 20 years. This length of time is presumed to be the maximum useful life of purchased goodwill because it is difficult to make projections beyond this period.

Goodwill is amortised on a straight line method over 20 years.

#### **1.6 Tangible fixed assets and depreciation**

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	Nil
Land and buildings Leasehold	Straight line over the life of the lease
Fixtures, fittings & equipment	15% per annum reducing balance method
Motor vehicles	25% per annum reducing balance method

Investment properties are included in the balance sheet at their open market value. Depreciation is provided only on those investment properties which are leasehold and where the unexpired lease term is less than 20 years.

Although this accounting policy is in accordance with the applicable accounting standard, SSAP 19, Accounting for investment properties, it is a departure from the general requirement of the Companies Act 2006 for all tangible assets to be depreciated. In the opinion of the directors compliance with the standard is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount of this which might otherwise have been charged cannot be separately identified or quantified.

Freehold property is not depreciated on the basis that the estimated residual value of the property at the end of its estimated useful life is such that any depreciation would be immaterial.

# PEARLCASTLE LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

### 1 Accounting policies (continued)

#### 1.7 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and 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 profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

#### 1.8 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

#### 1.9 Stock

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

#### 1.10 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

Deferred tax assets are recognised only to the extent that the director considers that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

#### 1.11 Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or 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.

### 2 Turnover

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit	2010 £	2009 £
Operating profit is stated after charging		
Amortisation of intangible assets	4,559	1,750
Depreciation of tangible assets	66,575	50,949
Loss on disposal of tangible assets	1,449	11,318
Operating lease rentals	136,318	264,581
Fees payable to the group's auditor for the audit of the group's annual accounts (company £11,469, 2009 £11,427)	13,069	11,427

# PEARLCASTLE LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

<b>4</b>	<b>Interest payable</b>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	On bank loans and overdrafts	126,854	123,074
	On other loans wholly repayable within five years	45,725	-
	Hire purchase interest	-	2,962
	On overdue tax	12	-
		<u>172,591</u>	<u>126,036</u>
<b>5</b>	<b>Taxation</b>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	<b>Domestic current year tax</b>		
	U K corporation tax	110,605	128,135
	Adjustment for prior years	697	-
		<u>111,302</u>	<u>128,135</u>
	<b>Total current tax</b>		
		111,302	128,135
	<b>Deferred tax</b>		
	Origination and reversal of timing differences	1,740	(4,594)
		<u>113,042</u>	<u>123,541</u>
	<b>Factors affecting the tax charge for the year</b>		
	Profit on ordinary activities before taxation	<u>432,478</u>	<u>437,322</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2009 - 28.00%)	<u>121,094</u>	<u>122,450</u>
	Effects of		
	Non deductible expenses	2,104	3,339
	Depreciation add back	19,131	14,756
	Capital allowances	(30,812)	(11,521)
	Other tax adjustments	(215)	(889)
		<u>(9,792)</u>	<u>5,685</u>
	<b>Current tax charge for the year</b>	<u>111,302</u>	<u>128,135</u>

# PEARLCASTLE LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

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### 6 Profit for the financial year

As permitted by section 408 Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows

	2010 £	2009 £
Holding company's profit for the financial year	286,824	313,781

### 7 Dividends

	2010 £	2009 £
Ordinary interim paid	303,328	278,605

# PEARLCASTLE LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

### 8 Intangible fixed assets Group

	Goodwill £
<b>Cost</b>	
At 1 January 2010	37,000
Additions	56,189
	<hr/>
At 31 December 2010	93,189
	<hr/>
<b>Amortisation</b>	
At 1 January 2010	29,999
Charge for the year	4,559
	<hr/>
At 31 December 2010	34,558
	<hr/>
<b>Net book value</b>	
At 31 December 2010	58,631
	<hr/> <hr/>
At 31 December 2009	7,001
	<hr/> <hr/>

### Intangible fixed assets (continued) Company

	Goodwill £
<b>Cost</b>	
At 1 January 2010 & at 31 December 2010	37,000
	<hr/>
<b>Amortisation</b>	
At 1 January 2010	29,999
Charge for the year	1,750
	<hr/>
At 31 December 2010	31,749
	<hr/>
<b>Net book value</b>	
At 31 December 2010	5,251
	<hr/> <hr/>
At 31 December 2009	7,001
	<hr/> <hr/>

# PEARLCASTLE LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

### 9 Tangible fixed assets

#### Group

	Land and buildings Freehold £	Land and buildings Leasehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
<b>Cost or valuation</b>					
At 1 January 2010	2,660,000	38,261	584,266	130,685	3,413,212
Additions	1,174,319	49,921	43,028	15,382	1,282,650
Reclassification	(1,850,000)	-	-	-	(1,850,000)
Disposals	-	-	-	(13,508)	(13,508)
At 31 December 2010	<u>1,984,319</u>	<u>88,182</u>	<u>627,294</u>	<u>132,559</u>	<u>2,832,354</u>
<b>Depreciation</b>					
At 1 January 2010	-	35,049	427,671	75,133	537,853
On disposals	-	-	-	(7,809)	(7,809)
Charge for the year	-	20,323	29,943	16,309	66,575
At 31 December 2010	<u>-</u>	<u>55,372</u>	<u>457,614</u>	<u>83,633</u>	<u>596,619</u>
<b>Net book value</b>					
At 31 December 2010	<u>1,984,319</u>	<u>32,810</u>	<u>169,680</u>	<u>48,926</u>	<u>2,235,735</u>
At 31 December 2009	<u>2,660,000</u>	<u>3,212</u>	<u>156,595</u>	<u>55,552</u>	<u>2,875,359</u>

#### Comparable historical cost for the land and buildings included at valuation

	£
<b>Cost</b>	
At 1 January 2010	640,713
Additions	1,174,319
Reclassification	(314,382)
At 31 December 2010	<u>1,500,650</u>
<b>Depreciation based on cost</b>	
At 1 January 2010	-
Charge for the year	-
At 31 December 2010	<u>-</u>
<b>Net book value</b>	
At 31 December 2010	<u>1,500,650</u>
At 31 December 2009	<u>640,713</u>



# PEARLCASTLE LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

### Tangible fixed assets Company

	Land and buildings Freehold £	Land and buildings Leasehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
<b>Cost or valuation</b>					
At 1 January 2010	2,660,000	38,261	584,266	130,685	3,413,212
Additions	1,174,319	49,921	43,028	15,382	1,282,650
Reclassification	(1,850,000)	-	-	-	(1,850,000)
Disposals	-	-	-	(13,508)	(13,508)
At 31 December 2010	1,984,319	88,182	627,294	132,559	2,832,354
<b>Depreciation</b>					
At 1 January 2010	-	35,049	427,671	75,133	537,853
On disposals	-	-	-	(7,809)	(7,809)
Charge for the year	-	20,323	29,943	16,309	66,575
At 31 December 2010	-	55,372	457,614	83,633	596,619
<b>Net book value</b>					
At 31 December 2010	1,984,319	32,810	169,680	48,926	2,235,735
At 31 December 2009	2,660,000	3,212	156,595	55,552	2,875,359

### Comparable historical cost for the land and buildings included at valuation

	£
<b>Cost</b>	
At 1 January 2010	640,713
Additions	1,174,319
Reclassification	(314,382)
At 31 December 2010	1,500,650
<b>Depreciation based on cost</b>	
At 1 January 2010	-
Charge for the year	-
At 31 December 2010	-
<b>Net book value</b>	
At 31 December 2010	1,500,650
At 31 December 2009	640,713

# PEARLCASTLE LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

<b>10 Tangible fixed assets</b>		
<b>Investment properties</b>	<b>Group</b>	<b>Company</b>
	<b>£</b>	<b>£</b>
<b>Cost or valuation</b>		
At 1 January 2010	540,000	540,000
Additions	1,569,665	26,621
Reclassification	1,850,000	1,850,000
	<hr/>	<hr/>
At 31 December 2010	3,959,665	2,416,621
	<hr/>	<hr/>
<b>Depreciation</b>		
At 1 January 2010 & at 31 December 2010	-	-
	<hr/>	<hr/>
<b>Net book value</b>		
At 31 December 2010	3,959,665	2,416,621
	<hr/>	<hr/>
At 31 December 2009	540,000	540,000
	<hr/>	<hr/>

The freehold investment properties were valued at their open market value on 31 December 2010 by A Shah, a director and shareholder of the company, based on his local market knowledge. No depreciation is provided in respect of these properties.

On an historical cost basis these would have been included at an original cost of £556,003 (2009 - £215,000).

During the year a property which the company no longer occupies for trading purposes has been reclassified as an investment property on the basis that rental income is now being received.

# PEARLCASTLE LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

### 11 Fixed asset investments

#### Company

	Shares in group undertakings £
<b>Cost or valuation</b>	
At 1 January 2010	-
Additions	301,510
At 31 December 2010	301,510
<b>Net book value</b>	
At 31 December 2010	301,510

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet

#### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

Company	Country of registration or incorporation	Shares held	
		Class	%
<b>Subsidiary undertakings</b>			
Headbuild Limited	England and Wales	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows

	<b>Principal activity</b>
Headbuild Limited	Property Investment

On 5 April 2010, the company acquired 49.75% of the issued share capital in Headbuild Limited for a consideration of £150,005. On 15 June 2010, the company acquired the remaining 50.25% issued share capital in Headbuild Limited for a consideration of £151,505. These were accounted for under the acquisition method of accounting.

The results of the subsidiary company are included in these consolidated financial statements

### 12 Stocks

	Group 2010 £	2009 £	Company 2010 £	2009 £
Finished goods and goods for resale	378,732	466,242	378,732	466,242

# PEARLCASTLE LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

### 13 Debtors

	Group 2010 £	2009 £	Company 2010 £	2009 £
Trade debtors	489,549	523,071	489,549	523,071
Other debtors	1,624,745	1,760,918	1,708,355	1,760,918
Prepayments and accrued income	130,758	156,289	130,758	156,289
	<u>2,245,052</u>	<u>2,440,278</u>	<u>2,328,662</u>	<u>2,440,278</u>

### 14 Creditors amounts falling due within one year

	Group 2010 £	2009 £	Company 2010 £	2009 £
Bank loans and overdrafts	1,679,544	377,316	1,577,844	377,316
Net obligations under finance lease and hire purchase contracts	-	425	-	425
Trade creditors	772,528	698,118	772,528	698,118
Corporation tax	131,180	185,516	94,686	185,516
Taxes and social security costs	121,649	120,932	121,649	120,932
Directors current accounts	300,394	394	300,394	394
Other creditors	93,415	1,500	18,415	1,500
Accruals and deferred income	148,109	136,013	143,928	136,013
	<u>3,246,819</u>	<u>1,520,214</u>	<u>3,029,444</u>	<u>1,520,214</u>

The banks loan and overdraft are secured by a debenture and first legal charge over the group's assets. Interest on these bank loans is charged at 1.25% per annum above the Bank's Base Rate. The loans are repayable by monthly installments, with the last installment due in March 2028. The hire purchase and finance lease agreements are secured on the assets concerned. The total amount secured is £1,679,544 (2009 - £377,741).

#### Net obligations under finance leases and hire purchase contracts

Repayable within one year	-	425	-	425
Finance charges and interest allocated to future accounting periods	-	-	-	-
	<u>-</u>	<u>425</u>	<u>-</u>	<u>425</u>

# PEARLCASTLE LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

### 15 Creditors amounts falling due after more than one year

	Group 2010 £	2009 £	Company 2010 £	2009 £
Bank loans	2,454,389	1,717,001	1,488,521	1,717,001
Other loans	10,500	-	-	-
	<u>2,464,889</u>	<u>1,717,001</u>	<u>1,488,521</u>	<u>1,717,001</u>
<b>Analysis of loans</b>				
Not wholly repayable within five years by instalments	1,249,586	671,580	690,518	671,580
Wholly repayable within five years	2,595,409	1,306,776	2,076,409	1,306,776
	<u>3,844,995</u>	<u>1,978,356</u>	<u>2,766,927</u>	<u>1,978,356</u>
Included in current liabilities	(1,380,106)	(261,355)	(1,278,406)	(261,355)
	<u>2,464,889</u>	<u>1,717,001</u>	<u>1,488,521</u>	<u>1,717,001</u>
Instalments not due within five years	<u>1,249,586</u>	<u>671,580</u>	<u>690,518</u>	<u>671,580</u>
<b>Loan maturity analysis</b>				
In more than one year but not more than two years	363,055	261,355	261,355	261,355
In more than two years but not more than five years	841,748	784,065	536,648	784,065
In more than five years	<u>1,249,586</u>	<u>671,580</u>	<u>690,518</u>	<u>671,580</u>

The bank loans are secured by a debenture and first legal charge over the group's assets. The hire purchase and finance lease agreements are secured on the assets concerned. Interest on these bank loans is charged at 1.25% per annum above the Bank's Base Rate. The loans are repayable by monthly instalments, with the last instalment due in March 2028. The total amount secured is £2,454,389 (2009 - £1,717,001).

# PEARLCASTLE LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

### 16 Provisions for liabilities Group

Deferred  
taxation  
£

Balance at 1 January 2010	34,414
Profit and loss account	1,740
Balance at 31 December 2010	<u>36,154</u>

### Company

Balance at 1 January 2010	34,414
Profit and loss account	1,740
Balance at 31 December 2010	<u>36,154</u>

The deferred tax liability is made up as follows:

	Group 2010 £	2009 £	Company 2010 £	2009 £
Accelerated capital allowances	<u>36,154</u>	<u>34,414</u>	<u>36,154</u>	<u>34,414</u>

### 17 Share capital

	2010 £	2009 £
Allotted, called up and fully paid		
140 'A' to 'M' Ordinary shares of £1 each	<u>140</u>	<u>140</u>

The 'A' to 'M' ordinary shares carry the same rights and rank Pari-Passu with each other

# PEARLCASTLE LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

### 18 Statement of movements on reserves Group

	Share premium account £	Revaluation reserve £	Profit and loss account £
Balance at 1 January 2010	121,658	2,344,287	669,963
Profit for the year	-	-	319,436
Dividends paid	-	-	(303,328)
Balance at 31 December 2010	<u>121,658</u>	<u>2,344,287</u>	<u>686,071</u>

### Company

	Share premium account £	Revaluation reserve £	Profit and loss account £
Balance at 1 January 2010	121,658	2,344,287	669,963
Profit for the year	-	-	286,824
Dividends paid	-	-	(303,328)
Balance at 31 December 2010	<u>121,658</u>	<u>2,344,287</u>	<u>653,459</u>

# PEARLCASTLE LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

19 Reconciliation of movements in shareholders' funds		2010	2009
Group		£	£
Profit for the financial year		319,436	313,781
Dividends		(303,328)	(278,605)
Net addition to shareholders' funds		16,108	35,176
Opening shareholders' funds		3,136,048	3,100,872
Closing shareholders' funds		3,152,156	3,136,048
Company		2010	2009
		£	£
Profit for the financial year		286,824	313,781
Dividends		(303,328)	(278,605)
Net (depletion in)/addition to shareholders' funds		(16,504)	35,176
Opening shareholders' funds		3,136,048	3,100,872
Closing shareholders' funds		3,119,544	3,136,048

## 20 Financial commitments

At 31 December 2010 the group had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2010	2009	2010	2009
	£	£	£	£
Expiry date				
Between two and five years	18,000	192,000	2,372	2,372

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2010	2009	2010	2009
	£	£	£	£
Expiry date				
Between two and five years	192,000	192,000	2,372	2,372



# PEARLCASTLE LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

<b>21 Directors' remuneration</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Remuneration for qualifying services	116,629	129,490

## 22 Employees

### Number of employees

The average monthly number of employees (including directors) during the year was

	<b>2010</b>	<b>2009</b>
	<b>Number</b>	<b>Number</b>
Directors	4	4
Employees	54	54
	58	58

### Employment costs

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Wages and salaries	1,058,680	1,013,222
Social security costs	94,351	89,758
	1,153,031	1,102,980

## 23 Control

The largest and smallest group of undertakings for which consolidated accounts are prepared is that headed by Pearlcastle Limited

# PEARLCASTLE LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

24	Reconciliation of operating profit to net cash inflow from operating activities	2010	2009
		£	£
	Operating profit	558,974	515,406
	Depreciation of tangible assets	66,575	50,949
	Amortisation of intangible assets	4,559	1,750
	Loss on disposal of tangible assets	1,449	11,318
	Decrease in stocks	87,510	96,791
	Decrease in debtors	195,226	137,625
	Increase/(decrease) in creditors within one year	479,138	(18,529)
	<b>Net cash inflow from operating activities</b>	<b>1,393,431</b>	<b>795,310</b>

25	Analysis of net debt	1 January 2010	Cash flow	Other non-cash changes	31 December 2010
		£	£	£	£
	Net cash				
	Cash at bank and in hand	78,797	(56,594)	-	22,203
	Bank overdrafts	(115,961)	(183,477)	-	(299,438)
		(37,164)	(240,071)	-	(277,235)
	Finance leases	(425)	425	-	-
	Debts falling due within one year	(261,355)	(1,118,751)	-	(1,380,106)
	Debts falling due after one year	(1,717,001)	(747,888)	-	(2,464,889)
		(1,978,781)	(1,866,214)	-	(3,844,995)
	<b>Net debt</b>	<b>(2,015,945)</b>	<b>(2,106,285)</b>	<b>-</b>	<b>(4,122,230)</b>

26	Reconciliation of net cash flow to movement in net debt	2010	2009
		£	£
	(Decrease)/increase in cash in the year	(240,071)	104,908
	Cash (inflow)/outflow from (increase)/decrease in debt	(1,866,214)	258,879
	<b>Movement in net debt in the year</b>	<b>(2,106,285)</b>	<b>363,787</b>
	Opening net debt	(2,015,945)	(2,379,732)
	<b>Closing net debt</b>	<b>(4,122,230)</b>	<b>(2,015,945)</b>

# PEARLCASTLE LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

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### 27 Financial investment

The company paid a total cash consideration of £301,510 to acquire 100% of the share capital in Headbuild Limited. This comprised of Tangible Fixed Assets totalling £1,543,044, Net Current Liabilities totalling £259,838, Long Term Liabilities totalling £1,037,885 and Goodwill totalling £56,189.

### 28 Related party relationships and transactions

#### Group

As at 31 December 2010, £1,605,092 (2009 - £1,700,660) was owed by Castlepearl Limited, a company under common control. During the year, interest totalling £45,250 (2009 - £47,853) was receivable, interest is charged at 2% above the base rate. A management charge of £150,000 (2009 - £150,000) has been made by Castlepearl Limited during the year.

At the year end the company owed the following balances to the directors, K K Shah £76,894 (2009 - £1,894), A K Shah £76,500 (2009 - £1,500), M K Shah £76,500 (2009 - £1,500), S K Shah £76,500 (2009 - £1,500). There are no terms of repayment or interest in respect of these amounts.

During the year, the company paid the following dividends to the directors and their spouses, K K Shah £65,105 (2009 - £62,105), A K Shah £72,741 (2009 - £65,500), M K Shah £82,741 (2009 - £75,500), S K Shah £82,741 (2009 - £75,500).

#### Company

The company has taken advantage of the exemption available in FRS 8 "Related party disclosures" whereby it has not disclosed transactions with any wholly owned subsidiary undertaking.

As at 31 December 2010, £1,605,092 (2009 - £1,700,660) was owed by Castlepearl Limited, a company under common control. During the year, interest totalling £45,250 (2009 - £47,853) was receivable, interest is charged at 2% above the base rate. A management charge of £150,000 (2009 - £150,000) has been made by Castlepearl Limited during the year.

At the year end the company owed the following balances to the directors, K K Shah £76,894 (2009 - £1,894), A K Shah £76,500 (2009 - £1,500), M K Shah £76,500 (2009 - £1,500), S K Shah £76,500 (2009 - £1,500). There are no terms of repayment or interest in respect of these amounts.

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