



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.com
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

K G DENIM LIMITED

DIRECTORS' REPORT

Dear Shareholders,

We have pleasure in presenting the Sixteenth Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31st March 2008.

FINANCIAL RESULTS

(Rs. in lakhs)

PARTICULARS	For the year ended 31 st March 2008	For the year ended 31 st March 2007
Gross Profit	2054	1871
Less: Interest	1763	1521
Profit prior to Depreciation and write off	291	350
Less: Depreciation	1278	1184
Add : Prior Year Income / (Expenditure) (Net)	56	-21
Net Profit / (Loss)	-1043	-855
Current, Deferred, FBT Tax & earlier year tax	-358	-163
Net Profit / (Loss) for the year	-685	-692
Balance Brought forward	1586	2277
Balance carried forward	901	1585

REVIEW OF OPERATIONS

During the year ended 31.3.2008, the Company achieved an overall production of 213 lakh meters of fabrics against the previous years production of 202 lakh meters. The sales for the year ended 31.03.2008 was Rs.20867 lakhs as against sales of Rs.20899 lakhs during the previous year.

The domestic sales volume for denim has increased by 19%. However, export prices were affected by exchange fluctuation along with rise in input costs. The Company managed production to suit market requirement during the year to prevent accumulation of stocks. The production and sale of processed fabrics was as per market demand. The apparel exports were reduced from Rs.24 crores in 2006-07 to Rs.12 crores in the current year consequent to fall in prices on account of exchange fluctuation.

PROSPECTS FOR THE NEXT YEAR

The demand for denim is expected to go up in domestic as well as export markets. Export prices are likely to pick up. The Company has stabilised its production and quality parameters in the new processed fabrics unit. With increase volume in processed fabrics, the performance is expected to be better. Apparel exports will be geared up for specialized product like organic denim.

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.

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, 2008.

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.998.85 lakhs during the year.

K G DENIM LIMITED

DIRECTORS

Smt T Anandhi, Shri S R Rajasekaran and Shri M J Vijayaraaghavan 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 2008 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.

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 is enclosed. The particulars of employees covered under Section 217 (2A) of the Companies Act, 1956 during the period under review is enclosed.

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

Coimbatore
23.06.2008

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, 2008.

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

	31.03.2008	31.03.2007
I Electricity		
(a) Purchased		
Units in lakhs	57.60	38.62
Value in lakhs (Rs.) **	264.00	179.50
Cost/Unit (Rs.)	4.58	4.65
**Excludes fixed demand charges		
(b) Own Generation		
(i) Through Diesel Generator		
Units in lakhs	6.20	2.46
Units / Ltr.	2.70	3.15
Cost/Unit (Rs.)	9.61	9.15
(ii) Through steam turbine/generator		
Units in lakhs	194.38	197.60
Units/Ton of fuel mix	424.00	435.00
Cost/Unit (Rs.)	3.62	3.83
II Coal		
Quantity (Tonnes)	19253	19810
Total Cost (Rs. in lakhs)	644.99	616.67
Average Rate (Rs)	3350.00	3113.00
III Saw Dust etc.,		
Quantity (Tonnes)	24672	28352
Total Cost (Rs. in lakhs)	268.19	287.33
Average Rate (Rs)	1087.00	1013.00

B. CONSUMPTION / UNIT OF PRODUCTION

Electricity Unit/ Mtr. of Fabric	1.32	1.17
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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	78
c) Total	78
d) R & D Expenditure as % of Total Turnover	0.37

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.3420 Lakhs
Earned	Rs.6903 Lakhs

On behalf of the Board

Coimbatore
23.06.2008

KG Baalakrishnan
Executive Chairman

ANNEXURE TO DIRECTORS' REPORT

Statement of pursuant to Section 217 (2A) of the Companies Act, 1956 & Companies (Particulars of Employees) Rules, 1975.

Details of Remuneration paid during the year ended 31.03.2008.

Sl. No.	Name & Designation	Age	Remuneration (Rs. in lakhs)	Qualification & Experience	Date of Commencement of Employment
1.	Shri B Sriramulu Managing Director	41	15.00	BE (Textile Technology) MS(Textile Technology) 19 Years	03.11.2003
2.	Shri B Srihari Managing Director	40	15.00	BE (Chemical Technology) MS(Chemical Technology) 17 Years	03.11.2003

Notes :

1. Nature of employment in all cases are contractual.
2. Shri KG Baalakrishnan, Shri B Sriramulu and Shri B Srihari are the Directors of the Company and are related to each other and to Smt T Anandhi, Director.

On behalf of the Board
KG Baalakrishnan
Executive Chairman

Coimbatore
23.06.2008

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.com. 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 2007 to 31st March 2008. The present strength of the Board is 12 Directors, out of which 6 are independent directors.

6 (Six) 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: 28th June 2007, 28th July 2007, 30th August 2007, 22nd September 2007, 27th October 2007 and on 31st January 2008. The Annual General Meeting was held on 27th August 2007. 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	6	6	Present	7	-
Shri B Sriramulu	6	5	Present	12	-
Shri B Srihari	6	6	Present	8	2
Shri S R Rajasekaran	6	5	Not Present	-	-
Shri G V S Desikan	6	6	Not Present	7	-
Shri V Jagadisan	6	5	Present	3	5
Shri K N V Ramani	6	6	Present	4	2
Smt T Anandhi	6	6	Present	4	-
Shri M J Vijayaraaghavan	6	6	Not Present	2	2
Shri Surinder Chhibber	6	4	Present	1	-
Shri A Velusamy	6	6	Present	6	4
Shri S Muthuswamy	6	6	Present	-	-

Shri B Sriramulu and Shri B Srihari are sons of, and Smt T Anandhi, daughter of Shri KG Baalakrishnan. None of the other directors are related to each other.

Profile of Directors retiring by rotation and eligible for reappointment

Smt T Anandhi, aged 43 has basic textile education and has over 13 years experience in textile field such as Cotton, Spinning and Garments. She is also on the board of various textile companies.

Shri S R Rajasekaran, aged 75 is a Senior Chartered Accountant with over 30 years of experience in the field of Finance, Accounts and General Management.

Shri M J Vijayaraaghavan, aged 75 is a practicing Chartered Accountant and a fellow member of the Institute of Chartered Accountants of India having over 4 decades of rich and varied experience in Auditing, Taxation and Finance.

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 28.06.2007, 28.07.2007, 27.10.2007 and 30.01.2008.

Composition of the Audit Committee as on 31st March, 2008 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, Asst. General 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 53. Outstanding complaints as on 31st March 2008 were 'Nil'.

4. GENERAL MEETINGS

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

15 th AGM	27 th August 2007	9.30 a.m.	Registered Office premises, Then Thirumalai, Jadayampalayam, Coimbatore 641 302
14 th AGM	28 th September 2006	4.00 p.m.	- do -
13 th AGM	15 th September 2005	10.30 a.m.	- do -
EGM	28 th March 2007	4.00 p.m.	- do -

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 "Dinamani" and "The Financial Express" 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 2008, 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 B Sriramulu, Managing Director	15,00,000	-	15,00,000
Shri B Srihari, Managing Director	15,00,000	-	15,00,000
Shri A Velusamy, Director	5,34,000	55,536	5,89,536
Shri S Muthuswamy Director & Company Secretary	6,57,419	57,588	7,15,007

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 2008 were as follows:-

Name of the Directors	Sitting Fee (Rs.)
Shri G V S Desikan	110000
Shri V Jagadisan	105000
Shri K N V Ramani	110000
Shri S R Rajasekaran	25000
Shri M J Vijayaraaghavan	30000

8. GENERAL SHAREHOLDER INFORMATION

1. 16 TH AGM to be held on :	24.09.2008
at :	2.00 p.m.
venue :	Registered Office Premises, Then Thirumalai, Jadayampalayam, Coimbatore 641 302
2. Financial Calendar (Tentative)	First Quarter - Last week of July 2008 Second Quarter - Last week of October 2008 Third Quarter - Last week of January 2009 Results for the year ending 31 st March 2009 last week of June 2009
3. Date of Book Closure	16.09.2008 to 24.09.2008 (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 2008 – 2009.
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	88.90% of the total equity shares (22806510 Shares) were held in the dematerialised form as on 31 st March 2008. 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.	No capital from public was raised during the last three years. During the year, preferential allotment was made to preference shareholders for redemption of preference shares held by them.
ii. Outstanding GDRS/ADRS/Warrants or any convertible instrument	None
11. Plant Location	KG DENIM LIMITED Then Thirumalai, Jadayampalayam, Coimbatore 641 302
12. Address for communication	KG DENIM LIMITED Then Thirumalai, Jadayampalayam, Coimbatore 641 302
13. Website	www.kgdenim.com

9. DISTRIBUTION OF SHAREHOLDING ON 31ST MARCH 2008

Category	No. of Shareholders	%	No. of Shares	%
Upto 5,000	18300	98.55	6180042	24.09
5,001 - 10,000	149	0.80	1122308	4.37
10,001 - 20,000	58	0.31	828840	3.23
20,001 - 30,000	19	0.10	483821	1.89
30,001 - 40,000	5	0.03	182435	0.71
40,001 - 50,000	2	0.01	97110	0.38
50,001 - 1,00,000	15	0.08	1008433	3.93
1,00,001 and above	23	0.12	15750916	61.40
Total	18571	100.00	25653905	100.00

10. SHARE PRICE DATA

Market price data of the company's equity shares in Bombay Stock Exchange for the period from April 2007 to March 2008 is as below:

Month	BSE Price	
	High	Low
April 2007	17.00	15.00
May 2007	17.15	14.70
June 2007	21.50	13.00
July 2007	18.85	15.00
August 2007	17.00	14.00
September 2007	20.40	16.00
October 2007	17.95	15.00
November 2007	18.00	15.75
December 2007	29.30	17.00
January 2008	28.60	15.35
February 2008	17.70	15.75
March 2008	17.40	13.75

11. COMPLIANCE WITH NON MANDATORY REQUIREMENT

1. As the Company communicates corporate, financial and product information online on the web site www.kgdenim.com 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 export prices are likely to be higher on account of favourable exchange rates. 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 market for denim and home textiles is expected to go up on account of slow down in China & Pakistan.

SEGMENT WISE PERFORMANCE

The segment wise results are presented in item 2.19 of the Notes on Accounts. The fabric division has recorded a higher volume in domestic market aided by spurt in demand. The export market, however, was affected by rupee appreciation. Loss in apparel was on account of reduction of surplus 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, 2008, 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
23.06.2008

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 2008 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 2008 and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31st March 2008 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 2008;
 - (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
23.06.2008

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, 2008 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 31.3.2008 (Rs.lakhs)	Forum where dispute is pending
The Central Excise Act	Excise duty	10.79	Commissioner of Central Excise Appeals, Salem
The Central Excise Act	Excise duty	0.33	Commissioner of Central Excise Appeals, Coimbatore
The Central Excise Act	Excise duty	9.09	CESTAT, Chennai.

- X.** The Company does not have any accumulated losses as at 31st March 2008. 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. 960 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 there are no funds raised on short term basis that have been used for long term investment.
- XVIII.** The Company has made preferential allotment of equity shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 by issuing 55,55,555 equity shares of Rs.10/- each at a premium of Rs.8/- per shares in lieu of 10,00,000 preference shares of Rs.100/- each held by them. The price at which the issue was made is not prejudicial to the interest of the company.
- 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
23.06.2008

K G DENIM LIMITED

BALANCE SHEET AS AT 31st MARCH 2008

PARTICULARS	SCHEDULE	AS AT 31.03.2008	AS AT 31.03.2007
		(Rs.000's)	
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	25 66 51	30 10 96
Reserves & Surplus	2	29 00 91	31 41 21
		<u>54 67 42</u>	<u>61 52 17</u>
LOAN FUNDS			
Secured Loans	3	1 23 41 06	1 24 09 35
Unsecured Loans	4	6 49 12	1 20 95
		<u>1 29 90 18</u>	<u>1 25 30 30</u>
Deferred Tax Liability (Net)		<u>13 72 47</u>	<u>17 41 03</u>
Total		<u>1 98 30 07</u>	<u>2 04 23 50</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
	5		
Gross Block		2 13 87 22	2 04 13 07
Less : Depreciation		<u>81 34 05</u>	<u>68 63 57</u>
Net Block		1 32 53 17	1 35 49 50
Capital Work in Progress		-	3 80 53
INVESTMENTS	6	3 36 65	3 36 69
NET CURRENT ASSETS			
Current Assets, Loans & Advances			
Inventories	7	59 16 10	69 44 88
Trade Debtors	8	31 75 06	24 20 01
Cash and Bank Balances	9	5 87 29	6 39 28
Loans & Advances	10	14 46 32	8 94 24
Income Receivable		<u>3 12 94</u>	<u>2 37 42</u>
		<u>1 14 37 71</u>	<u>1 11 35 83</u>
Less : Current Liabilities & Provisions			
Current Liabilities	11	50 57 24	48 18 08
Provisions	12	<u>1 40 22</u>	<u>1 60 97</u>
		<u>62 40 25</u>	<u>61 56 78</u>
Total		<u>1 98 30 07</u>	<u>2 04 23 50</u>
Notes on Accounts	20		

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

R MAHADEVAN
Coimbatore Partner
23rd June, 2008 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 2008

PARTICULARS	SCHEDULE	31.03.2008	31.03.2007
(Rs.000's)			
INCOME			
Sales (Gross/Net)	13	2 08 67 25	2 08 99 87
Increase in Stock	15	- 4 71 57	3 66 88
		<u>2 03 95 68</u>	2 12 66 75
Other Income	14	12 59 12	7 81 46
		<u>2 16 54 80</u>	2 20 48 21
EXPENDITURE			
Material Cost	16	1 23 26 51	1 25 95 79
Manufacturing Cost	17	33 67 51	31 62 46
Other Operating Expenses	18	39 06 97	44 19 12
		<u>1 96 00 99</u>	2 01 77 37
GROSS PROFIT			
		<u>20 53 81</u>	18 70 84
Less: Financial Charges	19	17 63 60	15 21 07
Depreciation		<u>12 77 57</u>	11 83 82
PROFIT/LOSS FOR THE YEAR			
		<u>-9 87 36</u>	-8 34 05
Add : Prior Year Expenses / Income (Net)		55 99	20 85
Excess Provision for Expenses Written Back		-7 97	-
Provision for Fringe Benefit Tax		17 25	22 21
Provision for Wealth Tax		60	42
Provision for Deferred Tax		-3 68 57	-1 86 13
Prior Year Taxes		8	18
		<u>-6 84 74</u>	-6 91 58
NET PROFIT/LOSS		<u>-6 84 74</u>	-6 91 58
Add: Balance Brought forward		<u>15 85 50</u>	22 77 08
		<u>9 00 76</u>	15 85 50
Balance Transferred to Balance Sheet		<u>9 00 76</u>	15 85 50
Earnings per Share (Basic & Diluted)-Face Value Rs.10 per Share		<u>(2.67)</u>	(3.44)
Weighted Number of Equity Shares		<u>25653905</u>	20098350
Notes on Accounts	20		

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

R MAHADEVAN

Coimbatore
23rd June, 2008

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 31.03.2008

PARTICULARS	31.03.2008	31.03.2007
		(Rs.000's)
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net profit before tax and extraordinary items	-98736	-83405
Adjustments for:		
Depreciation	127757	118382
Profit/Loss on sale of assets	1144	6642
Interest Charges	176360	152107
Operating Profit before working capital changes	206525	193726
Adjustments for:		
Trade and other receivables	-75505	-44255
Inventories	102878	32629
Loans & Advances	-55208	88388
Income Receivables	-7552	13479
Current Liabilities	21841	-43447
Cash generated from operations	192979	240520
Cash flow before extraordinary items	192979	240520
Extraordinary items	-6595	-4365
Net cash from operating activities	186384	236155
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Withdrawn / Sale of fixed assets	617	5486
Acquisitions of fixed assets	-61832	-156214
Investments	4	-1
Net cash used in investing activities	-61211	-150729
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from issue of Equity Share Capital	55554	-
Proceeds of Share Premium on issue of Equity Share Capital	44446	-
Proceeds from long term borrowings	49388	-37056
From Short Term Loan	-9370	93462
Bank Borrowings	5970	-6736
Interest paid	-176360	-152107
Redemption of Preference Share Capital	-100000	-
Net cash used in financing activities	-130372	-102437
Net Increase in cash and cash equivalents	-5199	-17011
Cash and cash equivalents as at 1st April, 2007 (Opening Balance)	63928	80939
Cash and cash equivalents as at 31st March, 2008 (Closing Balance)	58729	63928

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

KG BAALAKRISHNAN
Executive Chairman

B SRIRAMULU
Managing Director

R MAHADEVAN

S MUTHUSWAMY
Director & Company Secretary

B SRIHARI
Managing Director

Coimbatore
23rd June, 2008

Partner
Membership No.27497

**SCHEDULES ANNEXED TO THE BALANCE SHEET AS AT 31ST MARCH, 2008 AND
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008**

PARTICULARS	AS AT 31.03.2008	AS AT 31.03.2007
	(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		
25691305 Equity Shares of Rs.10 each	25 69 13	20 13 58
1000000 10% Cumulative Redeemable Preference Shares of Rs.100 each (Redeemed during the year)	-	10 00 00
Subscribed and Paid up Capital		
25653905 Equity Shares of Rs.10 each	25 65 39	20 09 84
Add: Forfeited Shares	1 12	1 12
	25 66 51	20 10 96
1000000 10% Cumulative Redeemable Preference Shares of Rs.100 each (Redeemed during the year)	-	10 00 00
	25 66 51	30 10 96
SCHEDULE 2 : RESERVES & SURPLUS		
General Reserve	15 55 71	15 55 71
Share Premium	4 44 44	-
Surplus in Profit & Loss A/c	9 00 76	15 85 50
	29 00 91	31 41 21
SCHEDULE 3 : SECURED LOANS		
Term Loans:		
Rupee Term Loans	83 66 59	83 41 18
Working Capital Loans from Banks	39 74 47	40 68 17
	1 23 41 06	1 24 09 35
SCHEDULE 4 : UNSECURED LOANS		
From Banks	1 07 15	47 45
Inter Corporate Deposits	5 00 00	-
From Others	41 97	73 50
	6 49 12	1 20 95

K G DENIM LIMITED

SCHEDULE 5 : FIXED ASSETS

(Rs. 000's)

Description of Assets	GROSS BLOCK			DEPRECIATION BLOCK				NET BLOCK		
	Cost as at 31.3.2007	Additions during the year	Sales/Transfer during the year	Total cost as at 31.3.2008	Up to 31.3.2007	Depreciation for the year	Withdrawn during the year	Up to 31.3.2008	As at 31.3.2008	As at 31.3.2007
Land	35288	3559	-	38847	-	-	-	-	38847	35288
Buildings	250227	10250	-	260477	42791	7519	-	50310	210167	207436
Machinery	1593698	80654	1741	1672611	573311	110831	368	683774	988837	1020387
Electric Machinery	89245	1135	-	90380	36330	4328	-	40658	49722	52915
Office Equipments	41173	858	179	41852	23430	2598	157	25871	15981	17743
Furniture & Fittings	8009	1011	10	9010	3175	541	7	3709	5301	4834
Motor Vehicles	23667	2418	540	25545	7320	1940	177	9083	16462	16347
T o t a l	2041307	99885	2470	2138722	686357	127757	709	813405	1325317	1354950
Previous Year	1791901	269978	20572	2041307	576420	118382	8444	686357	1354950	1215481

Note: Buildings includes Prayer Hall of Rs.57.94 Lakhs in Gross Block, Rs.6.77 Lakhs in Depreciation Block and Rs.51.66 Lakhs in Net Block

WORK IN PROGRESS

Particulars	Opening Balance	Additions	Total	Brought into use	Closing Balance
Buildings	2938	7312	10250	10250	
Machinery	35115	45539	80654	80654	
Total	38053	52851	90904	90904	

SCHEDULE 6 : INVESTMENTS (At Cost)

AS AT 31.03.2008 **AS AT 31.03.2007**

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

28

32

National Savings Certificate

5

5

3 36 65

3 36 69

SCHEDULE 7 : INVENTORIES

Raw Materials

10 80 96

15 32 71

Process Stock

9 12 24

10 56 30

Finished Goods

32 90 60

37 62 17

Stock of Waste

8 10

2 44

Stock of Stores

6 24 20

5 91 26

(As taken, valued and certified by the Management)

59 16 10

69 44 88

SCHEDULE 8 : TRADE DEBTORS

Unsecured - Considered Good

9 30 56

5 95 15

Outstanding for More than Six Months

22 44 50

18 24 86

Others

31 75 06

24 20 01

PARTICULARS	AS AT 31.03.2008	AS AT 31.03.2007
	(Rs.000's)	
SCHEDULE 9 : CASH AND BANK BALANCES		
Cash and Cheques in Hand	9 65	52 04
Bank Balances (with Scheduled Banks)		
In Current Accounts	2 16 62	1 85 63
In Deposit Accounts	3 61 02	4 01 61
	<u>5 87 29</u>	<u>6 39 28</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	38 97	57 24
For Materials Purchases	77 69	2 69 57
For Duties & Taxes	2 55 29	98 46
For Subsidy Receivable from Govt Agencies	3 06 01	1 98 87
For Expenses / Others	6 44 38	1 41 43
Advances to Subsidiary Companies	9	7
Deposits	42 54	39 29
Prepaid Expenses	81 35	89 31
	<u>14 46 32</u>	<u>8 94 24</u>
SCHEDULE 11 : CURRENT LIABILITIES		
Creditors for Capital Goods	1 65 48	4 30 36
Creditors for Purchases (Other than SSI)	37 08 27	32 03 06
Creditors for Purchases (For SSI Units)	7 70	19 40
Liability for Expenses	9 95 04	9 59 50
Liability for Other Finances	35 20	38 27
Customers Credit Balances	78 04	98 67
Investor Education and Protection Fund shall be credited by the following amount namely @		
Unpaid (Unclaimed) Matured Debentures	41 42	42 20
Unpaid (Unclaimed) Interest on Debentures	26 09	26 62
@ No amount is due as on 31st March 2008 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>50 57 24</u>	<u>48 18 08</u>
SCHEDULE 12 : PROVISIONS		
For Income Tax	39 42	39 42
For Wealth Tax	60	42
For Fringe Benefit Tax	17 25	22 21
For Gratuity	82 95	98 92
	<u>1 40 22</u>	<u>1 60 97</u>

K G DENIM LIMITED

PARTICULARS	31.03.2008	31.03.2007
	(Rs.000's)	
SCHEDULE 13 : SALES		
Fabrics	1 93 14 13	1 82 05 24
Garments	12 55 24	23 93 40
Yarn	73 72	62 45
Waste\Others	2 24 16	2 38 78
	<u>2 08 67 25</u>	<u>2 08 99 87</u>
SCHEDULE 14 : OTHER INCOME		
Interest Receipts (TDS - Rs.6,81,900)	32 96	35 35
Interest Subsidy Receipts	3 84 51	3 40 76
Job Work Receipts (TDS - Rs.12,07,449)	6 90 64	2 86 42
Insurance Claims Received	4 58	25 41
Gain on Forward Contract / Exchange Gain on Export Sales	87 62	34 84
Profit on Sale of Assets	4	3
Profit on Sale of Investments	-	50
Dividend Receipts	16	21
Lease Rent Receipts (TDS - Rs.4,07,880)	36 00	12 00
Miscellaneous Receipts	22 61	45 94
	<u>12 59 12</u>	<u>7 81 46</u>
SCHEDULE 15 : INCREASE IN STOCK		
Closing Stock of Finished Goods	32 90 60	37 62 17
Opening Stock of Finished Goods	37 62 17	33 95 29
	<u>-4 71 57</u>	<u>3 66 88</u>
SCHEDULE 16 : MATERIAL COST		
Raw Materials Consumed		
Opening Stock of Raw Materials	15 32 71	25 88 39
Process Stock	6 51 45	3 70 75
Waste	2 44	9 26
	<u>21 86 60</u>	<u>29 68 40</u>
Add: Purchases	78 36 70	63 10 32
	<u>1 00 23 30</u>	<u>92 78 72</u>
Less: Closing Stock of Raw Materials	10 80 96	15 32 71
Process Stock	5 56 69	6 51 45
Waste	8 10	2 44
	<u>83 77 55</u>	<u>70 92 12</u>
Fabrics / Garments Purchases / Consumption		
Opening Process Stock	4 04 85	3 60 60
Add : Purchases	11 93 00	26 32 56
	<u>15 97 85</u>	<u>29 93 16</u>
Less : Closing Process Stock	3 55 55	4 04 85
	<u>12 42 30</u>	<u>25 88 31</u>
Chemicals Consumed	21 45 50	20 79 86
Stores Consumed	5 61 16	8 35 50
Total Material Cost	<u>1 23 26 51</u>	<u>1 25 95 79</u>

PARTICULARS	31.03.2008	31.03.2007
	(Rs.000's)	
SCHEDULE 17 : MANUFACTURING COST		
Power and Fuel	16 18 63	14 72 36
Personnel Cost: (Including Managerial Remuneration)		
Salaries, Wages, Incentives, Gratuity etc	10 03 93	8 94 65
Contribution to Provident Fund and Other Funds	46 67	46 97
Employees Welfare Expenditure	64 30	1 08 51
	<u>11 14 90</u>	<u>10 50 13</u>
Repairs and Maintenance		
For Buildings	95 22	43 78
For Machinery	4 61 31	4 66 08
For Others	72 96	1 03 67
For Prayer Hall	4 49	26 44
	<u>6 33 98</u>	<u>6 39 97</u>
T o t a l	<u>33 67 51</u>	<u>31 62 46</u>
SCHEDULE 18 : OTHER OPERATING EXPENSES		
Processing Charges	22 72 69	26 33 46
Rent	55 34	68 98
Printing and Stationery	35 52	33 28
Postage, Telegrams and Telephones	1 01 85	1 03 63
Professional and Legal Charges	29 21	44 93
Auditors' Remuneration	2 75	3 16
Insurance	46 74	67 56
Duties, Taxes and Licences	43 98	35 88
Donations	22	46
Travelling Expenses and Maintenance of Vehicles	1 51 52	2 46 73
Brokerage and Commission	1 41 52	3 30 07
Selling Expenses	4 54 91	3 58 47
Advertisements	93 42	7 15
Freight Outwards	2 76 92	3 30 89
Directors Sitting Fees	3 80	3 62
Software Maintenance Expenses	22 00	24 50
Miscellaneous Expenses	1 63 10	59 90
Loss on Sale of Fixed Assets	11 48	66 45
	<u>39 06 97</u>	<u>44 19 12</u>
SCHEDULE 19 : FINANCIAL CHARGES		
Interest on:-		
Term Loans	9 34 03	7 93 21
Other Loans	8 16	18 12
Working Capital Loans	6 69 29	5 69 59
Bank Charges	1 52 12	1 40 15
	<u>17 63 60</u>	<u>15 21 07</u>

SCHEDULE 20 :**NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2008****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) Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.
- b) Contingent liability in respect of show cause notice received are considered only when they are converted into demand.

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.

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) Short term employee benefits (other than termination benefits) which are payable within 12 months after the end of the period in which the employees render service are accounted on accrual basis. Company's contributions paid / payable during the year to Provident Fund and ESIC are recognized in the profit and loss account. All leave encashment dues for the year are settled with in the same year.
- c) Gratuity liability as per the Actuarial Valuation has been provided in the accounts as at the year end.

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) 2007 – 2008	(Rs 000's) 2006 – 2007
a) Bills discounted with banks	20 29 50	11 87 72
b) Arrears of dividend on preference shares	2 00 00	2 00 00
c) Contracts remaining to be executed in Capital Account	-	24 93
d) Disputed Duties	20 21	84 21
e) Disputed Income Tax(Paid during the year Rs.159.64 Lakhs - Previous Year Rs.10 Lakhs)	1 59 64	1 59 64
f) Guarantees given to Bank for loan to subsidiary	9 60 00	3 50 00

- 2.2 (i)** During the year the Cumulative Redeemable Preference Shares of Rs.1000 Lakhs were redeemed by issue of 55,55,555 equity shares of Rs.10 each at a premium of Rs.8 per Share to the Preference Shareholders, who have retained the right of arrears of Preference Dividend accrued to them till 31.03.2007.

(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 (excluding vehicles charged to financiers) acquired for the Expansion cum Diversification Scheme (ECDS) and New Capex Plan through Deed of Hypothecation and a pari passu first charge on all immovable properties situated in 102.1897 acres of land at Jadayampalayam, Alangombu, Karamadai Villages in Mettupalayam Taluk, Coimbatore District, Tamilnadu and 2155.62 sq.mtrs of land at Amdha Village, Dharampur Taluk, Valsad District, Gujarat through equitable mortgage created with Indian Bank. Term Loan from Indian Bank is further secured by a second pari passu charge on the current assets.

Term loan from State Bank of Hyderabad and State Bank of Indore are secured by a first pari passu charge on all plant and machineries and other movable assets (excluding vehicles charged to financiers) acquired for the Expansion cum Diversification Scheme (ECDS) through Deed of Hypothecation and a pari passu first charge on immovable properties in 48.5872 acres of land at Jadayampalayam, Alangombu and Karamadai villages in Mettupalayam Taluk, Coimbatore District, Tamilnadu.

Indian Bank is holding the original title deeds on its own behalf and on behalf of other Banks. Term loans are also guaranteed by 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 current assets and second pari passu charge on all the immovable properties and plant and machineries (excluding vehicles charges to financiers). These are also guaranteed by Shri KG Baalakrishnan.

	2007-2008 (Rs.000's)	2006-2007 (Rs.000's)
c) Personal guarantees given by Promoter Shri KG Baalakrishnan for loans obtained by the Company	1 84 68 43	2 04 90 00
d) Future hire purchase charges on vehicle hire purchase loans		
i) Not later than one year	26 83	35 49
ii) Later than one year and not later than five years	15 14	38 01
	41 97	73 50

- 2.3** In view of better prospects indicated in the next financial year in respect of the company's subsidiary, Trigger Apparels Limited, no provision is considered necessary in the accounts of the company in relation to receivable of Rs.748.48 Lakhs due from subsidiary and with regard to loss of Rs.138.41 Lakhs of subsidiary for the year.

2.4 In accordance with the revised accounting standard - 15, are given below which is certified by the actuary and relied upon by the auditors.

I.	Principal Actuarial Assumptions	31.03.2008
	(Expressed as weighted averages)	
	Discount Rate	8.00 %
	Salary Escalation Rate	10.00 %
	Attrition Rate	5.00 %
	Expected Rate of Return on Plan Assets	0.00 %
II.	Changes in the present value of the obligation (PVO) -	(Rs.000's)
	Reconciliation of Opening and Closing Balances	
	PVO as at the beginning of the period	9,891
	Interest Cost	759
	Current Service Cost	871
	Past Service Cost - (Non Vested Benefits)	0
	Past Service Cost - (Vested Benefits)	0
	Benefits Paid	(801)
	Actuarial Loss / (Gain) on obligation (Balancing Figure)	(2,425)
	PVO as at the end of the period	8,295
III.	Changes in the fair value of plan assets -	(Rs.000's)
	Reconciliation of Opening and Closing Balances	
	Fair Value of plan assets as at the beginning of the period	0
	Expected return on plan assets	0
	Contributions	801
	Benefits Paid	(801)
	Actuarial Gain / (Loss) on plan assets (Balancing Figure)	0
	Fair Value of plan assets as at the end of the period	0
IV.	Actual return on plan assets	(Rs.000's)
	Expected return on plan assets	0
	Actuarial Gain / (Loss) on plan assets	0
	Actual return on plan assets	0
V.	Actuarial Gain / Loss recognised	(Rs.000's)
	Actuarial Gain / (Loss) for the period - Obligation	2,425
	Actuarial Gain / (Loss) for the period - plan assets	0
	Total (Gain) / Loss for the period	(2,425)
	Actuarial (Gain) / Loss recognised in the period	(2,425)
	Unrecognised actuarial (Gain) / Loss at the end of the year	0
VI.	Amounts recognised in the balance sheet and related analyses	(Rs.000's)
	Present Value of the obligation	8,295
	Fair Value of plan assets	0
	Difference	8,295
	Unrecognised transitional liability	0
	Unrecognised past service cost-non vested benefits	0
	Liability recognised in the balance sheet	8,295
VII.	Expenses recognised in the statement of profit and loss	(Rs.000's)
	Current Service Cost	871
	Interest Cost	759
	Expected return on plan assets	0
	Net actuarial (Gain) / Loss recognised in the year	(2,425)
	Transitional Liability recognised in the year	0
	Past Service Cost - Non-Vested Benefits	0
	Past Service Cost - Vested Benefits	0
	Expenses recognised in the statement of profit and loss	(795)
VIII.	Movements in the Liability recognised in the balance sheet	(Rs.000's)
	Opening net liability	9,891
	Expense as above	(795)
	Contribution paid	(801)
	Closing net liability	8,295

K G DENIM LIMITED

2.5 Managerial remuneration under Section 198 of the Companies Act, 1956 paid or payable during the financial year				
		2007-2008		2006-2007
		(Rs.000's)		(Rs.000's)
Salaries and allowances (Rs.)		41 91		10 68
Contribution to PF		<u>1 13</u>		<u>1 11</u>
Total		<u>43 04</u>		<u>11 79</u>
2.6 Computation of Net Profit in accordance with Section 198 read with Section 309 (5) of the Companies Act, 1956				
Profit/Loss before Taxation		-98736		-83405
Add : Depreciation as per Accounts		127757		118382
Loss on Sale of Fixed Assets		1148		6645
Managerial Remuneration		<u>4304</u>		<u>1179</u>
		34473		42801
Less: Depreciation as per Section 350 of Companies Act, 1956		127757		118382
Prior year & Preliminary Expenses		<u>4802</u>		<u>2085</u>
Net Loss for the year		<u>-98086</u>		<u>-77649</u>
Minimum Remuneration to Managing Directors		3000		-
Minimum Remuneration to other Executive Directors		<u>1304</u>		<u>1179</u>
Total Managerial Remuneration		<u>4304</u>		<u>1179</u>
2.7 Licensed and Installed Capacities :				
Licensed Capacity :		NA		NA
Installed Capacity : Looms		204 Looms		185 Looms
Stenters		3 Nos		3 Nos
2.8 Particulars of Production, Sales & Stock				
Particulars of Production :				
			Qty	Qty
Cloth (Mtrs)			2 12 89 025	2 02 48 352
* Waste (Kgs.)			16 96 114	16 39 985
** Garments (Nos.)			3 08 231	5 73 404
Note : * Waste Production is net of issue of reused waste in cotton/yarn/fabrics for production. ** Converted on job work basis by outsiders				
2.9 Particulars of Sales:				
		Qty	2007-2008	
			Amount	
			(Rs.000's)	Qty
				2006-2007
				Amount
				(Rs.000's)
Cloth Mtrs.	2 16 65 237	1 93 14 13		1 95 80 167
Yarn Kgs.	87 542	73 72		96 303
Waste* Kgs.	16 88 986	2 24 16		16 67 524
Garments Nos.	3 36 640	<u>12 55 24</u>		6 79 150
		<u>2 08 67 25</u>		<u>23 93 40</u>
				<u>2 08 99 87</u>
* includes samples and loss				
2.10 Particulars of Opening Stock:				
Cloth Mtrs.	38 16 471	34 63 15		31 48 286
Garments Nos.	84 921	1 96 33		1 77 071
Garment in process	-	<u>1 02 69</u>		-
		37 62 17		33 95 29
Waste Kgs.	33 202	2 44		60 741
		<u>37 64 61</u>		<u>9 26</u>
				<u>34 04 55</u>

	2007-2008		2006-2007	
	Qty	Amount (Rs.000's)	Qty	Amount (Rs.000's)
2.11 Particulars of Closing Stock:				
Cloth Mtrs.	34 40 259	31 02 38	38 16 471	34 63 15
Garments Nos.	56 512	81 35	84 921	1 96 33
Garment in process	-	1 06 87		1 02 69
		<u>32 90 60</u>		<u>37 62 17</u>
Waste Kgs.	40 330	8 10	33 202	2 44
		<u>32 98 70</u>		<u>37 64 61</u>
2.12 Particulars of Purchases:				
* Cloth Mtrs.	-	11 93 00	-	41 98
Garments Nos.	-	-	13 596	61 00
		<u>11 93 00</u>		<u>1 02 98</u>
* Subject to further processing and included in production.				
2.13 Raw Materials Consumed				
Cotton Kgs	59 91 576	33 55 28	69 65 254	36 48 37
Yarn Kgs	53 99 588	50 22 27	37 77 960	34 43 75
Fabric Mtrs.	22 19 146	12 42 30	46 00 734	25 88 31
2.14 Consumption		2007-2008		2006-2007
	%	(Rs.000's)	%	(Rs.000's)
Raw Materials - Imported	21	17 76 55	25	17 39 95
Indigenous	79	66 01 00	75	53 52 17
	<u>100</u>	<u>83 77 55</u>	<u>100</u>	<u>70 92 12</u>
Fabric consumed - Imported	2	24 05	-	-
Fabric consumed - Indigenous	98	12 18 25	100	25 88 31
	<u>100</u>	<u>12 42 30</u>	<u>100</u>	<u>25 88 31</u>
Chemicals - Imported	23	4 97 16	23	4 85 15
Indigenous	77	16 48 34	77	15 94 71
	<u>100</u>	<u>21 45 50</u>	<u>100</u>	<u>20 79 86</u>
Stores & Spares - Imported	28	1 58 51	25	2 08 25
Indigenous	72	4 02 65	75	6 27 25
	<u>100</u>	<u>5 61 16</u>	<u>100</u>	<u>8 35 50</u>
2.15 Value of Imports on CIF basis				
I Raw Materials		20 03 23		19 69 05
II Chemicals		6 38 79		5 60 41
III Spares & Components		1 58 51		2 08 25
IV Capital Goods		3 78 31		7 25 15
		<u>31 78 84</u>		<u>34 62 86</u>
2.16 Expenditure in Foreign Currency				
Commission		1 68 07		2 16 31
Advertisement and Trade Fair		30 49		22 25
Travelling etc.,		29 97		33 92
Processing Charges		7 36		80
Testing Charges		4 86		10 79
		<u>2 40 75</u>		<u>2 84 07</u>
2.17 Earnings in Foreign Currency (FOB)				
Export of goods on Direct Export		69 02 54		87 28 36
2.18 Auditors Remuneration				
For Audit		1 35		1 35
For Tax Audit		62		56
For Other Services		78		1 25
		<u>2 75</u>		<u>3 16</u>

K G DENIM LIMITED

2.19 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)	(Rs.000's)
		Year ended 31.03.2008	Year ended 31.03.2007
1	Segment Revenue		
	(a) Fabrics Division	2083875	1930446
	(b) Apparel Division	129930	239340
		2213805	2169786
	Less: Inter Segment Revenue	127080	79899
	Add : Other Income	87460	44069
	Net Sales/Income from Operations	2174185	2133956
2	Segment Results		
	Profit/ Loss before Interest and Tax		
	(a) Fabrics Division	50570	49719
	(b) Apparel Division	-11397	-15094
	Total	39173	34625
	Less : Interest	137909	118031
	Extraordinary Items	4802	2083
	Profit / Loss before Tax	-103538	-85489
3	Capital Employed (Segment Assets - Segment Liabilities)		
	(a) Fabrics Division	1893854	1918035
	(b) Apparel Division	89153	124315
	Total	1983007	2042350

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

(Rs.000's)

Particulars	2007-2008				2006-2007			
	Subsidiary	Associates	Key Management Personnel	Relative of Key Management Personnel	Subsidiary	Associates	Key Management Personnel	Relative of key Management Personnel
Purchase of goods	-	8011	-	-	-	17198	-	-
Sale of goods	75735	17492	-	-	108194	16468	-	-
Conversion								
Charges paid	-	195643	-	-	-	211463	-	-
Processing								
Charges paid	26535	-	-	-	-	389	-	-
Service								
Charges paid	-	2200	-	-	-	2450	-	-
Investments	-	-	-	-	-	-	-	-
Managerial								
Remuneration	-	-	4304	-	-	-	1179	-
Share of Profit	-	-	-	-	-	-	-	-

2.21 Balance outstanding as on 31.03.2008

Particulars	2007-08				2006-2007			
	Subsidiary	Associates	Key Management Personnel	Relative of Key Management Personnel	Subsidiary	Associates	Key Management Personnel	Relative of key Management Personnel
Debtors	74848	8123	-	-	70087	8180	-	-
Creditors	-	55341	-	-	-	52547	-	-

2.22 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)

2.23 Major Components of Deferred Tax Assets and Deferred Tax Liabilities

(Rs.000's)

Particulars	2007-08		2006-07	
	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.	-	208721	-	212290
Disallowance under IT Act and to be claimed in subsequent years	-	-	-	-
Carried forward loss	71474	-	38187	-
Total	71474	208721	38187	212290
Net Deferred tax Liability	-	137247	-	174103

K G DENIM LIMITED

- 2.24** Pursuant to the Accounting Standard (AS-29) - Provisions, Contingent Liabilities and Contingent Assets, the disclosure relating to provisions made in the accounts for the year ended 31st March 2008 is as follows :

Particulars	Provision for Income Tax		Provision for Wealth Tax		Provision for Fringe Benefit Tax		Provision for Gratuity	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Opening Balance	3941	65000	42	46	2221	3000	9891	7311
Additions	-	-	60	42	1725	2221	2	3132
Utilisation	-	-	-	-	-	-	797	552
Reversals	-	61059	42	46	2221	3000	801	-
Closing Balance	3941	3941	60	42	1725	2221	8295	9891

- 2.25** Prior Year Income / Expense (net) in Profit and Loss account consist of provision for expenses no longer required writtenback Rs.14.91 Lakhs. 90.06 Lakhs (Previous Year Rs.17.68 Lakhs) and expenses of Prior year amounting to Rs.70.90 Lakhs (Previous Year Rs.38.53 Lakhs).

- 2.26** 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.2.87 Lakhs of more than 30 days and exceeding Rs.1.00 Lakh to the following parties: Poppys Plastics Rs.2.32 Lakhs).

- b. The Company has not received any intimation from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures regarding amount due and outstanding, interest payable, accrued and paid to suppliers at the end of the accounting year and interest paid during the year have not been given.

The Company is making efforts to get the confirmations from the suppliers as regards the status under the Act.

- 2.27** 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.

- 2.28** 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.

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

(Rs.000's)

	31.03.2008	31.03.2007
Debtors	20996	3071
Creditors	46019	28343
FCR Loans from Banks	13368	-
Bank Balances	61	520

- 2.30** Previous year's figures have been regrouped wherever necessary.

- 2.31** 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
23rd June, 2008

Partner

Membership No.27497

KG BAALAKRISHNAN
Executive Chairman

S MUTHUSWAMY

Director & Company Secretary

B SRIRAMULU
Managing Director

B SRIHARI

Managing Director

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

Registration No. State Code

Balance Sheet Date 31st March 2008

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

Public Issue Rights Issue

Bonus Issue Private Placement

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

Total Liabilities Total Assets

Sources of Funds Application of Funds :

Paid-up Capital Net Fixed Assets

Reserves & Surplus Capital Work -in- Progress

Deferred Tax Liability (Net) Net Current Assets

Secured Loans Investments

Unsecured Loans Misc. Expenditure

IV Performance of Company (Rs.000's)

Turnover Total Expenditure

Profit/Loss Before Tax Profit/Loss After Tax

Earnings per Share (EPS) in Rs Dividend Rate %

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

Item Code No. (ITC Code)	Product Description
<input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="0"/>	DENIM FABRICS
<input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="0"/>	COTTON WOVEN FABRICS
<input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="9"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="0"/>	100% COTTON FABRICS

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

Coimbatore
23rd June, 2008

R MAHADEVAN
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

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	31.03.2008	31.03.2008
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 Loss for the Subsidiary's Financial Year ended 31st March, 2008	Rs.138.41 Lakhs	Nil
	b Profit for the previous years of the Subsidiary since it became the Subsidiary of K G Denim Ltd	Rs.10.85 Lakhs	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, 2008	Nil	Nil
	b For its previous financial years since it became the Subsidiary of K G Denim Ltd	Nil	Nil

**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 2008 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 2008;
 - (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

Membership No.27497

Coimbatore

23.06.2008

CONSOLIDATED FINANCIAL STATEMENTS K G DENIM LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2008

PARTICULARS	SCHEDULE	AS AT 31.03.2008	AS AT 31.03.2007
		(Rs.000's)	
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	25 66 51	30 10 96
Reserves & Surplus	2	27 73 35	31 52 06
		<u>53 39 86</u>	<u>61 63 02</u>
LOAN FUNDS			
Secured Loans	3	1 27 98 85	1 27 25 24
Unsecured Loans	4	6 51 17	1 23 80
		<u>1 34 50 02</u>	<u>1 28 49 04</u>
Deferred Tax Liability (Net)		<u>13 08 06</u>	<u>17 41 64</u>
Total		<u>2 00 97 94</u>	<u>2 07 53 70</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
	5		
Gross Block		2 14 58 25	2 04 18 76
Less : Depreciation		<u>81 37 70</u>	<u>68 63 87</u>
Net Block		1 33 20 55	1 35 54 89
Capital Work in Progress		-	3 80 53
INVESTMENTS	6	3 31 37	3 31 37
NET CURRENT ASSETS			
Current Assets, Loans & Advances			
Inventories	7	67 31 98	77 56 99
Trade Debtors	8	30 21 48	20 90 67
Cash and Bank Balances	9	6 92 12	6 44 46
Loans & Advances	10	15 56 15	10 32 92
Income Receivable		<u>3 12 94</u>	<u>2 37 42</u>
		<u>1 23 14 67</u>	<u>1 17 62 46</u>
Less : Current Liabilities & Provisions			
Current Liabilities	11	57 08 04	51 01 15
Provisions	12	<u>1 61 01</u>	<u>1 74 79</u>
		<u>64 45 62</u>	<u>64 86 52</u>
MISCELLANEOUS EXPENDITURE	13	40	39
(To the extent not written off or adjusted)			
Total		<u>2 00 97 94</u>	<u>2 07 53 70</u>
Notes on Accounts	21		

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

KG BAALAKRISHNAN
Executive Chairman

B SRIRAMULU
Managing Director

R MAHADEVAN
Partner
Coimbatore
23rd June, 2008

S MUTHUSWAMY
Director & Company Secretary

B SRIHARI
Managing Director

Membership No.27497

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

PARTICULARS	SCHEDULE	31.03.2008	31.03.2007
(Rs.000's)			
INCOME			
Sales (Gross/Net)	14	2 33 86 05	2 22 70 46
Increase in Stock	16	<u>-3 66 38</u>	<u>6 56 35</u>
		2 30 19 67	2 29 26 81
Other Income	15	<u>12 63 88</u>	<u>7 82 05</u>
		<u>2 42 83 55</u>	<u>2 37 08 86</u>
EXPENDITURE			
Material Cost	17	1 37 19 35	1 34 96 28
Manufacturing Cost	18	35 50 83	32 61 74
Other Operating Expenses	19	<u>50 65 60</u>	<u>50 46 72</u>
		<u>2 23 35 78</u>	<u>2 18 04 74</u>
GROSS PROFIT			
		<u>19 47 77</u>	<u>19 04 12</u>
Less: Financial Charges	20	18 45 61	15 33 99
Depreciation		<u>12 80 92</u>	<u>11 84 12</u>
PROFIT / LOSS FOR THE YEAR			
		<u>-11 78 76</u>	<u>-8 13 99</u>
Add : Prior Year Income / Expenses (Net)		57 92	21 48
Excess Provision for Expenses Written Back		-7 97	-
Provision for Current Tax		-	7 49
Provision for Fringe Benefit Tax		27 35	28 54
Provision for Wealth Tax		60	42
Provision for Deferred Tax		-4 33 59	-1 85 52
Prior Year Taxes		<u>8</u>	<u>-40</u>
NET PROFIT / LOSS			
		<u>-8 23 15</u>	<u>-6 86 00</u>
Add: Balance Brought forward		15 96 35	22 82 35
Balance Transferred to Balance Sheet			
		<u>7 73 20</u>	<u>15 96 35</u>
Earnings per Share (Basic & Diluted)-Face Value Rs.10 per Share		(3.21)	(3.41)
Weighted Number of Equity Shares		25653905	20098350
Notes on Accounts	21		

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

R MAHADEVAN

Coimbatore
23rd June, 2008

Partner
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 CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2008

PARTICULARS	31.03.2008	31.03.2007
		(Rs.000's)
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net profit / loss before tax and extraordinary items	-117876	-81399
Adjustments for:		
Depreciation	128092	118412
Profit/Loss on sale of assets	1144	6642
Interest/Charges	184561	153398
Operating Profit before working capital changes	195921	197053
Adjustments for:		
Trade and other receivables	-97843	-63201
Inventories	102501	-45621
Loans & Advances	-52315	75603
Income Receivables	-7552	13479
Current Liabilities	64060	31441
Cash generated from operations	204772	208755
Cash flow before extraordinary items	204772	208755
Extraordinary items	-7798	-5753
Net cash from operating activities	196973	203002
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Withdrawn / Sale of fixed assets	617	5486
Acquisitions of fixed assets	-68366	-156783
Investments	4	-1
Net cash used in investing activities	-67745	-151298
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from issue of Equity Share Capital	55554	-
Proceeds of Share Premium on issued of Equity Share Capital	44446	-
Proceeds from long term borrowings	49388	-37056
From Short Term Loan	-9450	93747
Bank Borrowings	20160	24853
Interest paid	-184561	-153398
Redemption of Preference Share Capital	-100000	-
Net cash used in financing activities	-124463	-71854
Net Increase in cash and cash equivalents	4766	-20150
Cash and cash equivalents as at 1st April, 2007 (Opening Balance)	64446	84596
Cash and cash equivalents as at 31st March, 2008 (Closing Balance)	69212	64446

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

KG BAALAKRISHNAN
Executive Chairman

B SRIRAMULU
Managing Director

Coimbatore
23rd June, 2008

R MAHADEVAN
Partner
Membership No.27497

S MUTHUSWAMY
Director & Company Secretary

B SRIHARI
Managing Director

SCHEDULES ANNEXED TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2008 AND CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

PARTICULARS	AS AT 31.03.2008	AS AT 31.03.2007
	(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		
25691305 Equity Shares of Rs.10 each	25 69 13	20 13 58
1000000 10% Cumulative Redeemable Preference Shares of Rs.100 each (Redeemed during the year)	-	10 00 00
Subscribed and Paid up Capital		
25653905 Equity Shares of Rs.10 each	25 65 39	20 09 84
Add: Forfeited Shares	1 12	1 12
	25 66 51	20 10 96
1000000 10% Cumulative Redeemable Preference Shares of Rs.100 each (Redeemed during the year)	-	10 00 00
	25 66 51	30 10 96
SCHEDULE 2 : RESERVES & SURPLUS		
General Reserve	15 55 71	15 55 71
Share Premium	4 44 44	-
Surplus in Profit & Loss A/c	7 73 20	15 96 35
	27 73 35	31 52 06
SCHEDULE 3 : SECURED LOANS		
Term Loans:		
Rupee Term Loans	83 66 59	83 41 18
Working Capital Loans from Banks	44 32 26	43 84 06
	1 27 98 85	1 27 25 24
SCHEDULE 4 : UNSECURED LOANS		
From Banks	1 09 20	50 30
Inter Corporate Deposits	5 00 00	-
From Others	41 97	73 50
	6 51 17	1 23 80

CONSOLIDATED FINANCIAL STATEMENTS K G DENIM LIMITED

SCHEDULE 5 : FIXED ASSETS

(Rs. 000's)

Description of Assets	GROSS BLOCK				DEPRECIATION BLOCK			NET BLOCK		
	Cost as at 31.3.2007	Additions during the year	Sales/Transfer during the year	Total cost as at 31.3.2008	Up to 31.3.2007	Depreciation for the year	Withdrawn during the year	Up to 31.3.2008	As at 31.3.2008	As at 31.3.2007
Land	35288	3559	-	38847	-	-	-	-	38847	35288
Buildings	250227	10250	-	260477	42791	7519	-	50310	210167	207436
Machinery	1593698	80654	1741	1672611	573311	110831	368	683774	988837	1020387
Electric Machinery	89320	1395	-	90715	36335	4333	-	40668	50047	52990
Office Equipments	41667	1003	179	42491	23455	2634	157	25932	16559	18207
Furniture & Fittings	8009	7140	10	15139	3175	835	7	4003	11136	4834
Motor Vehicles	23667	2418	540	25545	7320	1940	177	9083	16462	16347
T o t a l	2041876	106419	2470	2145825	686387	128092	709	813770	1332055	1355489
Previous Year	1791901	270547	20572	2041876	576420	118412	8444	686387	1355489	1215481

WORK IN PROGRESS

Particulars	Opening Balance	Additions	Total	Brought into use	Closing Balance
Buildings	2938	7312	10250	10250	
Machinery	35115	45539	80654	80654	
Total	38053	52851	90904	90904	

SCHEDULE 6 : INVESTMENTS (At Cost)

AS AT 31.03.2008 **AS AT 31.03.2007**

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

National Savings Certificate

5

5

3 31 37

3 31 37

SCHEDULE 7 : INVENTORIES

Raw Materials

11 15 56

16 37 31

Process Stock

11 94 67

13 89 16

Finished Goods

37 14 87

40 81 25

Stock of Waste

8 10

2 44

Stock of Stores

6 98 78

6 46 83

(As taken, valued and certified by the Management)

67 31 98

77 56 99

SCHEDULE 8 : TRADE DEBTORS

Unsecured - Considered Good

Outstanding for More than Six Months

Others

10 79 36

6 11 68

19 42 12

14 78 99

30 21 48

20 90 67

PARTICULARS	AS AT 31.03.2008	AS AT 31.03.2007
(Rs.000's)		
SCHEDULE 9 : CASH AND BANK BALANCES		
Cash and Cheques in Hand	16 61	56 23
Bank Balances (with Scheduled Banks)		
In Current Accounts	2 37 38	1 86 62
In Deposit Accounts	4 38 13	4 01 61
	<u>6 92 12</u>	<u>6 44 46</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	38 97	62 84
For Materials Purchases	1 02 15	3 54 61
For Duties & Taxes	2 72 45	1 23 73
For Subsidy Receivable from Govt Agencies	3 06 01	1 98 87
For Expenses/Others	7 08 38	1 64 24
Deposits	42 54	39 32
Prepaid Expenses	85 65	89 31
	<u>15 56 15</u>	<u>10 32 92</u>
SCHEDULE 11 : CURRENT LIABILITIES		
Creditors for Capital Goods	1 65 48	4 30 36
Creditors for Purchases (Other than SSI)	39 31 48	33 14 82
Creditors for Purchases (For SSI Units)	11 86	19 40
Liability for Expenses	12 50 10	9 88 70
Liability for Other Finances	1 26 62	1 19 74
Customers Credit Balances	1 54 99	1 59 31
Investor Education and Protection Fund shall be credited by the following amount namely @		
Unpaid (Unclaimed) Matured Debentures	41 42	42 20
Unpaid (Unclaimed) Interest on Debentures	26 09	26 62
	<u>57 08 04</u>	<u>51 01 15</u>
SCHEDULE 12 : PROVISIONS		
For Income Tax	39 42	46 91
For Wealth Tax	60	42
For Fringe Benefit Tax	27 35	28 54
For Gratuity	93 64	98 92
	<u>1 61 01</u>	<u>1 74 79</u>
SCHEDULE 13 : MISCELLANEOUS EXPENDITURE		
To the extent not written off or adjusted	40	39

CONSOLIDATED FINANCIAL STATEMENTS K G DENIM LIMITED

PARTICULARS	31.03.2008	31.03.2007
	(Rs.000's)	
SCHEDULE 14 : SALES		
Fabrics	1 93 14 13	1 82 05 24
Garments	37 73 09	37 63 99
Yarn	73 72	62 45
Waste\Others	2 25 11	2 38 78
	<u>2 33 86 05</u>	<u>2 22 70 46</u>
SCHEDULE 15 : OTHER INCOME		
Interest Receipts (TDS - Rs.6,81,900)	35 00	35 35
Interest Subsidy Receipts	3 84 51	3 40 76
Job Work Receipts (TDS - Rs.12,07,449)	6 90 64	2 86 42
Insurance Claims Received	4 80	25 41
Gain on Forward Contract/Exchange Gain on Export Sales	87 62	34 84
Profit on Sale of Assets	4	3
Profit on Sale of Investments	-	50
Dividend Receipts	16	21
Lease Rent Receipts (TDS - Rs.4,07,880)	36 00	12 00
Miscellaneous Receipts	25 11	46 53
	<u>12 63 88</u>	<u>7 82 05</u>
SCHEDULE 16 : INCREASE IN STOCK		
Closing Stock of Finished Goods	37 14 87	40 81 25
Opening Stock of Finished Goods	40 81 25	34 24 90
	<u>-3 66 38</u>	<u>6 56 35</u>
SCHEDULE 17 : MATERIAL COST		
Raw Materials Consumed		
Opening Stock of Raw Materials	16 37 31	25 88 39
Process Stock	9 84 31	3 70 75
Waste	2 44	9 26
	<u>26 24 06</u>	<u>29 68 40</u>
Add: Purchases	85 69 03	71 00 00
	<u>1 11 93 09</u>	<u>1 00 68 40</u>
Less: Closing Stock of Raw Materials	11 15 56	16 37 31
Process Stock	8 39 12	9 84 31
Waste	8 10	2 44
	<u>92 30 31</u>	<u>74 44 34</u>
Fabrics / Garments Purchases / Consumption		
Opening Process Stock	4 04 85	3 60 60
Add : Purchases	14 06 69	29 42 06
	<u>18 11 54</u>	<u>33 02 66</u>
Less : Closing Process Stock	3 55 55	4 04 85
	<u>14 55 99</u>	<u>28 97 81</u>
Chemicals Consumed	21 45 50	20 79 86
Stores Consumed	8 87 55	10 74 27
Total Material Cost	<u>1 37 19 35</u>	<u>1 34 96 28</u>

PARTICULARS	31.03.2008	31.03.2007
	(Rs.000's)	
SCHEDULE 18 : MANUFACTURING COST		
Power and Fuel	16 18 63	14 73 57
Personnel Cost: (Including Managerial Remuneration)		
Salaries, Wages, Incentives, Gratuity etc	11 79 27	9 85 05
Contribution to Provident Fund and Other Funds	46 67	46 97
Employees Welfare Expenditure	66 95	1 15 61
	<u>12 92 89</u>	<u>11 47 63</u>
Repairs and Maintenance		
For Buildings	95 77	44 00
For Machinery	4 61 31	4 66 08
For Others	77 74	1 04 02
For Prayer Hall	4 49	26 44
	<u>6 39 31</u>	<u>6 40 54</u>
Total	<u>35 50 83</u>	<u>32 61 74</u>
SCHEDULE 19 : OTHER OPERATING EXPENSES		
Processing Charges	28 79 67	30 62 06
Rent	1 19 50	86 74
Printing and Stationery	37 78	34 40
Postage, Telegrams and Telephones	1 13 36	1 11 40
Professional and Legal Charges	34 28	53 84
Auditors' Remuneration	3 09	3 50
Insurance	58 78	69 13
Duties, Taxes and Licences	54 95	36 34
Donations	22	46
Travelling Expenses and Maintenance of Vehicles	2 43 76	3 02 18
Brokerage and Commission	2 04 65	3 31 66
Selling Expenses	7 04 35	4 19 60
Advertisements	93 42	30 56
Freight Outwards	3 00 77	3 47 84
Directors Sitting Fees	3 80	3 62
Software Development Expenses	22 00	24 63
Miscellaneous Expenses	1 79 74	62 31
Loss on Sale of Fixed Assets	11 48	66 45
	<u>50 65 60</u>	<u>50 46 72</u>
SCHEDULE 20 : FINANCIAL CHARGES		
Interest on :-		
Term Loans	9 34 03	7 93 21
Other Loans	26 44	22 65
Working Capital Term Loans	7 22 68	5 74 35
Bank Charges	1 62 46	1 43 78
	<u>18 45 61</u>	<u>15 33 99</u>

SCHEDULE 21 :**NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2008****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 K G 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 31.03.2008
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	
	Qty.	Value Rs.	Qty.	Qty.	Value Rs.	Qty.	Value Rs.	Qty.	Value Rs.
2007-2008									
1 Cloth (in Mtrs)	3920033	346315	21289025	3474529	320925	-	192533	21734529	1931413
2 Garments (in Nos)	215870	61810	929543	205633	50562	133418	21368	1073198	377309
2006-2007									
1 Cloth (in Mtrs)	3164556	277352	21019817	3920033	346315	-	342224	20264340	1820524
2 Garments (in Nos)	179795	65138	958411	215870	61810	158766	37050	1081102	376400

- 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

	31.03.2008		31.03.2007	
	Qty.	(Rs.000's)	Qty.	(Rs.000's)
Cotton Kgs	59 91 576	33 55 28	69 65 254	36 48 37
Yarn Kgs	53 99 588	50 22 27	37 77 960	34 43 75
Fabric Mtrs	22 19 146	12 42 30	46 00 734	25 88 31

2. Auditors' Remuneration

Audit fee	1 58	1 58
Tax Audit	62	56
Other Services	89	1 36

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.



K G DENIM LIMITED

Registered Office : Then Thirumalai
Coimbatore - 641 302.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the SIXTEENTH ANNUAL GENERAL MEETING of the Members of K G DENIM LIMITED will be held on Wednesday, the 24th day of September 2008 at 2.00 p.m. at the Registered Office Premises, Then Thirumalai, Jadayampalayam, Coimbatore 641 302 to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st March 2008, the Profit and Loss Account for the year ended 31st March 2008 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Smt T Anandhi, who retires by rotation and being eligible, offers herself for reappointment.
3. To appoint a Director in place of Shri S R Rajasekaran, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri M J Vijayaraaghavan, who retires by rotation and being eligible, offers himself for reappointment.
5. To consider and, if thought fit, to pass, with or without modification, the following Resolution relating to the appointment of the Auditors of the Company.
"RESOLVED that M/s Gopalaiyer and Subramanian, Chartered Accountants, the retiring Auditors of the Company, be and are hereby re-appointed as Auditors of the Company, from the conclusion of this meeting until the conclusion of the next Annual General Meeting on such remuneration as shall be fixed by the Board of Directors of the Company."

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass, with or without modification, the following Resolution as an ORDINARY RESOLUTION:
RESOLVED THAT pursuant to provisions of Sections 198, 269 and 309, read with Schedule XIII and other applicable provisions of the Companies Act, 1956, approval of the members be and is hereby accorded for the re-appointment of Shri KG Baalakrishnan as the Executive Chairman of the Company for the period of 5 years with effect from 3rd November 2008 at a remuneration of 3% of net profits of the Company for financial year calculated in accordance with Section 349 of the Companies Act, 1956.
RESOLVED FURTHER THAT :
 - a. The Executive Chairman shall be entitled to reimbursement of all actual expenses including entertainment and traveling incurred in the course of the Company's business.
 - b. The Company shall provide a car with driver, telephone and internet facility at the residence of the Executive Chairman. Provision of car with driver for use of the Company's business, telephone and internet facility at the residence will not be considered as perquisites. Personal long distance calls on the telephone and use of car for private purposes shall be billed by the Company to the Executive Chairman.
7. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ORDINARY RESOLUTION:
RESOLVED THAT pursuant to provisions of Sections 198, 269 and 309, read with Schedule XIII and other applicable provisions of the Companies Act, 1956, approval of the members be and is hereby accorded for the re-appointment of Shri B Sriramulu for 5 years with effect from 3rd November 2008 as the Managing Director and remuneration payable to him be and hereby fixed as 3% of net profits of the Company calculated in accordance with Section 349 of the Companies Act, 1956, provided that in case of inadequacy of profits the minimum remuneration payable in terms of Part II of Schedule XIII of the Companies Act, 1956 be fixed as Rs.2,00,000 per month.

RESOLVED FURTHER THAT

- a. The Managing Director shall be entitled to reimbursement of all actual expenses including entertainment and traveling incurred in the course of the Company's business.
 - b. The Company shall provide a car with driver, telephone and internet facility at the residence of the Managing Director. Provision of car with driver for use of the company's business, telephone and internet facility at the residence will not be considered as perquisites. Personal long distance calls on the telephone and use of car for private purposes shall be billed by the Company to the Managing Director.
8. To consider and, if thought fit, to pass, with or without modification, the following Resolution as an ORDINARY RESOLUTION :

RESOLVED THAT pursuant to provisions of Sections 198, 269 and 309, read with Schedule XIII and other applicable provisions of the Companies Act, 1956, approval of the members be and is hereby accorded for the re-appointment of Shri B Srihari for 5 years with effect from 3rd November 2008 as the Managing Director and remuneration payable to him be and hereby fixed as 3% of net profits of the Company calculated in accordance with Section 349 of the Companies Act, 1956, provided that in case of inadequacy of profits the minimum remuneration payable in terms of Part II of Schedule XIII of the Companies Act, 1956 be fixed as Rs.2,00,000 per month.

RESOLVED FURTHER THAT

- a. The Managing Director shall be entitled to reimbursement of all actual expenses including entertainment and traveling incurred in the course of the Company's business.
- b. The Company shall provide a car with driver, telephone and internet facility at the residence of the Managing Director. Provision of car with driver for use of the company's business, telephone and internet facility at the residence will not be considered as perquisites. Personal long distance calls on the telephone and use of car for private purposes shall be billed by the Company to the Managing Director.

Coimbatore
23.06.2008

By Order of the Board
KG Baal Krishnan
Executive Chairman

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. Proxies in order to be effective must be deposited at the Registered Office of Then Thirumalai, Coimbatore 641 302 not less than 48 hours before holding the meeting.
3. Members holding shares in physical form are requested to intimate the Change of Address and their Bank Account details such as Bank name, Branch with address and Account number for incorporating the same in the Register maintained by M/s Cameo Corporate Services Ltd, "Subramanian Building", No.1 Club House Road, Chennai 600 002 quoting their respective folio number and members holding shares in demat form shall intimate the above details to their Depository Participant with whom they have Demat Account.
4. The Register of Members of the Company and the Share Transfer Books will remain closed from 16.09.2008 to 24.09.2008 (both days inclusive).
5. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the special business Item Nos.6 to 8 is enclosed.
6. Re-appointment of Directors:

At the ensuing Annual General Meeting Smt T Anandhi, Shri S R Rajasekaran, and Shri M J Vijayaraaghavan retire by rotation and being eligible offer themselves for re-appointment. The information or details pertaining to these Directors to be provided in terms of Clause 49 of the Listing Agreement with the Stock Exchanges are furnished in the Statement on Corporate Governance annexed in this Annual Report.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956.

ITEM No.6

The Board at its meeting held on 23.06.2008 re-appointed Shri KG Baalakrishnan as Executive Chairman for the period of 5 years from 03.11.2008 on the terms as to remuneration as provided in the text to the resolution as approved by Remuneration Committee.

He shall be entitled to the reimbursement of all expenses including entertainment and traveling incurred in the course of company's business.

Shri KG Baalakrishnan aged 68 years is B.Com., B.L., and is a renowned industrialist. He has been associated with the textile industry for more than 45 years and instrumental in building K G Group in Coimbatore. He is also the Managing Director of Sri Kannapiran Mills Limited that promoted K G Denim Limited. He is the Executive Chairman from 03.11.2003.

Excepting Shri KG Baalakrishnan, Executive Chairman, Shri B Sriramulu, Managing Director, Shri B Srihari, Managing Director and Smt T Anandhi, Director who are all related to each other as per Section 6 (c) of the Companies Act, 1956, no other Director of the Company is concerned or interested in the resolution.

The explanatory statement together with the accompanying notice may be treated as an abstract of the terms of appointment of the Director pursuant to Section 302 of the Companies Act, 1956.

Section II of Part II Schedule XIII of the Companies Act, 1956, has no applicability since no minimum remuneration in the absence or inadequacy of profit is proposed.

Shri KG Baalakrishnan is also the Chairman and Managing Director of Sri Kannapiran Mills Limited where he is drawing remuneration and accordingly remuneration payable to him in this Company will be governed under Section III of Part II of Schedule XIII of the Companies Act, 1956.

ITEM No.7

The Board at its meeting held on 23.06.2008 re-appointed Shri B Sriramulu as Managing Director for the period of 5 years from 03.11.2008 on the terms as to remuneration as provided in the text to the resolution as approved by Remuneration Committee.

The revised remuneration has been approved by the Remuneration Committee on 28.06.2007 and also by the Board on the same date.

Shri B Sriramulu is the eldest son of Shri KG Baalakrishnan, Executive Chairman. He is a Graduate Engineer in Textile Technology from Bharathiar University, Tamil Nadu and Master of Science (Textile Technology) from the University of Manchester, UK.

None of the Directors excepting Shri B Sriramulu, Managing Director, Shri KG Baalakrishnan, Executive Chairman, Shri B Srihari, Managing Director and Smt T Anandhi who are related as per Section 6 (c) of the Companies Act, 1956 are concerned or interested in the resolution.

ITEM No. 8

The Board at its meeting held on 23.06.2008 re-appointed Shri B Srihari as Managing Director for the period of 5 years from 03.11.2008 on the terms as to remuneration as provided in the text to the resolution as approved by Remuneration Committee.

The revised remuneration has been approved by the Remuneration Committee on 28.06.2007 and also by the Board on the same date.

Shri B Srihari is the younger son of Shri KG Baalakrishnan, Executive Chairman. He is a Graduate Engineer in Chemical Technology from Bharatidasan University, Tamil Nadu and Master of Science (Chemical Technology) from Bharatidasan University, Tamil Nadu and Master of Chemical Technology from Connell University, USA.

None of the Directors excepting Shri B Srihari, Managing Director, Shri KG Baalakrishnan, Executive Chairman, Shri B Sriramulu, Managing Director and Smt T Anandhi who are related as per Section 6 (c) of the Companies Act, 1956 are concerned or interested in the resolution.

Coimbatore
23.06.2008

By Order of the Board
KG Baalakrishnan
Executive Chairman