

K G DENIM LIMITED



**Fifteenth Annual Report
2006 - 2007**



K G DENIM LIMITED

BOARD OF DIRECTORS

Executive Chairman Shri KG Baalakrishnan

Managing Directors Shri B Sriramulu
Shri B Srihari

Directors Shri G V S Desikan
Shri K N V Ramani
Shri V Jagadisan
Smt T Anandhi
Shri S R Rajasekaran
Shri M J Vijayaraaghavan
Shri Surinder Chhibber
Shri A Velusamy
Shri S Muthuswamy
Director & Company Secretary

Registered Office
Then Thirumalai
Coimbatore - 641 302
Website : www.kgdenim.in
E-mail : cskgdl@kgdenim.in

Registrar and Share Transfer Agent
Cameo Corporate Services Ltd
"Subramanian Building"
No.1 Club House Road
Chennai - 600 002
Phone : (044) 28460390 (6 lines)

Auditors M/s Gopalaiyer and Subramanian
Chartered Accountants
Coimbatore

Bankers Indian Bank
Bank of India
State Bank of India
Allahabad Bank
Indian Overseas Bank
State Bank of Indore
State Bank of Hyderabad

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K G DENIM LIMITED

DIRECTORS' REPORT

Dear Shareholders,

We have pleasure in presenting the Fifteenth Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31st March 2007.

FINANCIAL RESULTS

(Rs. in lakhs)

PARTICULARS	For the year ended 31 st March 2007	For the year ended 31 st March 2006
Gross Profit	1871	4160
Less: Interest	1521	973
Profit prior to Depreciation and write off	350	3187
Less: Depreciation	1184	777
Deferred Revenue Exp./other write off	-	3
Add : Prior Year Income / (Expenditure) (Net)	-21	25
Net Profit / (Loss)	-855	2432
Current, Deferred, FBT Tax & earlier year tax	-163	860
Net Profit / (Loss) for the year	-692	1572
Balance Brought forward	2277	705
Balance carried forward	1585	2277

REVIEW OF OPERATIONS

During the year ended 31.3.2007, the Company achieved an overall production of 202 lakh meters of fabrics against the previous years production of 199 lakh meters. The sales for the year ended 31.03.2007 was Rs.20898 lakhs as against sales of Rs.21637 lakhs during the previous year.

The domestic sales volume and prices for denim however, fell by 25 % alongwith rise in input costs. The company also curtailed the denim production during the year to prevent accumulation of stocks. The denim industry in India was affected by increase in capacity, falling demand and prices. The year also witnessed the first year of operation of processed fabrics. Though the operation in the new unit have been stabilised, startup and stabilisation costs have contributed to negative margins. The apparel exports increased from Rs.13 crores in 2005-06 to Rs.19 crores in the current year.

PROSPECTS FOR THE NEXT YEAR

The denim industry continues to be affected by surplus capacity and appreciation of rupee. However the demand and prices are expected to pick up in the subsequent months of the current year. The company has stabilised its production and quality parameters in the new processed fabrics unit. With increase in volume in the new project, the performance is expected to be better. Apparel exports will continue to grow.

FINANCE

Your Directors acknowledge with gratitude, the valuable assistance and support extended by our Bankers for term loans and working capital ie., Indian Bank, State Bank of India, Bank of India, Allahabad Bank, Indian Overseas Bank, State Bank of Indore and State Bank of Hyderabad.

The company is seeking the redemption of preference shares by issue of equity for conserving the resources.

PERSONNEL

The Directors wish to place on record their appreciation for the co-operation extended by all sections of the employees.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm that:

- a) In the preparation of the annual accounts, the applicable accounting standards had been followed.
- b) The Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are 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 that period.
- c) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and irregularities.
- d) The annual accounts have been prepared on a going concern basis.

CONSOLIDATED ACCOUNTS

In accordance with the requirements of Accounting Standard (AS-21) prescribed by The Institute of Chartered Accountants of India, the Consolidated Accounts of the Company and its subsidiaries are annexed to this report.

SUBSIDIARIES

The Annual report of the Subsidiaries of the Company Viz., Trigger Apparels Limited and KG Denim (USA) Inc., is annexed to this report. Trigger Apparels Limited has penetrated the new markets and is poised for substantial growth in the coming years. No activity has taken place at KG Denim (USA) Inc. during the year.

CEO/CFO CERTIFICATION

The Managing Directors and Director & Company Secretary of the Company have submitted a certificate to the Board as required under clause 49 of the listing agreement for the year ended 31st March, 2007.

CORPORATE GOVERNANCE

A separate section on Corporate Governance and a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement with the Stock Exchange, forms part of the Annual Report.

LISTING

The Company's shares are listed in the Bombay Stock Exchange Ltd., Mumbai.

CAPITAL EXPENDITURE

The company incurred a capital expenditure of Rs.2699.78 lakhs during the year.

K G DENIM LIMITED

DIRECTORS

Shri G V S Desikan, Shri K N V Ramani and Shri V Jagadisan retire by rotation and being eligible offer themselves for reappointment at the ensuing Annual General Meeting.

AUDITORS

The present Auditors M/s Gopalaiyer and Subramanian retire at the ensuing Annual General Meeting and are eligible for re-appointment. Cost Audit report for the financial year ending 31st March 2007 will be submitted to the Central Government in accordance with Cost Audit Report Rules, 2001.

INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956.

There are no employees drawing remuneration in excess of the information required as per Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

Our humble prayers to **Sri Venkateswaraswamy Vari of Then Thirumalai** for the continued prosperity of the company.

Coimbatore
28.06.2007

On behalf of the Board

KG Baal Krishnan
Executive Chairman

ANNEXURE TO DIRECTORS' REPORT

Conservation of energy, technology absorption and foreign exchange earnings and outgo required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 for the year ended 31st March, 2007.

CONSERVATION OF ENERGY :

- a) Energy conservation measures taken : The Company has set up a steam-driven co-generation power unit with use of biomass fuel.
- b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy: Energy audit has been done and various proposals are under implementation.
- c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods : During the year the fuel input costs had gone up. Hence there is a marginal increase in costs.
- d) Total energy consumption and energy consumption per unit of production:

FORM - A

A. POWER AND FUEL CONSUMPTION

	31.03.2007	31.03.2006
I Electricity		
(a) Purchased		
Units in lakhs	38.62	2.49
Value in lakhs (Rs.) **	179.50	11.36
Cost/Unit (Rs.)	4.65	4.56
**Excludes fixed demand charges		
(b) Own Generation		
(i) Through Diesel Generator		
Units in lakhs	2.46	11.17
Units / Ltr.	3.15	3.20
Cost/Unit (Rs.)	9.15	7.19
(ii) Through steam turbine/generator		
Units in lakhs	197.60	195.59
Units/Ton of fuel mix	435.00	415.00
Cost/Unit (Rs.)	3.83	3.65
II Coal		
Quantity (Tonnes)	19810	12126
Total Cost (Rs. in lakhs)	616.67	385.10
Average Rate (Rs)	3113.00	3176.00
III Saw Dust etc.,		
Quantity (Tonnes)	28352	33326
Total Cost (Rs. in lakhs)	287.33	378.53
Average Rate (Rs)	1013.00	1136.00

B. CONSUMPTION / UNIT OF PRODUCTION

Electricity Unit/ Mtr. of Fabric	1.17	1.06
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FORM – B**C. TECHNOLOGY ABSORPTION**

I. Research and Development (R & D) :

1. Specific areas where R&D is carried out by the Company.

The R&D efforts of the Company are directed towards quality control improvement of existing methods and product developments/diversifications.

2. Benefits derived as a result of the above R&D :

Cost reduction and improved quality and new product development enhanced performance in Export and Domestic Market.

3. Future plan and action :

The R&D efforts will continue to meet the present and future needs of the end-users.

4. Expenditure on R & D :

	Rs.Lakhs
a) Capital	-
b) Recurring	71.74
c) Total	71.74
d) R & D Expenditure as % of Total Turnover	0.34

II. Technology absorption, adaptation and innovation :

Continuous efforts are made towards technology innovation.

D. FOREIGN EXCHANGE EARNINGS AND OUTGO

a) Efforts : The company will continue to push up its volume of exports and maintain its price realization.

b) Total Foreign exchange used and earned :

Foreign Exchange : Used	Rs.3655 Lakhs
Earned	Rs.8728 Lakhs

Coimbatore
28.06.2007

On behalf of the Board

KG Baal Krishnan
Executive Chairman

CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY

Your Company is committed to building long term shareholders' value with full emphasis on Corporate Governance – Your company communicates corporate, financial and product information, on line, on its website – www.kgdenim.in. Your Company believes that all its operations and actions must serve the goal of enhancing overall shareholder value, over a sustained period of time. Company's philosophy envisages transparency, accountability and equitable benefits of highest level in its maximum possible operating fields, interaction with all its related orders including esteemed Shareholders, Workmen, Officers, Governments, Banks and other lenders.

2. BOARD OF DIRECTORS

The current financial year of the company covers a period of 12 months from 1st April 2006 to 31st March 2007. The present strength of the Board is 12 Directors, out of which 6 are independent directors.

8 (Eight) Board Meetings were held during the year, as against the minimum requirement of 4 meetings. The dates on which the meetings held were as follows: 27th April 2006, 25th June 2006, 31st July 2006, 28th August 2006, 7th November 2006, 1st February 2007, 9th February 2007 and on 28th March 2007. The Annual General Meeting was held on 28th September 2006. The table below gives the particulars of attendance of each Director at the Board Meetings held during the financial year and during his respective tenure of Directorship and at the last AGM, as also the number of Directorships in other companies and membership in other Board Committees.

Name of the Director	No. of Board Meetings held during the tenure of Directorship	No. of Board Meetings attended	Attendance of Last AGM	No. of Directorship in other Companies	No. of Membership in Board Committees of other Companies as Chairman / Member
1	2	3	4	5	6
Shri KG Baalakrishnan	8	8	Present	7	-
Shri B Sriramulu	8	6	Present	12	-
Shri B Srihari	8	7	Present	8	2
Shri S R Rajasekaran	8	6	Not Present	-	-
Shri G V S Desikan	8	6	Not Present	7	-
Shri V Jagadisan	8	5	Present	3	5
Shri K N V Ramani	8	6	Not Present	4	3
Smt T Anandhi	8	6	Present	4	-
Shri M J Vijayaraaghavan	8	6	Present	2	-
Shri Surinder Chhibber **	6	3	Not Present	-	-
Shri A Velusamy	8	8	Present	6	4
Shri S Muthuswamy	8	8	Present	-	-

** Appointed as director with effect from 25.06.2006.

Profile of Directors retiring by rotation and eligible for reappointment

Shri G V S Desikan, a B.Sc., B.Sc.(Tech) graduate, aged 75 and has rich experience in the management of textile industry. He was formerly Technical Advisor for National Textile Corporation, New Delhi, Chairman and Managing Director of Kerala State Textile Corporation Ltd., Trivandrum and Managing Director of Binny Limited.

Shri K N V Ramani, M.A., B.L., aged 76 is a leading Advocate specialized in Corporate Laws. He has rich experience in Corporate Laws for more than four decades and has been on the Board of several Companies. M/s.Ramani & Shankar, firm of Advocates headed by him consists of panel of Advocates specialized in different fields of law.

Shri V Jagadisan, B.Com., FCA., aged 75 is the Senior Partner of M/s V Jagadisan & Co., Chennai one of the leading CA firms of South India. He was elected as Central Council Member of Institute of Chartered Accountants of India, New Delhi for 3 terms (1976 to 1985) and is a Director on the Board of number of Companies.

Code of Conduct

In pursuance of Clause 49 of the listing agreement, the Board has approved the Code of Conduct for Board of Directors and Senior Management and the same has been circulated and posted on the Company's website. The Board of Directors and the Senior Management staff have given their declarations confirming compliance of the provisions of the above code of conduct.

3. COMMITTEES OF THE BOARD**a. Audit Committee**

The terms of reference of the Audit Committee include the matters specified in Clause 49 of the Listing Agreement with the Stock Exchanges and in Section 292A of the Companies Act, 1956 as follows:-

- √ Oversight of the Company's financial reporting process and the disclosure of its financial information.
- √ Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- √ Reviewing with management the quarterly, half-yearly and annual financial statements before submission to the Board, focussing primarily on (i) any changes in accounting policies and practices, (ii) major accounting entries based on exercise of judgement by management, (iii) qualifications in draft audit report, (iv) significant adjustments arising out of audit, (v) the going concern assumption, (vi) compliance with accounting standards, (vii) compliance with Stock Exchange and legal requirements concerning financial statements and (viii) related party transactions ie., transactions of the Company of material nature, with promoters or with the management, their subsidiaries or relatives etc, that may have potential conflict with the interests of company at large.
- √ Reviewing with the management, external and internal auditors, the adequacy and compliance of internal control systems.
- √ Reviewing the adequacy of internal audit functions.
- √ Discussion with internal auditors any significant findings and follow up thereon.
- √ Reviewing the findings of internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- √ Discussion with external auditors before the audit commences nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- √ Reviewing the Company's financial and risk management policies.

During the year, the Committee has met four times, as against the minimum requirement of 3 meetings and the Audit Committee meetings were held on 25.06.2006, 31.07.2006, 07.11.2006 and 01.02.2007.

Composition of the Audit Committee as on 31st March, 2007 and the attendance during the year are as under:

Name of the Director	Position	Category	No. of Meetings held	No. of Meetings Attended
Shri V Jagadisan	Chairman	Independent, Non executive	4	4
Shri G V S Desikan	Member	Independent, Non executive	4	4
Shri K N V Ramani	Member	Independent, Non executive	4	4

All the members of the Audit Committee are financially literate with knowledge in finance and accounts.

The head of finance function, head of internal audit and the representative of the Statutory Auditors were invited to be present at the Audit Committee meetings.

The Cost Auditors appointed by the Company under Section 233B of the Companies Act, 1956 were also invited to attend the Audit Committee Meetings.

The Director and Company Secretary acts as the Secretary to the Committee.

b. Remuneration Committee

The Board of the Company has constituted a Remuneration Committee, comprising of 3 Independent Non-Executive Directors viz., Shri K N V Ramani, Chairman, Shri G V S Desikan and Shri V Jagadisan as members.

The Remuneration Committee has been constituted to recommend/review the remuneration package of the Executive Chairman/Managing Directors/Whole-Time Directors.

The detail of remuneration to Directors for the year is furnished in paragraph 7.

c. Shareholders'/Investors' Grievance Committee

The Board of the Company has constituted a Shareholders'/Investors' Grievance Committee, comprising of Shri S R Rajasekaran, Chairman, with Shri G V S Desikan and Shri K N V Ramani as members. The Committee also looks into redressal of shareholders' complaints like transfer of shares, non-receipt of balance sheet, etc.

The Committee oversees the performance of the Registrar and Transfer Agents and recommend measures for overall improvement in the quality of investor services.

Shri R K Sridhar, Manager (Accounts) is the Compliance Officer for complying with the requirements of the Securities and Exchange Board of India and requirements of the Listing Agreement with the Stock Exchanges.

The total number of complaints received and replied to the satisfaction of shareholders during the year under review, was 95. Outstanding complaints as on 31st March 2007 were 'Nil'.

4. GENERAL MEETINGS

Location and date/time of the last three Annual General Meetings.

14 th AGM	28 th September 2006	4.00 p.m.	Registered Office premises, Then Thirumalai, Jadayampalayam, Coimbatore 641 302
13 th AGM	15 th September 2005	10.30 a.m.	- do -
12 th AGM	15 th December 2004	4.25 p.m.	- do -
EGM	28 th March 2007	4.00 p.m.	- do -

The EGM was convened to consider preferential allotment to preferential shareholders. Eventhough the resolution was passed unanimously as prior in-principle approval from Bombay stock exchange was not obtained, the resolution was not effected and no allotment of equity shares were made as approved by the share holders.

No postal ballots were required to be used for voting at these meetings.

5. DISCLOSURES

There are no materially significant related party transactions that would have potential conflict with the interest of the Company at large. Details of related party transactions are given elsewhere in the Annual Report. The Register of Contracts containing the transactions in which the Directors are interested is placed before the Board regularly.

No penalty or strictures have been imposed on the Company by any regulatory authority for non-compliance of any laws.

6. MEANS OF COMMUNICATION

The Quarterly and Half yearly results are published in local dailies such as "Makkal Kural" / "Pirpakaal" and "Trinity Mirror" / "Afternoon" and on the website.

The Management Discussion and Analysis Report forms part of this Annual Report.

7. REMUNERATION TO DIRECTORS

For the financial year ended 31st March 2007, the remuneration paid to the Directors as indicated below:-

Name of the Director & Designation	Salary Amount (Rs.)	Perquisites and other benefits (Rs.)	Total (Rs.)
Shri A Velusamy, Director	5,34,000	55,536	5,89,536
Shri S Muthuswamy Director & Company Secretary	5,34,000	55,536	5,89,536

K G DENIM LIMITED

The details of sitting fees paid to Non-Executive Directors for attending the Board or Committee Meetings during the financial year ended 31st March 2007 were as follows:-

Name of the Directors	Sitting Fee (Rs.)
Shri G V S Desikan	105000
Shri V Jagadisan	100000
Shri K N V Ramani	105000
Shri S R Rajasekaran	26000
Shri M J Vijayaraaghavan	26000

8. GENERAL SHAREHOLDER INFORMATION

- | | |
|--|--|
| 1. 15 TH AGM to be held on :
at :
venue : | 27.08.2007
9.30 a.m.
Registered Office Premises, Then Thirumalai, Jadayampalayam, Coimbatore 641 302 |
| 2. Financial Calendar (Tentative) | First Quarter - Last week of July 2007
Second Quarter - Last week of October 2007
Third Quarter - Last week of January 2008
Results for the year ending 31 st March 2008 last week of June 2008 |
| 3. Date of Book Closure | 17.08.2007 to 27.08.2007 (Both days inclusive) |
| 4. Listing of Equity Shares/Debentures | Listed in Bombay Stock Exchange. The Company has paid the listing fees for the above stock exchange for the year 2007 – 2008. |
| 5. Registrar and Share Transfer Agents | In accordance with SEBI's Circular dated 4th January 2003 directing that the work related to share registry, in physical & electronic modes, be maintained at a single point, as from 1st April 2003, both the above segments of share registry operations are now being handled by the SEBI Registered R & T Agent M/s Cameo Corporate Services Limited, at 'Subramanian Building', No.1 Club House Road, Chennai 600 002 |
| 6. State Code | Mumbai : Share – 1429 |
| 7. Demat ISIN No. for NSDL & CDSL | INE 104A01012 |
| 8. Share Transfer System | The Company's shares are traded in the stock exchanges compulsorily in demat mode. Both the physical and demat modes of share transfers are being handled by company's Share Transfer Agent M/s Cameo Corporate Services Limited, 'Subramanian Building', No.1 Club House Road, Chennai 600 002
The share transfer committee, which is a Board Committee, approves the transfer of shares. |
| 9. Dematerialisation of Shares | 74.96% of the total equity shares (15066405 Shares) were held in the dematerialised form as on 31 st March 2007. Trading in equity shares of the company is permitted only in dematerialised form w.e.f 26.06.2000, as per the notification of SEBI. |
| 10. i. Details of Public Funding obtained in the last three years.
ii. Outstanding GDRS/ADRS/Warrants or any convertible instrument | No capital was raised during the last three years.
None |
| 11. Plant Location | KGDENIM LIMITED
Then Thirumalai, Jadayampalayam
Coimbatore 641 302 |
| 12. Address for communication | KGDENIM LIMITED
Then Thirumalai, Jadayampalayam
Coimbatore 641 302 |
| 13 Website | www.kgdenim.in |

9. DISTRIBUTION OF SHAREHOLDING ON 31ST MARCH 2007

Category	No. of Shareholders	%	No. of Shares	%
Upto 5,000	16669	86.53	3045554	15.15
5,001 - 10,000	1400	7.27	1223503	6.09
10,001 - 20,000	531	2.76	842630	4.19
20,001 - 30,000	203	1.05	531092	2.64
30,001 - 40,000	83	0.43	299271	1.49
40,001 - 50,000	112	0.58	538433	2.68
50,001 - 1,00,000	138	0.72	1053804	5.24
1,00,001 and above	127	0.66	12564063	62.52
Total	19263	100.00	20098350	100.00

10. SHARE PRICE DATA

Market price data of the company's equity shares in Bombay Stock Exchange for the period from April 2006 to March 2007 is as below:

Month	BSE Price	
	High	Low
April 2006	43.50	35.60
May 2006	44.50	27.00
June 2006	33.35	23.05
July 2006	26.10	21.45
August 2006	23.90	19.90
September 2006	25.45	21.10
October 2006	25.00	21.00
November 2006	21.90	17.55
December 2006	22.90	15.00
January 2007	26.30	19.40
February 2007	25.00	15.25
March 2007	18.10	14.60

11. COMPLIANCE WITH NON MANDATORY REQUIREMENT

1. As the Company communicates corporate, financial and product information online on the web site www.kgdenim.in individual communication of half yearly results is not sent to the shareholders.
2. The Company has not passed any resolution requiring approval of the shareholders by postal ballot.

MANAGEMENT DISCUSSION AND ANALYSIS**INDUSTRY STRUCTURE & DEVELOPMENT**

The demand for denim in domestic and international markets is expected to improve in the current year. The prices in the domestic market may be under pressure on account of surplus capacity piling of stocks. Export prices may be adversely by exchange fluctuation. The processed fabrics volume and performance is expected to better in the current year. Apparel exports will be maintained at last year levels.

OPPORTUNITIES AND THREATS

The company's diversification into apparel fabrics and home textiles will de-risk the company's operations.

SEGMENT WISE PERFORMANCE

The segment wise results are presented in item 2.17 of the Notes on Accounts. The fabric division has recorded a marginal fall in overall sales. However, the profitability has improved on account of lower cotton cost and better sales realisation. Loss in apparel was on account of reduction of excess inventory at lower prices.

RISKS AND CONCERNS

Cotton prices, surplus capacity in the industry and exchange fluctuation are the key risk areas.

INTERNAL CONTROL SYSTEMS & PROCEDURES

Company already holds Certification under ISO 9002 and ISO 14001 to ensure confirmation of its process procedures to strict quality standard. Company is also strengthening its review control system by appointing External Consultants as Auditors.

PERFORMANCE OF THE COMPANY

The Company's profitability has declined during the year on account of curtailment of denim production, rise in input costs and losses in the new project undertaken during the year.

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To the Members/Board of Directors of **M/s K G DENIM LIMITED, COIMBATORE**

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to compliance of conditions of Corporate Governance by **M/s K G Denim Limited**, for the year ended March 31, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was conducted in the manner described in the Guidance Note on certification of Corporate Governance issued by the Institute of Chartered Accountants of India and was limited to the procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on 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 on the basis of our examination described above, 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 **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

R MAHADEVAN
Partner
Membership No.27497

Coimbatore
28.06.2007

AUDITORS' REPORT TO THE MEMBERS OF K G DENIM LIMITED

- 1 We have audited the attached Balance Sheet of **K G DENIM LIMITED** as on 31st March 2007 and also the Profit & Loss Account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 As required by the Companies [Auditor's Report] [Amendment] Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4 Further to our comments in the Annexure referred to above, we report that;
 - (a) We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (e) On the basis of written representations received from the directors as on 31st March 2007 and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31st March 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- 5 In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2007;
 - (b) In the case of Profit & Loss Account, 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.

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

R MAHADEVAN
Partner
Membership No.27497

Coimbatore
28.06.2007

ANNEXURE REFERRED TO IN PARAGRAPH (3) OF OUR REPORT OF EVEN DATE**I. IN RESPECT OF ITS FIXED ASSETS**

- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year discrepancies noticed on such physical verification were not material and have been properly dealt with in books of accounts.
- (c) There were no disposal of substantial part of fixed assets during the year and hence the going concern of the Company is not affected.

II. IN RESPECT OF ITS INVENTORIES

- (a) As explained to us, inventories have been physically verified by the management at regular intervals during the year.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company has maintained proper records of inventories. As explained to us there were no material discrepancies noticed on physical verification of inventories as compared to book records.

III. IN RESPECT OF LOANS, SECURED OR UNSECURED, GRANTED OR TAKEN BY THE COMPANY

The Company has neither taken any loans secured or unsecured, nor has granted any loans secured or unsecured to parties covered in the register maintained under Section 301 of the Companies Act, 1956 and hence sub-clauses (a) to (g) of Clause (iii) are not applicable.

IV. In our opinion and according to the explanations and information given to us, there is adequate internal control system commensurate with the size of the Company and the nature of business for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit no major weakness has been noticed in the internal control system.**V. IN RESPECT OF TRANSACTIONS COVERED UNDER 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 of contracts or arrangements, that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered in the register maintained for the purpose.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register maintained under Section 301 of the Act and exceeding the value of Rupees five lakhs in respect of any party during the year, which have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

VI. During the year the Company has not accepted any deposits from the public and hence the provisions of Section 58A and 58AA of the Companies Act, 1956 and the companies [acceptances of deposit rules 1975] and other relevant provisions of the Companies Act, 1956 are not applicable.**VII. In our opinion, the Company's present internal audit system is commensurate with its size and nature of business.****VIII. We have broadly reviewed the books of accounts maintained by the Company pursuant to the order made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.****IX. IN RESPECT OF STATUTORY DUES:-**

- (a) According to the information and explanations given to us and records examined by us, the Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other statutory dues with the appropriate authorities. According to the

information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at March 31, 2007 for a period of more than six months from the date they became payable.

(b) The following amounts have not been deposited on account of dispute.

Name of Statute	Nature of Dues	Amount under dispute not yet deposited as on 31.3.2007 (Rs.lakhs)	Forum where dispute is pending
The Central Excise Act	Excise duty	11.93	Commissioner of Central Excise Appeals, Salem
The Central Excise Act	Excise duty	72.28	CESTAT, Chennai
Income Tax Act	Income Tax	149.65	ITAT, Chennai.

- X.** The Company does not have any accumulated losses as at 31st March 2007. The Company has not incurred any cash losses during the financial year covered by our audit and 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 financial institutions, banks or debenture holders.
- XII.** During the year, the Company has not granted loans and advances on the basis of the security by way of pledge of shares, debentures and other securities.
- XIII.** In our opinion the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, clause (xiii) of the Companies (Auditors Report) (Amendment) Order 2004 is not applicable to the Company.
- XIV.** In our opinion and according to the information and explanations given to us, proper records have been maintained by the Company in respect of dealing in securities and other investments and timely entries have been made therein in respect of transactions and contracts. The securities and other investments have been held by the Company in its own name. The Company has not undertaken any trading in shares and debentures.
- XV.** According to the information and explanations given to us and the representation made by the management, the Company has given guarantee for loans taken by its subsidiary, Trigger Apparels Limited from Banks for Rs. 350 lakhs. However, the terms and conditions of the guarantee are not prima facie prejudicial to the interest of the Company.
- XVI.** In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- XVII.** According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the company has utilised the funds raised on short term basis for long term investments to the extent of Rs.1410.78 lakhs.
- XVIII.** The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- XIX.** The Company has not raised any debentures during the financial year and hence creation of security in respect of debentures does not arise.
- XX.** The company has not raised any money through a public issue during the year.
- XXI.** Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

R MAHADEVAN
Partner
Membership No.27497

Coimbatore
28.06.2007

K G DENIM LIMITED

BALANCE SHEET AS AT 31st MARCH 2007

PARTICULARS	SCHEDULE	AS AT 31.03.2007	AS AT 31.03.2006
SOURCES OF FUNDS		(Rs.000's)	
SHAREHOLDERS' FUNDS			
Share Capital	1	30 10 96	30 10 96
Reserves & Surplus	2	31 41 21	38 32 79
		<u>61 52 17</u>	<u>68 43 75</u>
LOAN FUNDS			
Secured Loans	3	1 24 09 35	1 15 55 89
Unsecured Loans	4	1 20 95	4 77 71
		<u>1 25 30 30</u>	<u>1 20 33 60</u>
Deferred Tax Liability (Net)		<u>17 41 03</u>	<u>19 27 16</u>
Total		<u>2 04 23 50</u>	<u>2 08 04 51</u>
APPLICATION OF FUNDS			
FIXED ASSETS		5	
Gross Block		2 04 13 07	1 79 19 01
Less : Depreciation		<u>68 63 57</u>	<u>57 64 20</u>
Net Block		1 35 49 50	1 21 54 81
Capital Work in Progress		3 80 53	15 18 16
INVESTMENTS	6	3 36 69	3 36 68
NET CURRENT ASSETS			
Current Assets, Loans & Advances			
Inventories	7	69 44 88	72 71 17
Trade Debtors	8	24 20 01	19 77 46
Cash and Bank Balances	9	6 39 28	8 09 39
Loans & Advances	10	8 94 24	17 78 13
Income Receivable		2 37 42	3 72 21
		<u>1 11 35 83</u>	<u>1 22 08 36</u>
Less : Current Liabilities & Provisions			
Current Liabilities	11	48 18 08	46 59 93
Provisions	12	1 60 97	7 53 57
		<u>61 56 78</u>	<u>67 94 86</u>
Total		<u>2 04 23 50</u>	<u>2 08 04 51</u>
Notes on Accounts	20		

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

R MAHADEVAN
Coimbatore Partner
28th June, 2007 Membership No.27497

KG BAALAKRISHNAN
Executive Chairman

S MUTHUSWAMY
Director & Company Secretary

B SRIRAMULU
Managing Director

B SRIHARI
Managing Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2007

PARTICULARS	SCHEDULE	31.03.2007	31.03.2006
(Rs.000's)			
INCOME			
Sales (Gross/Net)	13	2 08 99 87	2 16 37 18
Increase in Stock	15	3 66 88	13 78 61
		<u>2 12 66 75</u>	2 30 15 79
Other Income	14	7 81 46	2 02 58
		<u>2 20 48 21</u>	<u>2 32 18 37</u>
EXPENDITURE			
Material Cost	16	1 25 95 79	1 07 24 99
Manufacturing Cost	17	31 62 46	31 15 87
Other Operating Expenses	18	44 19 12	52 17 73
		<u>2 01 77 37</u>	<u>1 90 58 59</u>
GROSS PROFIT			
		18 70 84	41 59 78
Less: Financial Charges	19	15 21 07	9 73 15
Depreciation		<u>11 83 82</u>	<u>7 76 99</u>
PROFIT/LOSS FOR THE YEAR			
		-8 34 05	24 09 64
Add : Prior Year Expenses / Income (Net)		20 85	25 45
Less : Preliminary & Issue Expenses		-	3 05
Provision for Current Tax		-	6 50 00
Provision for Fringe Benefit Tax		22 21	30 00
Provision for Wealth Tax		42	46
Provision for Deferred Tax		-1 86 13	1 78 87
Prior Year Taxes		18	19
NET PROFIT/LOSS			
		<u>-6 91 58</u>	<u>15 72 52</u>
Add: Balance Brought forward		22 77 08	7 04 56
Balance Transferred to Balance Sheet			
		<u>15 85 50</u>	<u>22 77 08</u>
Earnings per Share (Basic & Diluted)			
		(3.44)	7.82
Notes on Accounts	20		

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

R MAHADEVAN

Coimbatore
28th June, 2007

Partner
Membership No.27497

KG BAALAKRISHNAN
Executive Chairman

S MUTHUSWAMY

Director & Company Secretary

B SRIRAMULU
Managing Director

B SRIHARI

Managing Director

K G DENIM LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2007

PARTICULARS	31.03.2007	31.03.2006
	(Rs.000's)	
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net profit before tax and extraordinary items	-83405	240964
Adjustments for:		
Depreciation	118382	77699
Profit/Loss on sale of assets	6642	14354
Interest Charges	152107	97315
Operating Profit before working capital changes	193726	430332
Adjustments for:		
Trade and other receivables	-44255	-7492
Inventories	32629	-97648
Loans & Advances	88388	-104233
Income Receivables	13479	-32448
Current Liabilities	-43447	-7303
Cash generated from operations	240520	181208
Cash flow before extraordinary items	240520	181208
Extraordinary items	-4365	-65520
Net cash from operating activities	236155	115688
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Withdrawn / Sale of fixed assets	5486	4601
Acquisitions of fixed assets	-156214	-622088
Investments	-1	-30932
Net cash used in investing activities	-150729	-648419
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from issue of share capital	-	-
Proceeds from long term borrowings	-37056	621965
From Short Term Loan	93462	14514
Bank Borrowings	-6736	4530
Interest paid	-152107	-97314
Dividend paid	-	-11403
Net cash used in financing activities	-102437	532292
Net Increase in cash and cash equivalents	-17011	-439
Cash and cash equivalents as at 1st April, 2006 (Opening Balance)	80939	81378
Cash and cash equivalents as at 31st March, 2007 (Closing Balance)	63928	80939

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

R MAHADEVAN
Coimbatore Partner
28th June, 2007 Membership No.27497

KG BAALAKRISHNAN
Executive Chairman

S MUTHUSWAMY
Director & Company Secretary

B SRIRAMULU
Managing Director

B SRIHARI
Managing Director

**SCHEDULES ANNEXED TO THE BALANCE SHEET AS AT 31ST MARCH, 2007 AND
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007**

PARTICULARS	AS AT 31.03.2007	AS AT 31.03.2006
	(Rs.000's)	
SCHEDULE 1 : SHARE CAPITAL		
Authorised Capital		
31000000 Equity Shares of Rs.10 each	31 00 00	31 00 00
1000000 10% Cumulative Redeemable Preference Shares of Rs.100 each	<u>10 00 00</u>	<u>10 00 00</u>
Issued Capital		
20135750 Equity Shares of Rs.10 each	20 13 58	20 13 58
1000000 10% Cumulative Redeemable Preference Shares of Rs. 100 each	<u>10 00 00</u>	<u>10 00 00</u>
Subscribed and Paid up Capital		
20098350 Equity Shares of Rs.10 each	20 09 84	20 09 84
Add: Forfeited Shares	<u>1 12</u>	<u>1 12</u>
	<u>20 10 96</u>	<u>20 10 96</u>
1000000 10% Cumulative Redeemable Preference Shares of Rs.100 each	<u>10 00 00</u>	<u>10 00 00</u>
	<u>30 10 96</u>	<u>30 10 96</u>
SCHEDULE 2 : RESERVES & SURPLUS		
General Reserve	15 55 71	15 55 71
Surplus in Profit & Loss A/c	<u>15 85 50</u>	<u>22 77 08</u>
	<u>31 41 21</u>	<u>38 32 79</u>
SCHEDULE 3 : SECURED LOANS		
Term Loans:		
Rupee Term Loans	83 41 18	84 22 34
Working Capital Loans from Banks	<u>40 68 17</u>	<u>31 33 55</u>
	<u>1 24 09 35</u>	<u>1 15 55 89</u>
SCHEDULE 4 : UNSECURED LOANS		
From Banks	47 45	1 14 81
India Brand Equity Fund	-	14 72
Inter Corporate Deposits	-	3 00 00
From Others	<u>73 50</u>	<u>48 18</u>
	<u>1 20 95</u>	<u>4 77 71</u>

K G DENIM LIMITED

SCHEDULE 5 : FIXED ASSETS

(Rs. 000's)

Description of Assets	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
	Cost as at 31.3.2006	Additions during the year	Sales/Transfer during the year	Total cost as at 31.3.2007	Up to 31.3.2006	Depreciation for the year	Withdrawn during the year	Up to 31.3.2007	As at 31.3.2007	As at 31.3.2006
Land	31799	3489	-	35288	-	-	-	-	35288	31799
Buildings	220735	29492	-	250227	36022	6769	-	42791	207436	184713
Machinery	1386556	224371	17229	1593698	479000	101659	7348	573311	1020387	907556
Electric Machinery	86925	2320	-	89245	32124	4206	-	36330	52915	54801
Office Equipments	40268	1274	369	41173	20090	3700	360	23430	17743	20178
Furniture & Fittings	6251	1758	-	8009	2753	422	-	3175	4834	3498
Motor Vehicles	19367	7274	2974	23667	6431	1626	737	7320	16347	12936
T o t a l	1791901	269978	20572	2041307	576420	118382	8444	686357	1354950	1215481

Note: Buildings includes Prayer Hall of Rs.57.94 Lakhs in Gross Block, Rs.5.83 Lakhs in Depreciation Block and Rs.52.11 Lakhs in Net Block

WORK IN PROGRESS

Particulars	Opening Balance	Additions	Total	Brought into use	Closing Balance
Buildings	611	31819	32430	29492	2938
Machinery	151205	108281	259486	224371	35115
Total	151816	140100	291916	253863	38053

SCHEDULE 6 : INVESTMENTS (At Cost)

AS AT 31.03.2007 **AS AT 31.03.2006**

Non-Trade Investments - Quoted

(Rs. 000's)

Allahabad Bank

5265 Equity Shares of Rs. 10/- each

4 32

4 32

(Market Value Rs. 4,31,730/-)

Trade Investments - Un Quoted

KG Fabriks Ltd

32,70,000 Equity Shares of Rs. 10/- each

3 27 00

3 27 00

Trigger Apparels Ltd - Wholly owned subsidiary

50,000 Equity Shares of Rs. 10/- each

5 00

5 00

KG Denim (USA) Inc - Wholly owned subsidiary

Common Stock of Shares at no par value

32

31

National Savings Certificate

5

5

3 36 69

3 36 68

SCHEDULE 7 : INVENTORIES

Raw Materials

15 32 71

25 88 39

Process Stock

10 56 30

7 31 35

Finished Goods

37 62 17

33 95 29

Stock of Waste

2 44

9 26

Stock of Stores

5 91 26

5 46 88

(As taken, valued and certified by the Management)

69 44 88

72 71 17

SCHEDULE 8 : TRADE DEBTORS

Unsecured - Considered Good

5 95 15

3 42 66

Outstanding for More than Six Months

18 24 86

16 34 80

Others

24 20 01

19 77 46

PARTICULARS	AS AT 31.03.2007	AS AT 31.03.2006
	(Rs.000's)	
SCHEDULE 9 : CASH AND BANK BALANCES		
Cash and Cheques in Hand	52 04	20 03
Bank Balances (with Scheduled Banks)		
In Current Accounts	1 85 63	4 21 50
In Deposit Accounts	4 01 61	3 67 86
	<u>6 39 28</u>	<u>8 09 39</u>
SCHEDULE 10 : LOANS AND ADVANCES		
Unsecured Considered Good:		
Advances Recoverable in cash or in kind or for Value to be received		
For Capital Goods	57 24	1 43 47
For Materials Purchases	2 69 57	85 35
For Duties & Taxes	98 46	6 77 11
For Subsidy Receivable from Govt Agencies	1 98 87	6 34 43
For Expenses / Others	1 41 43	1 29 82
Advances to Subsidiary Companies	7	-
Deposits	39 29	15 75
Prepaid Expenses	89 31	92 20
	<u>8 94 24</u>	<u>17 78 13</u>
SCHEDULE 11 : CURRENT LIABILITIES		
Creditors for Capital Goods	4 30 36	4 22 03
Creditors for Purchases (Other than SSI)	32 03 06	28 83 81
Creditors for Purchases (For SSI Units)	19 40	11 31
Liability for Expenses	9 59 50	10 00 03
Liability for Other Finances	38 27	1 82 19
Customers Credit Balances	98 67	86 26
Investor Education and Protection Fund shall be credited by the following amount namely @		
Unpaid (Unclaimed) Matured Debentures	42 20	45 42
Unpaid (Unclaimed) Interest on Debentures	26 62	28 88
@ No amount is due as on 31st March 2007 for credit to Investor Education and Protection Fund. The actual amount to be transferred to the fund in this respect will be determined on the respective due dates.		
	<u>48 18 08</u>	<u>46 59 93</u>
SCHEDULE 12 : PROVISIONS		
For Income Tax	39 42	6 50 00
For Wealth Tax	42	46
For Fringe Benefit Tax	22 21	30 00
For Gratuity	98 92	73 11
	<u>1 60 97</u>	<u>7 53 57</u>

K G DENIM LIMITED

PARTICULARS	31.03.2007	31.03.2006
	(Rs.000's)	
SCHEDULE 13 : SALES		
Fabrics	1 82 05 24	1 86 36 08
Garments	23 93 40	27 70 71
Yarn	62 45	77 43
Waste\Others	2 38 78	1 52 96
	<u>2 08 99 87</u>	<u>2 16 37 18</u>
SCHEDULE 14 : OTHER INCOME		
Interest Receipts (TDS - Rs.3,33,899)	35 35	17 85
Interest Subsidy Receipts	3 40 76	49 23
Job Work Receipts (TDS-Rs.5,40,442)	2 86 42	1 01 24
Insurance Claims Received	25 41	9 20
Gain on Forward Contract / Exchange Gain on Export Sales	34 84	2 50
Profit on Sale of Assets	3	8 01
Profit on Sale of Investments	50	-
Dividend Receipts	21	8
Lease Rent Receipts (TDS-Rs.2,97,600)	12 00	-
Miscellaneous Receipts	45 94	14 47
	<u>7 81 46</u>	<u>2 02 58</u>
SCHEDULE 15 : INCREASE IN STOCK		
Closing Stock of Finished Goods	37 62 17	33 95 29
Opening Stock of Finished Goods	33 95 29	20 16 68
	<u>3 66 88</u>	<u>13 78 61</u>
SCHEDULE 16 : MATERIAL COST		
Raw Materials Consumed		
Opening Stock of Raw Materials	25 88 39	34 28 31
Process Stock	3 70 75	4 83 69
Waste	9 26	14 22
	<u>29 68 40</u>	<u>39 26 22</u>
Add: Purchases	63 10 32	67 67 26
	<u>92 78 72</u>	<u>1 06 93 48</u>
Less: Closing Stock of Raw Materials	15 32 71	25 88 39
Process Stock	6 51 45	3 70 75
Waste	2 44	9 26
	<u>70 92 12</u>	<u>77 25 08</u>
Fabrics / Garments Purchases / Consumption		
Opening Process Stock	3 60 60	-
Add : Purchases	26 32 56	8 98 63
	<u>29 93 16</u>	<u>8 98 63</u>
Less : Closing Process Stock	4 04 85	3 60 60
	<u>25 88 31</u>	<u>5 38 03</u>
Chemicals Consumed	20 79 86	17 30 48
Stores Consumed	8 35 50	7 31 40
Total Material Cost	<u>1 25 95 79</u>	<u>1 07 24 99</u>

PARTICULARS	31.03.2007	31.03.2006
	(Rs.000's)	
SCHEDULE 17 : MANUFACTURING COST		
Power and Fuel	14 72 36	9 45 54
Personnel Cost: (Including Managerial Remuneration)		
Salaries, Wages, Incentives, Gratuity etc	8 94 65	13 49 81
Contribution to Provident Fund and Other Funds	46 97	37 40
Employees Welfare Expenditure	1 08 51	87 91
	<u>10 50 13</u>	<u>14 75 12</u>
Repairs and Maintenance		
For Buildings	43 78	81 00
For Machinery	4 66 08	5 03 00
For Others	1 03 67	93 96
For Prayer Hall	26 44	17 25
	<u>6 39 97</u>	<u>6 95 21</u>
Total	<u>31 62 46</u>	<u>31 15 87</u>
SCHEDULE 18 : OTHER OPERATING EXPENSES		
Processing Charges	26 33 46	30 63 79
Rent	68 98	1 05 04
Printing and Stationery	33 28	28 32
Postage, Telegrams and Telephones	1 03 63	92 03
Professional and Legal Charges	44 93	34 05
Auditors' Remuneration	3 16	1 93
Insurance	67 56	98 43
Duties, Taxes and Licences	35 88	63 27
Donations	46	2 28
Travelling Expenses and Maintenance of Vehicles	2 46 73	2 60 68
Brokerage and Commission	3 30 07	3 83 93
Selling Expenses	3 58 47	4 12 61
Advertisements	7 15	10 55
Freight Outwards	3 30 89	4 10 97
Directors Sitting Fees	3 62	1 84
Software Maintenance Expenses	24 50	32 94
Miscellaneous Expenses	59 90	57 74
Loss on Sale of Fixed Assets	66 45	1 51 55
Bad Debts Written Off	-	5 78
	<u>44 19 12</u>	<u>52 17 73</u>
SCHEDULE 19 : FINANCIAL CHARGES		
Interest on:-		
Term Loans	7 93 21	3 59 70
Other Loans	18 12	56 80
Working Capital Loans	5 69 59	3 42 36
Loss on Forward Contract / Fluctuation Foreign Exchange	-	36 55
Bank Charges	1 40 15	1 77 74
	<u>15 21 07</u>	<u>9 73 15</u>

SCHEDULE 20 :**NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2007****1. SIGNIFICANT ACCOUNTING POLICIES****1.1 DISCLOSURE AND BASIS OF ACCOUNTING**

- a) The financial statements have been prepared under the historical cost convention which is in accordance with the generally accepted accounting principles and provisions of the Companies Act, 1956. The Company has complied with the Accounting Standards prescribed by the Institute of Chartered Accountants of India and as referred U/S 211 (3C) of the Companies Act, 1956.
- b) The Company has been consistently following the accrual basis of accounting in respect of its Income and Expenditure.
- c) The Accounts are prepared on the basis of going concern concept.
- d) The presentation of financial statement require estimates and assumptions to be made which affect the reported amount of assets and liabilities on the date of the financial statement and the reported amount of revenue and expenditure during the reporting period.

1.2 VALUATION OF INVENTORIES

Inventories are valued at the lower of cost and net realizable value. Waste stock is valued at net realizable value. The cost formula used for different inventories are as follows.

- i) Cotton - On specific identification basis
- ii) Grey Fabrics, Chemicals, Stores & Spares - At weighted average cost.
- iii) Yarn, Finished Goods & Process Stock - At average cost.

1.3 CASH FLOW STATEMENT

The Cash flow statement is prepared under indirect method as per the Institute of Chartered Accountants of India guidelines.

1.4 CONTINGENT LIABILITY

- a) Contingent liability in respect of show cause notice received are considered only when they are converted into demand.
- b) Contingent liabilities as on 31.03.2007 are disclosed under notes on accounts.

1.5 NET PROFIT FOR THE PERIOD AND PRIOR PERIOD ITEMS

- a) All items of income and expenses pertaining to the year are included in arriving at the net profit for the period unless specifically mentioned elsewhere in the financial statement or as required by Accounting Standards.
- b) Prior period items are disclosed separately in the Profit & Loss Account

1.6 DEPRECIATION ACCOUNTING

Depreciation on fixed assets has been provided under straight line method at the rates prescribed in Schedule XIV of the Companies Act,1956. The Company uses both continuous process machines and general plant & machinery and other assets for which the respective applicable rates of depreciation as prescribed under Schedule XIV have been adopted.

1.7 RESEARCH AND DEVELOPMENT

Research and Development cost are charged to revenue in the year which its arises.

1.8 REVENUE RECOGNITION

- a) Revenue from sale transactions is recognized as and when the property in the goods sold is transferred to the buyer for a definite consideration and there is no uncertainty regarding the amount of consideration or collectability.
- b) Sales are reported at net of Sales Tax and Cess.
- c) Export sales are accounted inclusive of export benefits.
- d) Export incentives under DEPB license are accounted on accrual basis.
- e) Other incomes are also accounted on accrual basis.

1.9 ACCOUNTING FOR FIXED ASSETS

Fixed Assets are stated at cost of acquisition and / or construction. All costs relating to acquisition and installation of fixed assets are capitalized. Pre - operative expenses of new expansion Textile Processing Project are capitalised.

1.10 FOREIGN CURRENCY / CONVERSION / TRANSACTIONS

The export sales are converted at rates prevailing on the date of transaction, on the date of negotiation of export bills which approximates the actual rate prevailing on the date of the transaction and/or at forward contract rate, as the case may be. Foreign Currency liabilities are converted at the exchange rate prevailing on the last working day of the accounting year and/or on the forward Contractual rate, if so applicable. The net variation arising on account of such conversion in case of liabilities incurred for acquisition of fixed assets and other variations are charged to the statement of profit and loss. Monetary assets are converted at the exchange rate prevailing on the last day of the accounting year.

1.11 ACCOUNTING FOR INVESTMENTS

Long term investments are shown at cost. Permanent diminution in value, if any, will be written off in the year of diminution.

1.12 ACCOUNTING FOR EMPLOYEE RETIREMENT BENEFITS

- a) Contribution to Provident Fund has been made to the respective authorities.
- b) Gratuity liability as per the Actuarial Valuation has been provided in the accounts.

1.13 BORROWING COSTS

Borrowing costs that are attributable to the acquisition of construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

1.14 SEGMENT REPORT

Segment reporting is made in the notes on accounts as per Institute of Chartered Accountants of India guidelines for better understanding of the performance, assess the risks and returns of the enterprise.

1.15 RELATED PARTY DISCLOSURES

The related party transactions are disclosed in the notes on accounts as per the Institute of Chartered Accountants of India guidelines.

1.16 EARNING PER SHARE

The Earnings considered in ascertaining the Company's earnings per share comprises of Net Profit after tax and includes post tax adjustments prior period and extra-ordinary items.

1.17 ACCOUNTING FOR TAXES ON INCOME

Deferred tax arising out of timing differences between book and tax profits is accounted under liability method at current rate of tax to the extent the timing difference is to be crystallized.

1.18 RECOGNITION OF IMPAIRMENT OF ASSETS

The company recognises impairment losses in the year in which the assets are identified as impaired: Impairment losses are measured as the excess of carrying amount of an asset over its recoverable amount. The recoverable amount of an asset is the higher of an asset's net selling price and its value in use.

2 NOTES ON ACCOUNTS

2.1 CONTINGENT LIABILITY

	(Rs 000's) 2006 – 2007	(Rs 000's) 2005 – 2006
a) Bills discounted with banks	11 87 72	15 12 72
b) Arrears of dividend on preference shares	2 00 00	1 00 00
c) Contracts remaining to be executed in Capital Account	24 93	15 28 36
d) Disputed Taxes and Duties	2 33 85	1 33 37
e) Guarantees given to Bank for loan to subsidiary	3 50 00	-

- 2.2 (i) The Cumulative Redeemable Preference Shares are redeemable at par. However, the Company has sought further time from the holders for reschedulement of the instalments. The Cumulative Redeemable Preference Shares carry dividend rate of 10 % from 01.07.2003.

(ii) BANK BORROWINGS

- a) Term Loans from Indian Bank, Bank of India and Indian Overseas Bank are secured by a first pari passu charge on all plant and machineries, including machineries and other movable fixed assets acquired for the Expansion cum Diversification Scheme (ECDS), through Deed of Hypothecation and a pari passu first charge on all immovable properties situated in 102.1897 acres of land at Jadayampalayam, Alangombu and Karamadai villages in Mettupalayam Taluk, Coimbatore District, Tamil Nadu and 2155.62 sq. meters of land at Amdha Village, Dharampur Taluk, Valsad District, Gujarat through equitable mortgage created with Indian Bank. Term loan from Indian Bank and Bank of India is further secured by a second pari passu charge on the current assets.

Term Loan from Allahabad Bank is secured by a first pari passu charge on plant and machineries and other movable fixed assets, other than those acquired for the Expansion cum Diversification Scheme (ECDS), through Deed of Hypothecation and a pari passu first charge on immovable properties situated in 53.6025 acres of land at Jadayampalayam Village, Mettupalayam Taluk, Coimbatore District, Tamil Nadu and 2155.62 sq. meters of land at Amdha Village, Dharampur Taluk, Valsad District, Gujarat State through equitable mortgage created with Indian Bank.

Term Loans from State Bank of Hyderabad and State Bank of Indore are secured by a first pari passu on all plant and machineries and other movable fixed assets acquired for the Expansion cum Diversification Scheme (ECDS) through Deed of Hypothecation and a pari passu first charge on immovable properties situated in 48.5872 acres of land at Jadayampalayam, Alangombu and Karamadai Villages in Mettupalayam Taluk, Coimbatore District, Tamil Nadu.

Indian Bank is holding the original title deeds on its own behalf and on behalf of other Banks. Term Loans are also guaranteed by Executive Chairman Shri KG Baalakrishnan.

- b) Working capital facilities from Indian Bank Consortium (Indian Bank, Bank of India, Allahabad Bank and State Bank of India) are secured by a first pari passu charge on the whole of the current assets and second pari passu charge on all the immovable properties and plant and machineries. These are also guaranteed by Shri KG Baalakrishnan.

	2006-2007 (Rs.000's)	2005-2006 (Rs.000's)
c) Personal guarantees given by Promoter Shri KG Baalakrishnan for loans obtained by the Company	2 04 90 00	2 45 81 00
d) Future hire purchase charges on vehicle hire purchase loans	73 50	48 18

2.3 Managerial remuneration under Section 198 of the Companies Act, 1956 paid or payable during the financial year

Salaries and allowances (Rs.)	10 68	10 68
Contribution to PF	1 11	1 11
Share of Profit	-	2 79 49
Total	11 79	2 91 28

2.4 Computation of Net Profit in accordance with Section 198 read with Section 309 (5) of the Companies Act, 1956

	2006-2007	2005-2006
	(Rs.000's)	(Rs.000's)
Profit/Loss before Taxation	-83405	240964
Add : Depreciation as per Accounts	118382	77699
Loss on Sale of Fixed Assets	6645	15155
Bad debts written off	-	578
Other written off	-	2408
Managerial Remuneration	1179	29128
	42801	365932
Less: Depreciation as per Section 350 of Companies Act, 1956	118382	77699
Profit on sale of Fixed assets	-	800
Prior year & Preliminary Expenses	2085	305
Net Profit/Loss for the year	-77649	287128
Share of Profit @ 9% for Executive Chairman/Managing Director on Net Profit of the year	-	25842
Shri KG Baalakrishnan	-	7850
Shri B Sriramulu	-	8614
Shri B Srihari	-	8614
Share of Profit @ 1% for Non-Executive Director on Net Profit of the year	-	2871
Other Executive Directors(Minimum Remuneration)	1179	1179
Total Managerial Remuneration	1179	29128

2.5 Licensed and Installed Capacities :

Licensed Capacity :	NA	NA
Installed Capacity : Looms	185 Looms	197 Looms
Stenters	3 Nos	3 Nos

2.6 Particulars of Production, Sales & Stock
Particulars of Production :

Cloth (Mtrs)	2 02 48 352	1 99 32 352
* Waste (Kgs.)	16 39 985	24 59 201
** Garments (Nos.)	5 73 404	7 20 548

Note : * Waste Production is net of issue of reused waste in cotton/yarn/fabrics for production.

** Converted on job work basis by outsiders

2.7 Particulars of Sales:

	Qty	2006-2007	Qty	2005-2006
		Amount		Amount
		(Rs.000's)		(Rs.000's)
Cloth Mtrs.	1 95 80 167	1 82 05 24	1 73 35 293	1 86 36 08
Yarn Kgs.	96 303	62 45	1 34 650	77 43
Waste* Kgs.	16 67 524	2 38 78	24 82 065	1 52 96
Garments Nos.	6 79 150	23 93 40	7 97 128	27 70 71
		2 08 99 87		2 16 37 18

* includes samples and loss

2.8 Particulars of Opening Stock:

Cloth Mtrs.	31 48 286	27 53 16	14 41 905	12 70 77
Garments Nos.	1 77 071	4 79 56	2 46 900	6 72 55
Garment in process	-	1 62 57	-	73 36
		33 95 29		20 16 68
Waste Kgs.	60 741	9 26	83 605	14 22
		34 04 55		20 30 90

K G DENIM LIMITED

	2006-2007		2005-2006	
	Qty	Amount (Rs.000's)	Qty	Amount (Rs.000's)
2.9 Particulars of Closing Stock:				
Cloth Mtrs.	38 16 471	34 63 15	31 48 286	27 53 16
Garments Nos.	84 921	1 96 33	1 77 071	4 79 56
Garment in process		1 02 69		1 62 57
		<u>37 62 17</u>		<u>33 95 29</u>
Waste Kgs.	33 202	2 44	60 741	9 26
		<u>37 64 61</u>		<u>34 04 55</u>
2.10 Particulars of Purchases:				
* Cloth Mtrs.		41 98		4 44 22
Garments Nos.	13 596	61 00	6 751	10 73
		<u>1 02 98</u>		<u>4 54 95</u>
* Subject to further processing and included in production.				
2.11 Raw Materials Consumed				
Cotton Kgs	69 65 254	36 48 37	1 14 14 782	59 02 54
Yarn Kgs	37 77 960	34 43 75	16 35 485	18 22 54
Fabric Mtrs.	46 00 734	25 88 31	7 52 898	5 38 03
2.12 Consumption				
	%	(Rs.000's)	%	(Rs.000's)
Raw Materials - Imported	25	17 39 95	13	9 88 45
Indigenous	75	53 52 17	87	67 36 63
	<u>100</u>	<u>70 92 12</u>	<u>100</u>	<u>77 25 08</u>
Fabric consumed - Indigenous	100	25 88 31	100	5 38 03
Chemicals - Imported	23	4 85 15	40	6 88 88
Indigenous	77	15 94 71	60	10 41 60
	<u>100</u>	<u>20 79 86</u>	<u>100</u>	<u>17 30 48</u>
Stores & Spares - Imported	25	2 08 25	18	1 30 24
Indigenous	75	6 27 25	82	6 01 16
	<u>100</u>	<u>8 35 50</u>	<u>100</u>	<u>7 31 40</u>
2.13 Value of Imports on CIF basis				
I Raw Materials		19 69 05		6 37 38
II Chemicals		5 60 41		6 14 09
III Spares & Components		2 08 25		1 65 94
IV Capital Goods		7 25 15		42 05 61
		<u>34 62 87</u>		<u>56 23 02</u>

2.14 Expenditure in Foreign Currency
(Rs.000's)
(Rs.000's)

Particulars	2006-2007	2005-2006
Commission	2 16 31	1 44 74
Advertisement and Trade Fair	22 25	12 32
Travelling etc.,	33 92	28 07
Processing Charges	80	-
Testing Charges	10 79	9
	2 84 07	1 85 22

2.15 Earnings in Foreign Currency (FOB)

Export of goods on Direct Export

87 28 36
81 57 53
2.16 Auditors Remuneration

For Audit	1 35	84
For Tax Audit	56	44
For Other Services	1 25	65
	3 16	1 93

2.17 The segmental reporting as required under AS-17 issued by the Institute of Chartered Accountants of India is as below:

No.	Particulars	(Rs.000's) Year ended 31.03.2007	(Rs.000's) Year ended 31.03.2006
1	Segment Revenue		
	(a) Fabrics Division	1930446	2086824
	(b) Apparel Division	239340	176983
		2169786	2263807
	Less: Inter Segment Revenue	79899	100089
	Add : Other Income	44069	20258
	Net Sales/Income from Operations	2133956	2183976
2	Segment Results		
	Profit/ Loss before Interest and Tax		
	(a) Fabrics Division	49719	374042
	(b) Apparel Division	-15094	-35764
	Total	34625	338278
	Less : Interest	118031	97314
	Extraordinary Items	2083	-2240
	Profit / Loss before Tax	-85489	243204
3	Capital Employed (Segment Assets - Segment Liabilities)		
	(a) Fabrics Division	1918035	1938871
	(b) Apparel Division	124315	141580
	Total	2042350	2080451

K G DENIM LIMITED

2.18 Accounting Standard (AS) - 18 on "Related Party Disclosure"

(Rs.000's)

Particulars	2006-2007				2005-2006			
	Subsidiary	Associates	Key Management Personnel	Relative of Key Management Personnel	Subsidiary	Associates	Key Management Personnel	Relative of key Management Personnel
Purchase of goods	-	17198	-	-	-	23599	-	-
Sale of goods	108194	16468	-	-	13706	7589	-	-
Conversion								
Charges paid	-	211463	-	-	-	283311	-	-
Processing								
Charges paid	-	389	-	-	-	-	-	-
Service								
Charges paid	-	2450	-	-	-	3456	-	-
Investments	-	-	-	-	501	-	-	-
Managerial								
Remuneration	-	-	1179	-	-	-	1179	-
Share of Profit	-	-	-	-	-	-	25078	2871

2.19 Balance outstanding as on 31.03.2007

Particulars	2006-2007				2005-2006			
	Subsidiary	Associates	Key Management Personnel	Relative of Key Management Personnel	Subsidiary	Associates	Key Management Personnel	Relative of key Management Personnel
Debtors	70087	8180	-	-	13600	8247	-	-
Creditors	-	52547	-	-	-	45067	7782	1823

2.20 NOTE :

Subsidiary	Trigger Apparels Limited KG Denim (USA) Inc
Associates	Sri Kannapiran Mills Limited Sri Balamurugan Textile Processing Limited KG Fabriks Limited Enterprise Telesys Limited
Key Management Personnel	Shri KG Baalakrishnan Shri B Sriramulu Shri B Srihari Shri S Muthuswamy Shri A Velusamy
Relative of Key Management Personnel	Smt T Anandhi (Daughter of Shri KG Baalakrishnan)

2.21 Major Components of Deferred Tax Assets and Deferred Tax Liabilities

(Rs.000's)

Particulars	2006-07		2005-06	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Difference between value of Depreciation as per books of account and for tax purpose.	-	212290	-	194216
Disallowance under IT Act and to be claimed in subsequent years	-	-	1500	-
Carried forward loss	38187	-	-	-
Total	38187	212290	1500	194216
Net Deferred tax Liability	-	174103	-	192716

2.22 Prior Year Income / Expense (net) in Profit and Loss account consist of provision for expenses no longer required writtenback Rs.17.68 Lakhs (Previous Year Rs.39.59 Lakhs) and expenses of Prior year amounting to Rs.38.53 Lakhs (Previous Year Rs.14.14 Lakhs).

2.23 a. Outstanding as referred to in Schedule 11 under Current Liability to Small Scale Industrial units is complied on the information made available to the Company. (Includes dues of Rs.13.51 Lakhs of more than 30 days and exceeding Rs.1.00 Lakh to the following parties: Eswar Industries Rs.2.17 Lakhs, Rajalakshmi & Co Rs.5.24 Lakhs, Sri Abirami Tubes & Cores Rs.2.66 Lakhs, Nava Bharath Industries Rs.1.40 Lakhs and Kovai Cartons Rs.2.04 Lakhs).

b. In the absence of necessary information with the company, relating to the registration status of suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 the information required under the said Act could not be complied and disclosed.

2.24 The company has assessed the recoverable value of its assets which is higher than the carrying value, hence provision for impairment does not arise for the period.

2.25 Since 11.07.2004 the company has opted for full excise duty exemption. Hence no liability for duty arises and no Cenvat benefit claimed on inputs. The opening and closing stock consequently does not bear any liability for excise duty.

2.26 The Company has not used any derivative instruments. The foreign currency exposures that are not hedged by derivative instruments are :-

(Rs.000's)

	31.03.2007	31.03.2006
Debtors	3071	9076
Creditors	28343	28456
Bank Balances	520	533

2.27 Previous year's figures have been regrouped wherever necessary.

2.28 Figures have been rounded off to the nearest thousands

As per our report of even dated

 For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

R MAHADEVAN

 Coimbatore Partner
28th June, 2007 Membership No.27497

KG BAALAKRISHNAN
Executive Chairman

S MUTHUSWAMY

Director & Company Secretary

B SRIRAMULU
Managing Director

B SRIHARI

Managing Director

K G DENIM LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

Registration No. 1 8 1 - 3 7 9 8 State Code 1 8

Balance Sheet Date 31st March 2007

II Capital Raised during the year (Rs. 000's)

Public Issue N I L Rights Issue N I L

Bonus Issue N I L Private Placement N I L

III Position of Mobilisation and Deployment of Funds (Rs. 000's)

Total Liabilities 2 0 4 2 3 5 0 Total Assets 2 0 4 2 3 5 0

Sources of Funds Application of Funds :
Paid-up Capital 3 0 1 0 9 6 Net Fixed Assets 1 3 5 4 9 5 0

Reserves & Surplus 3 1 4 1 2 1 Capital Work -in- Progress 3 8 0 5 3

Deferred Tax Liability (Net) 1 7 4 1 0 3 Net Current Assets 6 1 5 6 7 8

Secured Loans 1 2 4 0 9 3 5 Investments 3 3 6 6 9

Unsecured Loans 1 2 0 9 5 Misc. Expenditure N I L

IV Performance of Company (Rs.000's)

Turnover 2 0 8 9 9 8 7 Total Expenditure 2 1 7 5 4 7 6

Profit/Loss Before Tax - 8 5 4 8 9 Profit/Loss After Tax - 6 9 1 5 8

Earnings per Share (EPS) in Rs - 3 . 4 4 Dividend Rate % N I L

V Generic names of three principal products/Services of Company (as per Monetary Terms)

Item Code No. (ITC Code)	Product Description
5 2 0 9 4 2 0 0	DENIM FABRICS
5 2 0 9 4 3 9 0	COTTON WOVEN FABRICS
5 2 0 9 3 1 9 0	100% COTTON FABRICS

As per our report of even dated

For GOPALAIYER AND SUBRAMANIAN Chartered Accountants R MAHADEVAN Partner Coimbatore 28th June, 2007 Membership No.27497	KG BAALAKRISHNAN Executive Chairman S MUTHUSWAMY Director & Company Secretary	B SRIRAMULU Managing Director B SRIHARI Managing Director
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Statement Pursuant to Section 212 of the Companies Act, 1956 Relating to Subsidiary Company

1	Name of Subsidiary Company	Trigger Apparels Ltd.	KG Denim (USA) Inc.
2	The Financial Year of the Subsidiary Companies ended on	31.03.2007	31.03.2007
3	Date from which they became Subsidiary Companies	07.09.2005	06.07.2005
4	a Number of shares held by K G Denim Ltd. in the Subsidiary as at the end of the financial year of the Subsidiary	50000 Equity Shares @ Rs 10/- each	700 Nos shares of Common Stock with no par value
	b Extent of Interest of holding Company at the end of the financial year of the Subsidiary Companies	100%	100%
5	Net Aggregate amount, so far as it concerns members of K G Denim Ltd and is not dealt with in the Company's accounts, of the Subsidiary's Profit/Losses		
	a. Profit for the Subsidiary's Financial Year ended 31st March, 2007	Rs.5,58,924/-	Nil
	b Profit for the previous years of the Subsidiary since it became the Subsidiary of K G Denim Ltd	Rs.5,26,060/-	Nil
6	Net aggregate amount of the profits \losses of the Subsidiary, so far as those profits\lossess are dealt with, or provision is made for those lossess in K G Denim Ltd's account		
	a For the Subsidiary's financial year ended on 31st March, 2007	Nil	Nil
	b For its previous financial years since it became the Subsidiary of K G Denim Ltd	Nil	Nil

CONSOLIDATED FINANCIAL STATEMENTS K G DENIM LIMITED

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF K G DENIM LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF K G DENIM LIMITED AND ITS SUBSIDIARIES

- 1 We have audited the attached Consolidated Balance Sheet of **K G DENIM LIMITED** and its subsidiaries as on 31st March 2007 and also the Consolidated Profit & Loss Account for the year ended on that date annexed thereto and the consolidated cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
- 2 We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard - 21 'Consolidated Financial Statement' issued by the Institute of Chartered Accountants of India, on the basis of the individual financial statements of K G Denim Limited and its subsidiary companies included in the aforesaid consolidation.
- 4 Out of the two subsidiary companies, we have conducted the audit of Trigger Apparels Limited. As regards KG Denim (USA) Inc. the another subsidiary, which was incorporated in Delaware USA was not audited. We have been provided with unaudited financial affairs of the KG Denim (USA) Inc. In so far as it relates to the amounts included in respect of the said unaudited subsidiary is based solely on the financial affairs produced by the directors.
- 5 On the basis of the information and explanations given to us and on the consolidation of the separate Audit Reports on individual audited financial statements of K G Denim Limited and one of its subsidiary Trigger Apparels Limited and the unaudited financial statements of affairs of KG Denim (USA) Inc., we report that the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (a) In the case of Consolidated Balance Sheet, of the state of affairs of K G Denim Limited and its subsidiaries as at 31st March 2007;
 - (b) In the case of Consolidated Profit & Loss Account, of the consolidated results of operations of K G Denim Limited and its subsidiaries for the year ended on that date; and
 - (c) In the case of the consolidated cash flow statement, of the consolidated cash flows of K G Denim Limited and its subsidiaries for the year ended on that date.

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

R MAHADEVAN
Partner

Coimbatore
28.06.2007

Membership No.27497

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2007

PARTICULARS	SCHEDULE	AS AT 31.03.2007	AS AT 31.03.2006
		(Rs.000's)	
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	30 10 96	30 10 96
Reserves & Surplus	2	31 52 06	38 38 06
		<u>61 63 02</u>	<u>68 49 02</u>
LOAN FUNDS			
Secured Loans	3	1 27 25 24	1 15 55 89
Unsecured Loans	4	1 23 80	4 77 71
		<u>1 28 49 04</u>	<u>1 20 33 60</u>
Deferred Tax Liability (Net)		<u>17 41 64</u>	<u>19 27 16</u>
Total		<u>2 07 53 70</u>	<u>2 08 09 78</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
	5		
Gross Block		2 04 18 76	1 79 19 01
Less : Depreciation		<u>68 63 87</u>	<u>57 64 20</u>
Net Block		1 35 54 89	1 21 54 81
Capital Work in Progress		3 80 53	15 18 16
INVESTMENTS	6	3 31 37	3 31 37
NET CURRENT ASSETS			
Current Assets, Loans & Advances			
Inventories	7	77 56 99	73 00 78
Trade Debtors	8	20 90 67	20 23 51
Cash and Bank Balances	9	6 44 46	8 45 96
Loans & Advances	10	10 32 92	17 89 04
Income Receivable		2 37 42	3 72 21
		<u>1 17 62 46</u>	<u>1 23 31 50</u>
Less : Current Liabilities & Provisions			
Current Liabilities	11	51 01 15	47 67 29
Provisions	12	1 74 79	7 59 08
		<u>64 86 52</u>	<u>68 05 13</u>
MISCELLANEOUS EXPENDITURE	13	39	31
(To the extent not written off or adjusted)			
Total		<u>2 07 53 70</u>	<u>2 08 09 78</u>
Notes on Accounts	21		

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

R MAHADEVAN
Coimbatore Partner
28th June, 2007 Membership No.27497

KG BAALAKRISHNAN
Executive Chairman

S MUTHUSWAMY
Director & Company Secretary

B SRIRAMULU
Managing Director

B SRIHARI
Managing Director

CONSOLIDATED FINANCIAL STATEMENTS K G DENIM LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2007

PARTICULARS	SCHEDULE	31.03.2007	31.03.2006
(Rs.000's)			
INCOME			
Sales (Gross/Net)	14	2 22 70 46	2 18 91 60
Increase in Stock	16	<u>6 56 35</u>	<u>14 08 22</u>
		2 29 26 81	2 32 99 82
Other Income	15	<u>7 82 05</u>	<u>2 02 66</u>
		<u>2 37 08 86</u>	<u>2 35 02 48</u>
EXPENDITURE			
Material Cost	17	1 34 96 28	1 09 40 20
Manufacturing Cost	18	32 61 74	31 41 22
Other Operating Expenses	19	<u>50 46 72</u>	<u>52 50 24</u>
		<u>2 18 04 74</u>	<u>1 93 31 66</u>
GROSS PROFIT		<u>19 04 12</u>	<u>41 70 82</u>
Less: Financial Charges	20	15 33 99	9 73 25
Depreciation		<u>11 84 12</u>	<u>7 76 99</u>
PROFIT / LOSS FOR THE YEAR		<u>-8 13 99</u>	<u>24 20 58</u>
Add : Prior Year Income / Expenses (Net)		21 48	25 45
Less : Preliminary & Issue Expenses		-	3 21
Provision for Current Tax		7 49	6 53 80
Provision for Fringe Benefit Tax		28 54	31 71
Provision for Wealth Tax		42	46
Provision for Deferred Tax		-1 85 52	1 78 87
Prior Year Taxes		<u>-40</u>	<u>19</u>
NET PROFIT / LOSS		<u>-6 86 00</u>	<u>15 77 79</u>
Add: Balance Brought forward		<u>22 82 35</u>	<u>7 04 56</u>
Balance Transferred to Balance Sheet		<u>15 96 35</u>	<u>22 82 35</u>
Earnings per Share (Basic & Diluted)		(3.40)	7.85
Notes on Accounts	21		

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

R MAHADEVAN

Coimbatore
28th June, 2007

Partner

Membership No.27497

KG BAALAKRISHNAN
Executive Chairman

S MUTHUSWAMY

Director & Company Secretary

B SRIRAMULU
Managing Director

B SRIHARI

Managing Director

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2007

PARTICULARS	31.03.2007	31.03.2006
(Rs.000's)		
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net profit / loss before tax and extraordinary items	-81399	242058
Adjustments for:		
Depreciation	118412	77699
Profit/Loss on sale of assets	6642	14354
Interest/Charges	153398	97325
Operating Profit before working capital changes	197053	431436
Adjustments for:		
Trade and other receivables	-63201	-25698
Inventories	-45621	-100609
Loans & Advances	75603	-105323
Income Receivables	13479	-32448
Current Liabilities	31441	17570
Cash generated from operations	208755	184928
Cash flow before extraordinary items	208755	184928
Extraordinary items	-5753	-66771
Net cash from operating activities	203002	118157
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Withdrawn / Sale of fixed assets	5486	4601
Acquisitions of fixed assets	-156783	-622088
Investments	-1	-30932
Net cash used in investing activities	-151298	-648419
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from issue of share capital	-	410
Proceeds from long term borrowings	-37056	622655
From Short Term Loan	93747	14514
Bank Borrowings	24853	4530
Interest paid	-153398	-97325
Dividend paid	-	-11403
Net cash used in financing activities	-71854	533381
Net Increase in cash and cash equivalents	-20150	3118
Cash and cash equivalents as at 1st April, 2006 (Opening Balance)	84596	81478
Cash and cash equivalents as at 31st March, 2007 (Closing Balance)	64446	84596

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

R MAHADEVAN
Partner
Coimbatore
28th June, 2007
Membership No.27497

KG BAALAKRISHNAN
Executive Chairman

S MUTHUSWAMY
Director & Company Secretary

B SRIRAMULU
Managing Director

B SRIHARI
Managing Director

CONSOLIDATED FINANCIAL STATEMENTS K G DENIM LIMITED

SCHEDULES ANNEXED TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007 AND CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

PARTICULARS	AS AT 31.03.2007	AS AT 31.03.2006
	(Rs.000's)	
SCHEDULE 1 : SHARE CAPITAL		
Authorised Capital		
31000000 Equity Shares of Rs.10 each	31 00 00	31 00 00
1000000 10% Cumulative Redeemable Preference Shares of Rs.100 each	10 00 00	10 00 00
Issued Capital		
20135750 Equity Shares of Rs.10 each	20 13 58	20 13 58
1000000 10% Cumulative Redeemable Preference Shares of Rs.100 each	10 00 00	10 00 00
Subscribed and Paid up Capital		
20098350 Equity Shares of Rs.10 each	20 09 84	20 09 84
Add: Forfeited Shares	1 12	1 12
	<u>20 10 96</u>	<u>20 10 96</u>
1000000 10% Cumulative Redeemable Preference Shares of Rs.100 each	10 00 00	10 00 00
	<u>30 10 96</u>	<u>30 10 96</u>
SCHEDULE 2 : RESERVES & SURPLUS		
General Reserve	15 55 71	15 55 71
Surplus in Profit & Loss A/c	15 96 35	22 82 35
	<u>31 52 06</u>	<u>38 38 06</u>
SCHEDULE 3 : SECURED LOANS		
Term Loans:		
Rupee Term Loans	83 41 18	84 22 34
Working Capital Loans from Banks	43 84 06	31 33 55
	<u>1 27 25 24</u>	<u>1 15 55 89</u>
SCHEDULE 4 : UNSECURED LOANS		
From Banks	50 30	1 14 81
India Brand Equity Fund	-	14 72
Inter Corporate Deposits	-	3 00 00
From Others	73 50	48 18
	<u>1 23 80</u>	<u>4 77 71</u>

SCHEDULE 5 : FIXED ASSETS

(Rs. 000's)

Description of Assets	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
	Cost as at 31.3.2006	Additions during the year	Sales/Transfer during the year	Total cost as at 31.3.2007	Up to 31.3.2006	Depreciation for the year	Withdrawn during the year	Up to 31.3.2007	As at 31.3.2007	As at 31.3.2006
Land	31799	3489	-	35288	-	-	-	-	35288	31799
Buildings	220735	29492	-	250227	36022	6769	-	42791	207436	184713
Machinery	1386556	224371	17229	1593698	479000	101659	7348	573311	1020387	907556
Electric Machinery	86925	2395	-	89320	32124	4206	-	36330	52990	54801
Office Equipments	40268	1768	369	41667	20090	3730	360	23460	18207	20178
Furniture & Fittings	6251	1758	-	8009	2753	422	-	3175	4834	3498
Motor Vehicles	19367	7274	2974	23667	6431	1626	737	7320	16347	12936
T o t a l	1791901	270547	20572	2041876	576420	118412	8444	686387	1355489	1215481

WORK IN PROGRESS

Particulars	Opening Balance	Additions	Total	Brought into use	Closing Balance
Buildings	611	31819	32430	29492	2938
Machinery	151205	108281	259486	224371	35115
Total	151816	140100	291916	253863	38053

SCHEDULE 6 : INVESTMENTS (At Cost)

AS AT 31.03.2007 AS AT 31.03.2006

Non Trade Investments - Quoted		(Rs. 000's)
Allahabad Bank		
5265 Equity Shares of Rs. 10/- each (Market Value Rs. 4,31,730/-)	4 32	4 32
Trade Investments - Un Quoted		
KG Fabriks Ltd		
32,70,000 Equity Shares of Rs. 10/- each	3 27 00	3 27 00
National Savings Certificate	5	5
	<u>3 31 37</u>	<u>3 31 37</u>

SCHEDULE 7 : INVENTORIES

Raw Materials	16 37 31	25 88 39
Process Stock	13 89 16	7 31 35
Finished Goods	40 81 25	34 24 90
Stock of Waste	2 44	9 26
Stock of Stores	6 46 83	5 46 88
(As taken, valued and certified by the Management)	<u>77 56 99</u>	<u>73 00 78</u>

SCHEDULE 8 : TRADE DEBTORS

Unsecured - Considered Good	6 11 68	3 42 66
Outstanding for More than Six Months	14 78 99	16 80 85
Others	<u>20 90 67</u>	<u>20 23 51</u>

CONSOLIDATED FINANCIAL STATEMENTS K G DENIM LIMITED

PARTICULARS	AS AT 31.03.2007	AS AT 31.03.2006
	(Rs.000's)	
SCHEDULE 9 : CASH AND BANK BALANCES		
Cash and Cheques in Hand	56 23	20 91
Bank Balances (with Scheduled Banks)		
In Current Accounts	1 86 62	4 57 19
In Deposit Accounts	4 01 61	3 67 86
	<u>6 44 46</u>	<u>8 45 96</u>
SCHEDULE 10 : LOANS AND ADVANCES		
Unsecured Considered Good:		
Advances Recoverable in cash or in kind or for value to be received		
For Capital Goods	62 84	1 43 47
For Materials Purchases	3 54 61	85 35
For Duties & Taxes	1 23 73	6 77 11
For Subsidy Receivable from Govt Agencies	1 98 87	6 34 43
For Expenses/Others	1 64 24	1 37 89
Deposits	39 32	15 75
Prepaid Expenses	89 31	95 04
	<u>10 32 92</u>	<u>17 89 04</u>
SCHEDULE 11 : CURRENT LIABILITIES		
Creditors for Capital Goods	4 30 36	4 22 03
Creditors for Purchases (Other than SSI)	33 14 82	29 50 49
Creditors for Purchases (For SSI Units)	19 40	11 31
Liability for Expenses	9 88 70	10 12 71
Liability for Other Finances	1 19 74	1 86 98
Customers Credit Balances	1 59 31	1 09 47
Investor Education and Protection Fund shall be credited by the following amount namely @		
Unpaid (Unclaimed) Matured Debentures	42 20	45 42
Unpaid (Unclaimed) Interest on Debentures	26 62	28 88
@ No amount is due as on 31st March 2007 for credit to Investor Education and Protection Fund. The actual amount to be transferred to the fund in this respect will be determined on the respective due dates.	<u>51 01 15</u>	<u>47 67 29</u>
SCHEDULE 12 : PROVISIONS		
For Income Tax	46 91	6 53 80
For Wealth Tax	42	46
For Fringe Benefit Tax	28 54	31 71
For Gratuity	98 92	73 11
	<u>1 74 79</u>	<u>7 59 08</u>
SCHEDULE 13 : MISCELLANEOUS EXPENDITURE		
To the extent not written off or adjusted	39	31

PARTICULARS	31.03.2007	31.03.2006
	(Rs.000's)	
SCHEDULE 14 : SALES		
Fabrics	1 82 05 24	1 86 36 08
Garments	37 63 99	30 25 13
Yarn	62 45	77 43
Waste\Others	2 38 78	1 52 96
	<u>2 22 70 46</u>	<u>2 18 91 60</u>
SCHEDULE 15 : OTHER INCOME		
Interest Receipts (TDS - Rs.3,33,899)	35 35	17 85
Interest Subsidy Receipts	3 40 76	49 23
Job Work Receipts (TDS-Rs.5,40,442)	2 86 42	1 01 24
Insurance Claims Received	25 41	9 20
Gain on Forward Contract/Exchange Gain on Export Sales	34 84	2 50
Profit on Sale of Assets	3	8 01
Profit on Sale of Investments	50	-
Dividend Receipts	21	8
Lease Rent Receipts (TDS-Rs.2,97,600)	12 00	-
Miscellaneous Receipts	46 53	14 55
	<u>7 82 05</u>	<u>2 02 66</u>
SCHEDULE 16 : INCREASE IN STOCK		
Closing Stock of Finished Goods	40 81 25	34 24 90
Opening Stock of Finished Goods	34 24 90	20 16 68
	<u>6 56 35</u>	<u>14 08 22</u>
SCHEDULE 17 : MATERIAL COST		
Raw Materials Consumed		
Opening Stock of Raw Materials	25 88 39	34 28 31
Process Stock	3 70 75	4 83 69
Waste	9 26	14 22
	<u>29 68 40</u>	<u>39 26 22</u>
Add: Purchases	71 00 00	67 67 26
	<u>1 00 68 40</u>	<u>1 06 93 48</u>
Less: Closing Stock of Raw Materials	16 37 31	25 88 39
Process Stock	9 84 31	3 70 75
Waste	2 44	9 26
	<u>74 44 34</u>	<u>77 25 08</u>
Fabrics / Garments Purchases / Consumption		
Opening Process Stock	3 60 60	-
Add : Purchases	29 42 06	11 13 84
	<u>33 02 66</u>	<u>11 13 84</u>
Less : Closing Process Stock	4 04 85	3 60 60
	<u>28 97 81</u>	<u>7 53 24</u>
Chemicals Consumed	20 79 86	17 30 48
Stores Consumed	10 74 27	7 31 40
Total Material Cost	<u>1 34 96 28</u>	<u>1 09 40 20</u>

CONSOLIDATED FINANCIAL STATEMENTS K G DENIM LIMITED

PARTICULARS	31.03.2007	31.03.2006
	(Rs.000's)	
SCHEDULE 18 : MANUFACTURING COST		
Power and Fuel	14 73 57	9 45 72
Personnel Cost: (Including Managerial Remuneration)		
Salaries, Wages, Incentives, Gratuity etc	9 85 05	13 74 98
Contribution to Provident Fund and Other Funds	46 97	37 40
Employees Welfare Expenditure	1 15 61	87 91
	<u>11 47 63</u>	<u>15 00 29</u>
Repairs and Maintenance		
For Buildings	44 00	81 00
For Machinery	4 66 08	5 03 00
For Others	1 04 02	93 96
For Prayer Hall	26 44	17 25
	<u>6 40 54</u>	<u>6 95 21</u>
Total	<u>32 61 74</u>	<u>31 41 22</u>
SCHEDULE 19 : OTHER OPERATING EXPENSES		
Processing Charges	30 62 06	30 63 79
Rent	86 74	1 05 49
Printing and Stationery	34 40	28 40
Postage, Telegrams and Telephones	1 11 40	94 50
Professional and Legal Charges	53 84	34 05
Auditors' Remuneration	3 50	2 03
Insurance	69 13	98 43
Duties, Taxes and Licences	36 34	63 35
Donations	46	2 28
Travelling Expenses and Maintenance of Vehicles	3 02 18	2 61 41
Brokerage and Commission	3 31 66	3 83 93
Selling Expenses	4 19 60	4 36 18
Advertisements	30 56	13 22
Freight Outwards	3 47 84	4 13 22
Directors Sitting Fees	3 62	1 84
Software Development Expenses	24 63	32 94
Miscellaneous Expenses	62 31	57 85
Loss on Sale of Fixed Assets	66 45	1 51 55
Bad Debts Written Off	-	5 78
	<u>50 46 72</u>	<u>52 50 24</u>
SCHEDULE 20 : FINANCIAL CHARGES		
Interest on :-		
Term Loans	7 93 21	3 59 70
Other Loans	22 65	56 80
Working Capital Term Loans	5 74 35	3 42 36
Loss on Forward Foreign Exchange	-	36 55
Bank Charges	1 43 78	1 77 84
	<u>15 33 99</u>	<u>9 73 25</u>

SCHEDULE 21 :
NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2007
SIGNIFICANT ACCOUNTING POLICIES
1. Method of Accounting:

The financial Statements have been prepared on the historical cost convention and in accordance with the Accounting Standards referred to in Sub section (3C) of Section 211 of the Companies Act, 1956 and normally accepted accounting principles. The accounting is on the basis of a going concern concept.

2. Principles of Consolidation:

The Consolidated Financial Statements relate to KG Denim Limited and its subsidiaries, have been prepared on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses as stated in Accounting Standard 21

The Subsidiary companies considered in the Consolidated Financial Statements are:

Name of the Company	Country of Incorporation	Proportion of Voting Power as on 31.03.2007
Trigger Apparels Limited	India	100%
KG Denim (USA) Inc.	Delaware USA	100%

3. Other Significant Accounting Policies:

These are set out under "Significant Accounting Policies" of the financial statements of K G Denim Limited and Trigger Apparels Limited. No material activity has been carried out in KG Denim (USA) Inc.

NOTES FORMING PART OF ACCOUNTS:
1 a) Particulars of Stocks, production and Sales: (Rs.000's)

Particulars	Opening Stock		Production	Closing Stock		Purchases		Sales	
	Mtrs.	Value Rs	Mtrs.	Mtrs.	Value Rs	Mtrs.	Value Rs	Mtrs.	Value Rs
2006-2007									
1 Cloth (in Mtrs)	3164556	277352	21019817	3816471	346315	-	342224	20264340	1820524
2 Garments (in Nos)	179795	65138	958411	215870	61810	158766	37050	1081102	376400
2005-2006									
1. Cloth (in Mtrs)	1441905	127077	19932352	3164556	277352	-	44422	18209701	1863607
2 Garments (in Nos)	246900	67255	720548	179795	65138	68893	20558	856546	302513

- Sales includes samples and losses.

- Fabric purchases subject to further processing and included in production.

- Finished goods have been re-grouped in consolidation. Quantitative data for garments exclude that for garments in process.

b) Raw Material Consumption

	31.03.2007		31.03.2006	
	Qty.	(Rs.000's)	Qty.	(Rs.000's)
Cotton Kgs	69 65 254	36 48 37	1 14 14 782	59 02 54
Yarn Kgs	37 77 960	34 43 75	16 35 485	18 22 54
Fabric Mtrs	46 00 734	25 88 31	7 52 898	5 38 03

2. Auditors' Remuneration

Audit fee	157	94
Tax Audit	56	44
Other Services	136	65

3. For all other common notes forming part of Consolidated Financial Statements, please refer the notes of Holding Company K G Denim Limited and its Subsidiary, Trigger Apparels Limited.

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TRIGGER APPARELS LIMITED



**Annual Report for the year ended
March 31, 2007**



TRIGGER APPARELS LIMITED

BOARD OF DIRECTORS

Shri KG Baalakrishnan
Shri G V S Desikan
Shri A Velusamy
Shri N Rajhagopallan
Shri S Kalyanasundaram
Shri Surinder Chhibber

Registered Office No.2, FCI Complex
Karamadai, Coimbatore - 641 104.

Auditors M/s Gopalaiyer and Subramanian
Chartered Accountants
Coimbatore

DIRECTORS' REPORT

Your Directors present the Eighth Annual Report together with the audited accounts of the Company for the year ended 31st March, 2007. The directors are happy to inform that the Company has become the wholly owned subsidiary Company of M/s. K G Denim Limited during the current financial year.

The Company has commenced its production activity which has resulted in a net profit of Rs.20.07 Lakhs. After making provision for taxes and adjustments relating to the previous periods, the surplus for the year is Rs.5.59 Lakhs. On account of increase in projected volume of sale and on account of association with the holding Company, the Company is expected to increase the volume of sale and earn more profits in the current year.

STATUTORY PARTICULARS

There is no employee drawing more than Rs.2 Lakhs per month. Hence the particulars required to be furnished under Section 217 (2A) of the Companies Act, 1956 does not apply to your Company.

CONSERVATION OF ENERGY

The particulars as prescribed under Section 217 (1) (e) of the Companies Act, 1956 are not applicable to your Company

DIRECTORS

Mr KG Baalakrishnan and Mr G V S Desikan, retire by rotation at the ensuing annual general meeting and are eligible for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance of Section 217 (2AA) of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 2000 the Directors of your Company confirms;

that all applicable accounting standards have been followed in the preparation of annual accounts and there are no material departure;

that such accounting policies have been selected and applied consistently and such judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2007 and of the Profit of the Company for the year ended on the date;

that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

that the annual accounts have been prepared on a going concern basis.

AUDITORS

M/s Gopalaiyer and Subramanian, the present Auditors of the Company retire at the conclusion of ensuing Annual General Meeting. They are eligible for reappointment.

Coimbatore
28.06.2007

On behalf of the Board
KG Baalakrishnan
Chairman of the Meeting

TRIGGER APPARELS LIMITED

AUDITORS' REPORT TO THE MEMBERS OF TRIGGER APPARELS LIMITED

- 1 We have audited the attached Balance Sheet of **TRIGGER APPARELS LIMITED** as at **31st March 2007** and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 As required by the Companies [Auditor's Report] [Amendment] Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4 Further to our comments in the Annexure referred to above, we report that:
 - (a) We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet and Profit and Loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - (e) On the basis of written representations received from the directors, as on **31st March 2007** and taken on record by the Board of Directors, we report that none of the directors is disqualified as on **31st March 2007** from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- 5 In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles accepted in India:
 - (a) In the case of Balance Sheet, of the state of affairs of the Company as at **31st March 2007**;
 - (b) In the case of Profit & Loss Account, the **PROFIT** for the year ended on that date;

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

R MAHADEVAN
Partner

Membership No.27497

Coimbatore
28.06.2007

ANNEXURE REFERRED TO IN PARAGRAPH [3] OF OUR REPORT OF EVEN DATE

- I The Company has no fixed assets and maintenance of records in this regard does not arise.
- II
 - (a) Physical verification of Inventory has been conducted at reasonable intervals by the Management. In our opinion, the frequency of verification is reasonable.
 - (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) The Company has maintained proper records of inventory and discrepancies noticed on physical verification of inventories as compared to book records were not material and have been appropriately dealt with.
- III During the year, the company has neither taken any loans secured or unsecured nor has granted any loans secured or unsecured to parties covered in the register maintained under section 301 of the Companies Act, 1956 and hence sub clauses a to g of clause (iii) are not applicable.
- IV
 - (a) In our opinion and according to the explanations and information given to us there are adequate internal control systems commensurate with the size of the Company and the nature of the business for the purchase of inventory and for the sale of goods.
 - (b) During the course of our audit no major weakness has been noticed in the internal controls.

- V (a) The transactions made in pursuance of contracts or arrangements, that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been recorded in the register maintained for the purpose.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register maintained under section 301 of the Act and exceeding the value of Rupees five lakhs in respect of any party during the year, which have been made at prices which are reasonable having regard to the prevailing market prices.
- VI During the year the Company has not accepted any deposits from the public and hence the provisions of section 58A and 58AA of the Companies Act, 1956 and the Companies [Acceptances of Deposit Rules 1975] and other relevant provisions of the Companies Act, 1956 are not applicable.
- VII In our opinion, the Company's present Internal Audit System is commensurate with its size and nature of business.
- VIII We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- IX (a) According to the information and explanations given to us and records examined by us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-Tax, Sales Tax, Cess and other statutory dues with the appropriate authorities, whichever is applicable during the year.
- According to the information and explanations given to us, no undisputed arrears of statutory dues were outstanding as at March 31, 2007 for a period more than six months from the date they became payable.
- (b) According to the information and explanations given to us there are no disputed arrears of statutory dues.
- X The Company does not have any accumulated losses as at 31st March 2007. The Company has not incurred any cash losses during the financial year covered by our audit and 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.
- XII During the year, the Company has not granted loans and advances on the basis of the security by way of pledge of shares, debentures and other securities.
- XIII In our opinion the company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, clause 4 (xiii) of the Companies (Auditors Report) Order 2003 is not applicable to the Company.
- XIV In our opinion and according to the information and explanations given to us, the company is not dealing or trading in Shares, Securities, debentures and other investments.
- XV In our opinion, according to the information and explanations given to us, the Company, during the year has not given any guarantee for loans taken by others from banks or financial institutions.
- XVI In our opinion, and according to the information and explanations given to us, as on overall basis, the company has not borrowed any term loans during the year and hence on reporting on utilization of the same does not arise.
- XVII According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the company has utilised the funds raised on short term basis for long term investments to the extent of Rs.0.80 lakhs.
- XVIII The Company has not raised any debentures during the financial year and hence creation of security in respect of debentures does not arise.
- XIX The company has not raised any money through a public issue during the year.
- XX Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

R MAHADEVAN
Partner
Membership No.27497

Coimbatore
28.06.2007

TRIGGER APPARELS LIMITED

BALANCE SHEET AS AT 31st MARCH 2007

PARTICULARS	SCHEDULE	AS AT 31.03.2007	AS AT 31.03.2006
SOURCES OF FUNDS		(Rs.000's)	
SHAREHOLDERS' FUNDS			
Share Capital	1	5 00	5 00
Reserves & Surplus	2	10 85	5 26
		<u>15 85</u>	<u>10 26</u>
LOAN FUNDS			
Secured Loans	3	3 15 89	-
Unsecured Loans	4	2 85	-
		<u>3 18 74</u>	<u>-</u>
Deferred Tax Liability (Net)		61	-
Total		<u>3 35 20</u>	<u>10 26</u>
APPLICATION OF FUNDS			
FIXED ASSETS		5	
Gross Block		5 69	-
Less : Depreciation		<u>30</u>	<u>-</u>
Net Block		5 39	-
Capital Work in Progress		-	-
NET CURRENT ASSETS			
Current Assets, Loans & Advances			
Inventories	6	8 12 11	29 61
Trade Debtors	7	3 71 52	1 82 06
Cash and Bank Balances	8	5 18	36 57
Loans & Advances	9	1 38 76	10 91
Income Receivable		-	-
		<u>13 27 57</u>	<u>2 59 15</u>
Less : Current Liabilities & Provisions			
Current Liabilities	10	9 83 94	2 43 38
Provisions	11	<u>13 82</u>	<u>5 51</u>
		<u>3 29 81</u>	<u>10 26</u>
Total		<u>3 35 20</u>	<u>10 26</u>
Notes on Accounts	19		

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

R MAHADEVAN

Coimbatore
28th June, 2007

Partner

Membership No.27497

KG BAALAKRISHNAN
Director

A VELUSAMY
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2007

PARTICULARS	SCHEDULE	31.03.2007	31.03.2006
(Rs.000's)			
INCOME			
Sales (Gross/Net)	12	13 70 60	2 54 42
Increase / Decrease in Stock	14	<u>2 89 47</u>	<u>29 61</u>
		16 60 07	2 84 03
Other Income	13	<u>59</u>	<u>8</u>
		<u>16 60 66</u>	<u>2 84 11</u>
EXPENDITURE			
Material Cost	15	9 00 49	2 15 21
Manufacturing Cost	16	99 28	25 35
Other Operating Expenses	17	<u>6 27 60</u>	<u>32 52</u>
		<u>16 27 37</u>	<u>2 73 08</u>
GROSS PROFIT			
		33 29	11 03
Less : Financial Charges	18	12 92	10
Depreciation		<u>30</u>	<u>-</u>
PROFIT FOR THE YEAR			
		20 07	10 93
Less : Prior Year Expenses / Income (Net)		63	-
Preliminary & Issue Expenses		-	16
Provision for Current Tax		7 49	3 80
Provision for Fringe Benefit Tax		6 33	1 71
Provision for Wealth Tax		-	-
Provision for Deferred Tax		61	-
Prior Year Taxes		<u>-58</u>	<u>-</u>
NET PROFIT			
		<u>5 59</u>	<u>5 26</u>
Add: Balance Brought forward		5 26	-
		<u>10 85</u>	<u>5 26</u>
Balance Transferred to Balance Sheet			
		<u>10 85</u>	<u>5 26</u>
Notes on Accounts	19		

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

R MAHADEVAN

Coimbatore
28th June, 2007

Partner
Membership No.27497

KG BAALAKRISHNAN
Director

A VELUSAMY
Director

TRIGGER APPARELS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2007

PARTICULARS	31.03.2007	31.03.2006
	(Rs.000's)	
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net profit before tax and extraordinary items	2007	1093
Adjustments for:		
Depreciation	30	-
Profit/Loss on sale of assets	-	-
Interest/Charges	1291	10
Operating Profit before working capital changes	3328	1103
Adjustments for:		
Trade and other receivables	-18946	-18206
Inventories	-78250	-2961
Loans & Advances	-12785	-1091
Income Receivables	-	-
Current Liabilities	74888	24873
Cash generated from operations	-31765	3718
Cash flow before extraordinary items	-31765	3718
Extraordinary items	-1388	-551
Net cash from operating activities	-33153	3167
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Withdrawn / Sale of fixed assets	-	-
Acquisitions of fixed assets	-569	-
Investments	-	-
Net cash used in investing activities	-569	-
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from issue of share capital	-	400
Proceeds from long term borrowings	-	-
From Short Term Loan	285	-
Bank Borrowings	31589	-
Interest paid	-1291	-10
Dividend paid	-	-
Net cash used in financing activities	30583	390
Net Increase in cash and cash equivalents	-3139	3557
Cash and cash equivalents as at 1st April, 2006 (Opening Balance)	3657	100
Cash and cash equivalents as at 31st March, 2007 (Closing Balance)	518	3657

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

KG BAALAKRISHNAN
Director

A VELUSAMY
Director

R MAHADEVAN

Coimbatore
28th June, 2007

Partner
Membership No.27497

**SCHEDULES ANNEXED TO THE BALANCE SHEET AS AT 31ST MARCH, 2007 AND
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007**

PARTICULARS	AS AT 31.03.2007	AS AT 31.03.2006
	(Rs.000's)	
SCHEDULE 1 : SHARE CAPITAL		
Authorised Capital		
90000 Equity Shares of Rs.10 each	9 00	9 00
Issued Capital		
50000 Equity Shares of Rs.10 each	5 00	5 00
Subscribed and Paid up Capital		
50000 Equity Shares of Rs.10 each	5 00	5 00
	<u>5 00</u>	<u>5 00</u>
SCHEDULE 2 : RESERVES & SURPLUS		
Surplus in Profit & Loss A/c	10 85	5 26
SCHEDULE 3 : SECURED LOANS		
Term Loans:		
Working Capital Loans from Banks	3 15 89	-
	<u>3 15 89</u>	<u>-</u>
SCHEDULE 4 : UNSECURED LOANS		
From Banks	2 85	-
	<u>2 85</u>	<u>-</u>

SCHEDULE 5 : FIXED ASSETS

(Rs.000's)

Description of Assets	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
	Cost as at 31.3.2006	Additions during the year	Sales/Transfer during the year	Total cost as at 31.3.2007	Up to 31.3.2006	Depreciation for the year	Withdrawn during the year	Up to 31.3.2007	As at 31.3.2007	As at 31.3.2006
Electric Machinery	-	75	-	75	-	-	-	-	75	-
Office Equipments	-	494	-	494	-	30	-	30	464	-
T o t a l	-	569	-	569	-	30	-	30	539	-

31.03.2007

31.03.2006

SCHEDULE 6 : INVENTORIES

Raw Materials	1 04 60	-
Process Stock	3 32 86	-
Finished Goods	3 19 08	29 61
Stock of Stores	55 57	-
(As taken, valued and certified by the Management)	<u>8 12 11</u>	<u>29 61</u>

SCHEDULE 7 : TRADE DEBTORS

Unsecured - Considered Good		
Outstanding for More than Six Months	16 53	-
Others	3 54 99	1 82 05
	<u>3 71 52</u>	<u>1 82 05</u>

TRIGGER APPARELS LIMITED

PARTICULARS	AS AT 31.03.2007	AS AT 31.03.2006
	(Rs.000's)	
SCHEDULE 8 : CASH AND BANK BALANCES		
Cash and Cheques in Hand	4 19	88
In Current Accounts	99	35 69
	<u>5 18</u>	<u>36 57</u>
SCHEDULE 9 : LOANS AND ADVANCES		
Unsecured Considered Good:		
Advances Recoverable in cash or in kind or for Value to be received		
For Capital Goods	5 60	-
For Materials Purchases	85 04	-
For Duties & Taxes	25 27	-
Others	22 82	8 07
Deposits	3	-
Prepaid Expenses	-	2 84
	<u>1 38 76</u>	<u>10 91</u>
SCHEDULE 10 : CURRENT LIABILITIES		
Creditors for Purchases (Other than SSI)	1 11 76	66 69
Liability for Expenses	29 20	12 68
Liability for Other Finances	81 47	4 79
Customers Credit Balances	60 64	23 22
Liability for Holding Company	7 00 87	1 36 00
	<u>9 83 94</u>	<u>2 43 38</u>
SCHEDULE 11 : PROVISIONS		
For Income Tax	7 49	3 80
For Fringe Benefit Tax	6 33	1 71
	<u>13 82</u>	<u>5 51</u>

PARTICULARS	31.03.2007	31.03.2006
	(Rs.000's)	
SCHEDULE 12 : SALES		
Garments	13 70 60	2 54 42
	<u>13 70 60</u>	<u>2 54 42</u>
SCHEDULE 13 : OTHER INCOME		
Miscellaneous Receipts	59	8
	<u>59</u>	<u>8</u>
SCHEDULE 14 : INCREASE IN STOCK		
Closing Stock of Finished Goods	3 19 08	29 61
Less: Opening Stock of Finished Goods	29 61	-
Increase in Stock	<u>2 89 47</u>	<u>29 61</u>
SCHEDULE 15 : MATERIAL COST		
Raw Materials Consumed		
Opening Stock of Raw Materials	-	-
Process Stock	-	-
Waste	-	-
	<u>-</u>	<u>-</u>
Add: Purchases	7 89 68	-
	<u>7 89 68</u>	<u>-</u>
Less: Closing Stock of Raw Materials	1 04 60	-
Process Stock	3 32 86	-
Waste	-	-
	<u>3 52 22</u>	<u>-</u>
Fabrics / Garments Purchases / Consumption		
Opening Stock of Fabrics and Process Stock	-	-
Add : Purchases	3 09 50	2 15 21
	<u>3 09 50</u>	<u>2 15 21</u>
Less : Closing Stock of Grey Fabrics and Process Stock	-	-
	<u>3 09 50</u>	<u>2 15 21</u>
Stores Consumed	2 38 77	-
Total Material Cost	<u>9 00 49</u>	<u>2 15 21</u>

TRIGGER APPARELS LIMITED

PARTICULARS	31.03.2007	31.03.2006
	(Rs.000's)	
SCHEDULE 16 : MANUFACTURING EXPENSES		
Power and Fuel	1 21	18
Personnel Cost: (Including Managerial Remuneration)		
Salaries, Wages, Incentives, Gratuity etc	85 00	25 17
Employees Welfare Expenditure	7 10	-
Director's Remuneration	5 40	-
	<u>97 50</u>	<u>25 17</u>
Repairs and Maintenance		
For Buildings	22	-
For Others	35	-
	<u>57</u>	<u>-</u>
T o t a l	<u>99 28</u>	<u>25 35</u>
SCHEDULE 17 : OTHER OPERATING EXPENSES		
Processing Charges	4 28 60	-
Rent	17 76	45
Printing and Stationery	1 12	8
Postage, Telegrams and Telephones	7 77	2 47
Professional and Legal Charges	8 91	-
Auditors' Fees for other services	34	10
Insurance	1 57	-
Duties, Taxes and Licences	46	8
Travelling Expenses and Maintenance of Vehicles	55 45	74
Brokerage and Commission	1 59	-
Selling Expenses	61 13	23 57
Advertisements	23 41	2 67
Freight Outwards	16 95	2 25
Software Development Expenses	13	-
Miscellaneous Expenses	2 41	11
	<u>6 27 60</u>	<u>32 53</u>
SCHEDULE 18 : FINANCIAL CHARGES		
Interest on:-		
Other Loans	4 53	-
Working Capital Loans	4 76	-
Bank Charges	3 63	10
	<u>12 92</u>	<u>10</u>

SCHEDULE 19 :

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2007

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 DISCLOSURE AND BASIS OF ACCOUNTING

- a) The Financial statements have been prepared under the Historical Cost Convention which is in accordance with the generally accepted Accounting Principles and Provisions of the Companies Act, 1956. The Company has complied with the Accounting Standards prescribed by the Institute of Chartered Accountants of India and as referred U/S 211 (3C) of the Companies Act, 1956.
- b) The Company has followed accrual basis of accounting in respect of its Income and Expenditure.
- c) The Accounts are prepared on the basis of going concern concept.
- d) The presentation of financial statement require estimates and assumptions to be made which affect the reported amount of assets and liabilities on the date of the financial statement and the reported amount of revenue and expenditure during the reporting period.

1.2 VALUATION OF INVENTORIES

Inventories are valued at the lower of cost and net realizable value. The cost formula used is average cost.

1.3 CASH FLOW STATEMENT

The Cash flow statement is prepared under indirect method as per the Institute of Chartered Accountants of India guidelines.

1.4 REVENUE RECOGNITION

Revenue from sale transactions is recognized as and when the property in the goods sold is transferred to the buyer for a definite consideration and there is no uncertainty regarding the amount of consideration or collectability. Sales are reported at net of Sales Tax. Other Incomes are also accounted on accrual basis.

1.5 RELATED PARTY DISCLOSURES

The related party transactions are disclosed in the notes on accounts as per the Institute of Chartered Accountants of India guidelines.

1.6 DEPRECIATION ACCOUNTING

Depreciation on fixed assets have been charged on straight line basis at the rates prescribed in Schedule XIV of the Companies act.

2. NOTES ON ACCOUNTS

	2006-2007		2005-2006	
	Qty	Amount (Rs.000's)	Qty	Amount (Rs.000's)
2.1 Particulars of Production:				
Garments Nos.	3 85 007	-	-	-
2.2 Particulars of Sales:				
Garments Nos.	4 01 952	13 70 60	59 418	2 54 42
2.3 Particulars of Opening Stock:				
Cloth Mtrs.	16 270	20 36	-	-
Garments Nos.	2 724	9 25	-	-
2.4 Particulars of Closing Stock:				
Cloth Mtrs.	1 03 562	1 04 60	16 270	20 36
Garments Nos.	1 30 949	3 19 08	2 724	9 25
2.5 Particulars of Purchases:				
Cloth Mtrs.	7 71 465	7 89 68	16 270	20 36
Garments Nos.	1 45 170	3 09 50	62 142	1 94 85
2.6 Auditor Remuneration:				
For Audit		23		10
Other Services		11		-

TRIGGER APPARELS LIMITED

3. Accounting Standard (AS) - 18 on "Related Party Disclosure"

(Rs.000's)

Particulars	2006-2007				2005-2006			
	Holding Co.	Associates	Key Management Personnel	Relative of Key Management Personnel	Holding Co.	Associates	Key Management Personnel	Relative of key Management Personnel
Purchase of goods	108194	-	-	-	13706	-	-	-
Investments	-	-	-	-	500	-	-	-

4. Balance outstanding as on 31.03.2007

Particulars	2006-2007				2005-2006			
	Holding Co.	Associates	Key Management Personnel	Relative of Key Management Personnel	Holding Co.	Associates	Key Management Personnel	Relative of key Management Personnel
Debtors	-	-	-	-	-	-	-	-
Creditors	-	-	-	-	13745	-	-	-
-for goods purchase	70087	-	-	-	-	-	-	-
Investments	-	-	-	-	500	-	-	-
Managerial Remuneration	-	-	540	-	-	-	-	-

5. NOTE :

Holding Company	K G Denim Limited
-----------------	-------------------

Associates	Sri Kannapiran Mills Limited Sri Balamurugan Textile Processing Limited KG Fabriks Limited Enterprise Telesys Limited
Key Management Personnel	Shri KG Baalakrishnan Shri N Rajhagopallan

6. Personnel cost includes Director's Remuneration of Rs.5.40 lakhs paid to Shri N Rajhagopallan
7. Previous year's figures have been regrouped wherever necessary.
8. Preliminary & Preoperative Expenses of the Company has been fully written off during the year.
9. Figures have been rounded off to the nearest thousands

KG DENIM (USA) Inc.

DIRECTORS' REPORT

Your Directors present their Annual Report along with the Unaudited Financial Statements for the period of 12 months ended on 31st March 2007.

KG Denim (USA) Inc. was incorporated on 6.7.2005 at Delaware USA for the purpose of marketing of fabrics and apparels. However, the Company has not commenced its commercial activity for the period ended till 31st March, 2007.

Coimbatore
28th June, 2007

By Order of the Board

Sd/- B SRIRAMULU
Director

KG DENIM (USA) Inc.**BALANCE SHEET AS AT 31st MARCH 2007 (Un audited)**

PARTICULARS	AS AT 31.03.2007		AS AT 31.03.2006	
	USD	(Rs.000's)	USD	(Rs.000's)
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Authorised Share Capital				
1500 Nos of Shares of common stock with no par value	-	-	-	-
Subscribed, Issued and Paid up Capital				
700 Nos of Shares of common stock with no par value	700.00	32	700.00	31
Un Secured Loan				
From K G Denim Limited, India (Holding Company)	171.12	7	-	-
	<u>871.12</u>	<u>39</u>	<u>700.00</u>	<u>31</u>
APPLICATION OF FUNDS				
MISCELLANEOUS EXPENDITURE				
(To the extent not written off or adjusted)				
Incorporation Expenses	700.00	32	700.00	31
Pre Operative Expenses	171.12	7	-	-
	<u>871.12</u>	<u>39</u>	<u>700.00</u>	<u>31</u>

No Profit & Loss A/c is prepared, since the commercial activity of the Company has not yet commenced

Value in Rupee terms are as per exchange rate on balance sheet date.

Coimbatore
28th June, 2007

Sd/- B SRIRAMULU
Director

K G DENIM LIMITED

Registered Office : Then Thirumalai
Coimbatore - 641 302.

Please complete the Admission Slip and hand it over at the entrance of the Meeting Hall.
Please also bring your copy of the enclosed Annual Report.

ADMISSION SLIP

I hereby record my presence at the 15th Annual General Meeting of the Company on 27th August, 2007

Reg. Folio No. :

No. of Shares :

Name of the Shareholder :
(In Block Capitals)

Signature of the Shareholder / Proxy :

K G DENIM LIMITED

Registered Office : Then Thirumalai
Coimbatore - 641 302.

Reg. Folio No. :

PROXY FORM

No. of Shares :

I..... being a Member of
K G DENIM LIMITED hereby appointSon / Husband of
..... or..... Son / Husband of
..... as my proxy to attend and vote for me and on my behalf at the
15th Annual General Meeting of the Company to be held on Monday, the 27th August, 2007
at 9.30 a.m. at K G DENIM LIMITED, Then Thirumalai, Coimbatore - 641 302 and at any adjournment thereof.

Signed thisday of, 2007

Signature

Affix 1/- Re. Revenue Stamp

Note : The Proxy in order to be effective must be deposited at the Registered Office of the Company
not less than 48 hours before the time for holding the Meeting.

BOOK - POST

If undelivered please return to :

K G DENIM LIMITED

Registered Office:

THEN THIRUMALAI

COIMBATORE - 641 302