

 gokaldas exports ltd.



2nd
annual report 2004-2005

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Registered Office

No.70, Mission Road, Bangalore-560027, India.

Company Secretary

Shri L Nandalal

Statutory Auditors

M/s RSM &Co.

Chartered Accountants

"Ambit RSM House", 449, Senapati Bapat Marg
Lower Parel, Mumbai-400013.

M/s Girish Murthy & Kumar

Chartered Accountants

4502, High Point IV, 45, Palace Road
Bangalore - 560001

Bankers

Canara Bank

"Avenue Plaza", Avenue Road Branch
Bangalore-560002.

The Founder



The Late Shri
Jhamandas H. Hinduja

It was his vision that gave birth to this remarkable company. His far sighted vision and ability to plan, execute and manage resulted in the phenomenal growth of Gokaldas Exports.

He possessed the all-round expertise in business administration, banking, finance, trade and commerce, providing a strong foundation for the generations to come.

...His Vision

To set a precedent in the global garment manufacturing industry through continuous innovation, exceptional products, focused services and enhanced customer satisfaction.

(Jhamandas H. Hinduja)

Mission



Deliver on-time, every time, anywhere in the world.

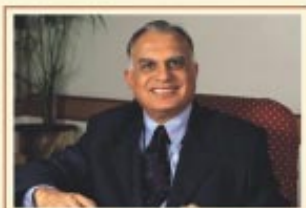
Keep a sharp eye on product quality and put in all efforts to raise the bar....constantly.

Comply flawlessly with all statutory regulations required by our customers in any country.

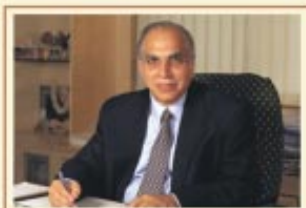
Augment and maintain a logistics infrastructure that adheres to the highest levels of efficiency that seamlessly blends with our customers' own supply chain.

Ensure escalating productivity standards at the lowest operating cost, thus offering our customers a product of the highest quality at the most competitive price.

Board of Directors



Shri Madanlal J Hinduja
Chairman & Managing Director



Shri Rajendra J Hinduja
Executive Director Finance & Administration



Shri Dinesh J Hinduja
Executive Director Production & Marketing



Shri Pradip P Shah
Director



Shri H S Nagaraj
Director



Shri K P Kumar
Director

Shri Madanlal J Hinduja is a commerce graduate from Bangalore University and founder promoter of the Company. He is one of the pioneers in the Indian Apparel export industry. He was awarded the life time achievement Pioneer award by the Confederation of Indian Apparel Exporters (CIAe).

He provides strategic direction in creating, designing and developing new fabrics. He also oversees the functions of sourcing of fabric.

Shri Rajendra J Hinduja holds a bachelor degree in Engineering from Bangalore University and founder promoter of the Company. He is on the Board of Apparel Export Promotion Council (APEC) and Aviation Travels Private Limited. He has served as Executive Committee Member of Export Promotion Council of EOU's and SEZs since 2003 and also was on various committees formed by the Ministry of Textiles, Government of India and Government of Karnataka. He is the brain behind critical functions like shipping, customs clearance, documentation, finance, legal and imports. He is also responsible for new projects and initiatives of the Company.

Shri Dinesh J Hinduja is the recipient of Award for Excellence from Association of Young India in 1994 and holds a bachelor degree in Science from Bangalore University. With his speedy decision making, he controls the Company's manufacturing units that employ over 35,000 workers and produce more than 1.5 million garments of various styles per month. He was on the state level management committee of National Institute of Fashion Technology (NIFT) and on the advisory Board of the World Fashion Exchange Inc. USA.

Shri Pradip P Shah holds an MBA from Harvard Business School having secured Bachelor degree from Sydenham College, Bombay, apart from being a Cost Accountant and Chartered Accountant.

He is a Director of Asset Reconstruction Company (India) Limited, BASF (India) Limited, Godrej & Boyce Mfg. Limited, Gujarat Informatics Limited, Pfizer Limited, Shipping Corporation of India Limited, the Stock Exchange, Mumbai (BSE), Wartsila India Limited amongst other companies. He is currently the Chairman of IndAsia Fund Advisors Private Limited, Mumbai.

Shri H S Nagaraj is a Fellow of Chartered Management Institute, U.K and has been in business for the last four and half decades. He is the promoter founder of Aviation Travels Private Limited, Swiss World Cargo India Private Limited and Airline Marketing Services India Private Limited.

Shri K P Kumar is a law graduate with close to 40 years of experience in the field of advocacy. He is a designated Senior Advocate. He served as Partner and Senior Partner of M/s King & Partridge, Advocates, Bangalore and presently he is its Advisor. He is also on the Board of the M/s Karur Vysya Bank Limited and M/s Yokogawa India Limited.

Chairman's Statement



Madanlal J. Hinduja

The year ended March 31, 2005, was a momentous year for us. We have completed our Group restructuring whereby all textile entities under the Gokaldas Exports group were brought together under one conglomerate, culminating a long restructuring exercise. This involved conversion of partnership firms into companies, merger of entities and bringing in of manufacturing units as subsidiaries of Gokaldas Exports Limited.

The results of Gokaldas Exports Limited, for the year ended March 31, 2005, as discussed in this performance review are thus not comparable with the financials for the previous year ended March 31, 2004.

We also concluded our IPO in April, 2005, whereby 31,25,000 shares were issued at a price of Rs. 425 per share to raise Rs.133 Crores. The issue received very good response.

The first few months of a landmark year in global textile trade have brought with them many significant milestones. As indicated by numerous forecasts of the post quota scenario, India and China seemed to have done well as per the US trade data for the first quarter of 2005, total imports of Textiles and Clothing into the US were US \$ 21.1 bn, which was 11.2% higher than the imports in the same period last year. Imports from China into the US

grew by a whopping 60% year-on-year value terms in this period, while those from India grew by a relatively modest 28%. China's share in total imports of Textiles & Clothing into the US in this period therefore stood at 22.7% as against 15.7% in the corresponding period in 2004. Imports from Pakistan were 11.6% higher than that in the same period last year. However, imports of Textiles and Clothing from Mexico, a traditional trading partner for the US under the NAFTA, fell by 7.1% in the same period.

The first few months of the post quota regime have also witnessed the use of safeguard measures against imports of certain items from China into the US.

Not just the US, but also the EU has launched an investigation into the sharp surge in imports of certain textile products, at the end of which safeguards will be applied. In this regard, given that China and India are expected to be the biggest gainers in the post quota scenario, it might be fruitful for them to work together against protectionist tendencies of the developed countries, as long as it is established that China is following fair trade practices. Such a stance might prove beneficial in the long run.

The EU has finally imposed restraints on China's export growth after an initial surge. Buyers are evaluating new vendors and similarly, manufacturers are trying to reach out to new buyers leading to a flux in the market place.

Most buyers are looking at realigning their sourcing pattern in line with quality and cost competitiveness of supplying nations, with removal of constraints imposed by quotas. India has emerged as a favoured sourcing destination with large global buying houses looking at enhancing their presence here.

Availability of reliable suppliers who can supply larger volumes is an issue that most buyers have highlighted. Indian capacities are falling short of buyer requirements. China experienced an initial surge given its large capacities and more competitive cost base but has also invited backlash from both the EU and the US.

The overall impact of quota removal has been quite positive for us. Several new customers including large international retailers and brands were added during the year. Some of the initial orders entailed higher quota costs and lower margins. However, we believe these customers can grow to become significant customers over time for us.

Our existing customers too expressed their intent to enhance their sourcing from us, for which we have increased our manufacturing capacities and continue to do so, to be able to service their growing requirements.

The views of the eminent personalities in international apparel industry are reproduced below.

The elimination of trade quotas in 2005 gives us the opportunity to consolidate our sourcing base. Without quota restrictions, we can choose our vendors and build strategic relationships with those who have the best capabilities and share our values

Paul S Pressler
President & CEO, GAP Inc.

We predicted that the prices would fall at the end of the quota system. They will probably continue to fall for while and then level off and start growing again. We cannot predict what the ultimate price will be since there are so many different levels in the market place. A lot of factors would decide the pricing of products.

Laura E Jones
Executive Director, USA-ITA
(United States Association of Importers of
Textiles and Apparels)

The outlook for the industry is quite positive. As a leading player, we expect to benefit from the growing demand for apparel from India. We are continuing to invest in manufacturing capacities as well as enhancing our product range by adding new products and finishing/ washing capabilities.

We have already opened two additional units during April - June, 2005 at Bangalore, increasing our capacity by 12 lines. One of these units is a dedicated denim plant which will focus on denim bottoms. Our Capex during 2004-05 was Rs. 36 Crores and we intend to invest a similar value this year also.

We are expanding our washing unit and intend setting up two new manufacturing units during the current financial year. We are also looking to add our capacities by outsourcing manufacturing to units that meet our requirements.

Our current export order book for the forthcoming Autumn-Winter season is quite healthy with orders for Rs 410 Cr. in hand, for delivery upto September 2005. Buyers are currently trying to exert pressure, leading us to be selective in picking our orders. At the same time, we are also evaluating new opportunities and at times are taking up orders at lower margins to get into new customers.

Madanlal J Hinduja
Chairman & Managing Director

June 18, 2005
Bangalore

Facilities



Every factory is staffed with trained supervisors and equipped with its own in built store for fabric and accessories, high-tech machines conforming to the necessary Quality Standards. With these facilities, we ensure optimum product and deadline adherence.



Our factories are streamlined for mass production with production lines that allow our group the flexibility to execute small or large orders with speed. Our automated manufacturing system through ERP enables real time production management.

This allows us to track and monitor production at all our manufacturing facilities at every stage, so that any changes or bottlenecks can be detected and quickly resolved.

Each factory is equipped with imported power operated sewing machines. In addition, we use special equipment that transforms assembly-line production into state-of-the-art manufacturing. These factories have their own inbuilt stores for fabric and accessories which enables them to handle all necessary details required to complete one particular order at a time.

New Facility - Post IPO



Awards



The highest award recipient

The recognition gained by Gokaldas Exports is epitomized by each and every single award bestowed on it-the highest in Asia!

The Company has the distinction of winning the top export awards, since 1980.

Commanding world-class clientele

Some of the world's premier fashion brands come to Gokaldas Exports time and again. The trust bestowed by these global giants over the years is one reason why the company has grown enormously both in revenue and stature.



Financial Statements

For the year ended 31st March 2005

GOKALDAS EXPORTS LTD and ITS SUBSIDIARIES

Directors' Report

Your Directors are pleased to present their Second Annual Report on the business and operations of your Company for the year ended 31st March, 2005.

Financial Results

(Rs. In lakhs)

Particulars	Year ended 31 st March 2005	Period ended 31 st March 2004
Profit Before Tax	4369.66	301.26
Less: Provision for Tax:		
Current Tax	142.94	5.77
Deferred Tax	268.29	1.77
Profit after Tax	3958.43	293.73
Balance brought forward from last Year	293.73	-
Amount available for appropriation	4252.16	293.73
Appropriations:		
Proposed dividend	343.76	-
Corporate dividend tax	35.94	-
General Reserve	396.00	-
Balance carried forward	3476.46	293.73

*Figures for the period ended 31.03.2004 are for one month only.

The company reported turnover of Rs.73003.46 lakhs for the year ended 31st March, 2005 and profit after tax at Rs.3958.43 lakhs. During the year M/s. Gokaldas Exports Pvt. Ltd. and M/s. Unique Creations (Bangalore) Pvt. Ltd. have been merged with the company effective 1.4.2004. The Company added new customers and existing buyers have increased their offtake resulting in higher turnover.

Operations Review

After dismantling the quota system from 1st January 2005, there is a positive development towards India. Many more buyers are looking at India as second source of supply of apparel to them. During the year under review, your company added few more reputed customers, viz. H&M, Europe, Macy, Sag Harbor, and Izod of USA, who would help in increasing sales in the current year. With the imposition of recent quota restrictions on China both by USA and EU, we foresee further additional increase in our turnover during the current year.

Your company added three new factories- two during the last half of the year at Bommasandra Industrial Area, Bangalore, and at Yeshwanthpur, Bangalore and one factory during the month of June, 2005 at Doddaballapur, Bangalore. These three factories would help in increasing the volumes and achieve our growth rate. In addition to these three factories, we have also finalized the plans for setting up of one more unit at Madras Export Processing Zone (MEPZ), Chennai. With the commencement of commercial production of this unit, the overall production capacity would go up to 286 production lines.

Capital Structure

During the year, your company made a maiden public offering of 31,25,000 equity shares with a price band of Rs.375/- to Rs.425/- for which the subscription was open from 30th March to 6th April 2005. The issue received very good response and price was fixed at the upper band of Rs.425/- per equity share of Rs.10/-. With the allotment of 31,25,000 equity shares to the public on 20th April 2005, the paid up capital of the Company has gone up to Rs.17,18,80,000/-. As per the SEBI (Disclosure & Investor Protection) Guidelines, 2000, all fresh issue of shares to the public shall be in the dematerialized form only. Accordingly, to facilitate the public to hold the shares in the demat form, the Company entered into a tripartite agreement with National Securities Depository Limited (NSDL) and Central Depository Services India Limited (CDSL) and Karvy Computershare Pvt. Ltd.

Dividend

Your directors recommend a dividend of Rs.2/- per share (20%) for the year ended 31st March 2005, subject to the approval of the shareholders at the ensuing Annual General Meeting. Shareholders whose names stand registered on the register of members at the close of market hours on 1st August 2005 would be entitled for the dividend. The Board would frame a prudent dividend policy, after considering the corporate requirements, both capital and revenue, in line with the industry in which it operates.

Subsidiary Companies

In line with the requirements of Accounting Standard AS - 21 issued by the Institute of Chartered Accountants of

India, consolidated financial statements presented by the Company include the financial information of its subsidiaries, which were acquired by the Company on 1st December 2004. Directors' Report, Auditor's Report, Balance Sheet, Profit and Loss account and schedules of all subsidiaries forms part of this Annual Report.

Corporate Governance

Your Company is committed to good corporate governance, firmly believes in and consistently follows good corporate governance practices, leading to a very high level of transparency in accounting and reporting to its shareholders.

Your Company has signed the Listing Agreements with the Stock Exchange, Mumbai (BSE) and National Exchange of India Limited (NSE) on 21st April 2005. Since then, the Company has been following and complying with the conditions of listing agreement, in spirit and law. A detailed Corporate Governance Report is included as part of this Annual Report.

Management's Discussion and Analysis

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

Registrars and Share Transfer Agents

M/s Karvy Computershare Pvt. Ltd., was appointed as Registrars and Share Transfer Agent (RTA) as common agency both for physical and demat shares, as required under the Securities Contract (Regulation) Act 1956. The details of RTA forms part of the Corporate Governance Report.

Listing

The equity shares of the Company were listed on the Stock Exchange, Mumbai (BSE) and National Stock Exchange of India (NSE) and the shares are being traded from 27th April 2005, on both the exchanges. The Company's shares are tradeable compulsorily in the dematerialized form and the Company has entered into an agreement with National Securities Depository Limited (NSDL) and Central Depository Services India Limited (CDSL) for trading in electronic form.

Directors' Responsibility Statement

Pursuant to section 217(2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that

- a) In the preparation of annual accounts the applicable accounting standards have been followed by the Company.
- b) Appropriate accounting policies have been selected and applied consistently and such judgments and estimates have been made that are reasonable so as to give a true and fair view of the state of affairs of the Company as at 31st March 2005 and of the Profit of the Company for the year ended on that date.
- c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) The annual accounts have been prepared on a "going concern" basis.

Directors

During the year, Shri Pradip P Shah, Shri H S Nagaraj and Shri K P Kumar were appointed as Directors by the Members of the Company in their Extra-ordinary General Meeting held on 19th January 2005. The Board appointed Shri Pradip P Shah as Chairman of the Audit Committee and Shri H S Nagaraj and Shri K P Kumar as Members. Details of various Committees and its members are provided in the Corporate Governance section in the Annual Report.

Shri Shri Rajendra J Hinduja and Shri Dinesh J Hinduja, Directors retire by rotation in accordance with the provisions of the Companies Act, 1956 and being eligible, offer themselves for re-appointment.

During the year under review, your Directors, subject to the approval of the Members in the ensuing Annual General Meeting, approved the payment of remuneration, as detailed in the notice being sent along with this Annual Report, to Shri Madanlal J Hinduja, Chairman and Managing Director, Shri Rajendra J Hinduja, Executive Director-Finance & Administration and Shri Dinesh J Hinduja, Executive Director-Production & Marketing for the period upto 31st December 2009. Your Directors consider that it is in the interest of your company to continue to benefit from the valuable guidance and services provided by them and solicit your approval for the said remuneration in the ensuing Annual General Meeting.

Auditors

Your Company has appointed M/s RSM & Co., Chartered Accountants and M/s Girish Murthy & Kumar, Chartered Accountants as Joint Auditors, who would retire at the forthcoming Annual General Meeting and, being eligible offer themselves for re-appointment.

Conservation of Energy, Research & Development, Technology Absorption, Foreign Exchange Earnings and Outgo

In pursuance of the provisions of section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo is given below

A. Conservation of Energy

The operations of the Company are not energy intensive. However, wherever possible the Company strives to curtail the consumption of energy on continued basis.

B. Technology absorption, adaptations and innovation

Not Applicable

C. Foreign Exchange Earnings and Outgo

Foreign Exchange earned : Rs.70833.67 lakhs

Out go : Rs. 35098.98 lakhs

Particulars of Employees

Information as per section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 is annexed to this Report.

Acknowledgements

You Directors thank the Company's business associates/customers, vendors and bankers for their continued support. Your Directors place on record their appreciation for the significant contribution made by the employees, who have been instrumental in enabling your company to achieve good progress during the year.

For and on behalf of the Board of Directors

Bangalore
June 18, 2005

Madanlal J Hinduja
Chairman & Managing Director

Particulars of Employees

Annexure

S. No.	Name	Designation	Qualification	Age (Years)	Date of Joining	Experience (Years)	Remuneration* (Rs. Lakhs)	Previous Employment
1	Madanlal J Hinduja	Chairman & Managing Director	B.Com	61	Since inception	40	40.00	NA
2	Rajendra J Hinduja	Executive Director - Finance & Administration	B.E	58	Since inception	36	40.00	NA
3	Dinesh J Hinduja	Executive Director - Production & Marketing	B. Sc	52	Since inception	32	40.00	NA

* Subject to approval of the shareholders at the ensuing Annual General Meeting.

- Remuneration includes salary, allowance and other benefits as per the Income Tax rules.
- The appointment of Chairman and Managing Director and Executive Directors is on contractual basis. All other terms and conditions are as per Company's Rules.
- All the above directors are related to each other.

Corporate Governance Report

(A) Corporate Governance Philosophy

We stand committed to good Corporate Governance – transparency, disclosure and independent supervision to increase the value of the various stakeholders. The Company is committed to transparency in all its dealings and places high emphasis on business ethics. The basic philosophy of Corporate Governance in the Company is to achieve business excellence and dedication to increasing long-term shareholder value, keeping in view the interests of the company's stakeholders.

(B) Board of Directors

(i) The composition of the Board of Directors as at 31st March 2005 is as follows :

Sl. No.	Name of Director	Executive/ Non-Executive	No. of other Directorships*	Committee* Memberships	Committee Chairmanships
1)	Shri Madanlal J Hinduja Chairman & Managing Director	Promoter / Executive	18	2	Nil
2)	Shri Rajendra J Hinduja Executive Director – Finance & Administration	Promoter/ Executive	20	2	Nil
3)	Shri Dinesh J Hinduja Executive Director – Production & Marketing	Promoter/ Executive	18	2	Nil
4)	Shri H.S. Nagaraj	Non-Executive & Independent	3	2	Nil
5)	Shri K.P. Kumar	Non-Executive & Independent	5	3	2
6)	Shri Pradip P Shah	Non-Executive & Independent	18	10	4

* includes private limited and foreign companies.

None of the non-executive independent Directors have any pecuniary relationship or transactions with Gokaldas Exports Group except for holding Directorship.

Shri Pradip P Shah, Shri H.S. Nagaraj and Shri K.P. Kumar have been appointed as Directors on 19th January 2005 at an Extraordinary General Meeting of the Company.

(ii) Meetings held during financial year 2004-2005 and attendance of Directors

The Board meets at least once a quarter and ten meetings were held during the financial year 2004-2005 on April 12, 2004, June 14, 2004, July 5, 2004, September 13, 2004, November 3, 2004, December 7, 2004, December 14, 2004, January 3, 2005, January 7, 2005 and January 19, 2005.

The attendance of each Director at these meetings and at the last Annual General Meeting was as follows:

Sl. No.	Name of Director	No. of Board Meetings attended	Attendance at last AGM
1)	Shri Madanlal J Hinduja Chairman & Managing Director	10	Present
2)	Shri Rajendra J Hinduja Executive Director – Finance & Administration	10	Present
3)	Shri Dinesh J Hinduja Executive Director – Production & Marketing	10	Present
4)	Shri Pradip P Shah *	N/A	N/A
5)	Shri H.S. Nagaraj *	N/A	N/A
6)	Shri K.P. Kumar *	N/A	N/A

*from January 19, 2005

(C) Committees of Directors

(i) Audit Committee

The Audit Committee was constituted during the financial year and consists of three non-executive independent Directors as follows:

Members of Audit Committee

Sl No.	Name of Director	Designation
1.	Shri Pradip P Shah	Chairman
2.	Shri H.S. Nagaraj	Member
3.	Shri K.P. Kumar	Member

Since the company was converted to a public limited company only on January 7, 2005, no occasion arose for holding any Audit Committee Meeting during the period ended March 31, 2005.

The principal functions of the committee are:

1. Oversight (supervision, direction and control) of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Discussion with the Auditors periodically about the internal control systems and the scope of audit including observations of the Auditors.
3. Review of the half-yearly and annual financial statements before submission to the Board focusing primarily on :
 - a. Any changes in accounting policies and practices.
 - b. Major accounting entries based on exercise of judgment by management.
 - c. Qualifications in draft report.
 - d. Significant adjustments arising out of audit.
 - e. Going concern assumption.
 - f. Compliance with accounting standards.
 - g. Compliance with Stock Exchange and legal requirements concerning financial statements.
 - h. Any related party transactions, transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interests of company at large.
4. Ensure compliance of internal control systems.
5. Investigation into any of the afore stated matters or as may be referred to by the Board.
6. Review of the Auditors' Report on the Financial Statements and to seek clarifications thereon, if required, from the Auditors.
7. Review of weaknesses in Internal Controls, if any and make recommendations relating thereto to the Board so as to ensure compliance of internal control systems.
8. To act as a link between the Statutory and the Internal Auditors and the Board of Directors.
9. Any other matter which the Board of Directors may at its discretion assign to the Committee from time to time.

(ii) Shareholders Grievances Redressal Committee:

The Shareholders Grievances Redressal Committee was constituted during the financial year comprising of the following Directors:

Members of Shareholders Grievances Redressal Committee:

Sl No.	Name of Director	Designation
1.	Shri K.P. Kumar	Chairman
2.	Shri H.S. Nagaraj	Member
3.	Shri Madanlal J Hinduja	Member
4.	Shri Rajendra J Hinduja	Member
5.	Shri Dinesh J Hinduja	Member

Since the company was converted to a public limited company only on January 7, 2005 and the public issue of 31,25,000 equity shares through 100% book building process was completed only in April 2005, no occasion arose for holding any Shareholders Grievances Redressal Committee Meeting during the period ended March 31, 2005.

The principal functions of the committee are to look into Investors' complaints, non-receipt of refund orders, transfer and transmission of shares, non-receipt of annual reports, non-receipt of declared dividends etc., and redressal thereof.

(iii) IPO Committee

The IPO (Initial Public Offer) Committee was constituted during the financial year in accordance with the provisions of the Companies Act, 1956. The composition of the IPO Committee and attendance of the Committee members at the two meetings on March 3, 2005 and March 15, 2005, were as follows:

Sl No.	Name of Director	Designation	No. of meetings attended
1.	Shri K.P. Kumar	Chairman	2
2.	Shri Madanlal J Hinduja	Member	2
3.	Shri Rajendra J Hinduja	Member	2
4.	Shri Dinesh J Hinduja	Member	2

The principal functions of the committee are to review and take decisions on all matters in connection with the issue of shares to the public, including signing any documents, deeds and declarations, to be filed before any authorities including SEBI, NSE, BSE etc.

(D) Annual General Meetings

The Company was incorporated on 1st March 2004 under Part IX of the Companies Act 1956 through conversion of a partnership firm into a limited company and hence the first Annual General Meeting (AGM) of the Company was held at the following place in the last year for the period ended 31st March 2004:

For the year	Venue	Day and Date	Time
2003-2004	Board Room Regd. Office : No. 70, Mission Road Bangalore – 560 027	Saturday, July 31, 2004	12.00 Noon

(E) Disclosures

(i) Disclosures on materially significant related party transactions

The related party transactions during the year have been listed in the notes to the accounts. Shareholders may please refer the same.

(ii) Details of non-compliance by the Company, penalties and strictures imposed on the Company by the Stock Exchange, SEBI or any statutory authorities or any member related to capital markets

The Company has been listed on the Stock Exchange, Mumbai (BSE) and the National Stock Exchange of India Limited (NSE) on April 27, 2005 and the trading in the company's shares commenced on April 27, 2005. The company has since then complied with all the requirements of the Listing Agreement with the Stock Exchanges as well as regulations and guidelines of SEBI. No penalties have been levied or strictures have been passed by SEBI, Stock Exchanges or any other Statutory Authority on matters relating to capital markets since then.

(F) Means of Communication

(i) Financial Results

The annual audited financial results, the quarterly unaudited financial results and the half-yearly unaudited financial results with limited review will be published in The Economic Times (English) and Kannada Prabha / Prajavani (Kannada). The results will also be placed on the Company's website at www.gokaldasexports.com.

The Balance Sheet, Profit and Loss Accounts, Directors' Report, Auditors' Report, Cash Flow Statement quarterly and half yearly financial statements, Corporate Governance report, Shareholding pattern, etc., can be retrieved by the investors from the Electronic Data Information Filing and Retrieval Systems (EDIFAR) set up by the National Informatics Centre (NIC) in association with SEBI. The site can be accessed at <http://sebidifar.nic.in> or www.sebi.gov.in.

(ii) Other information

The Company has its own website www.gokaldasexports.com wherein other related information is available. The Company has a dedicated help desk with email ID: mvs@gokaldasexports.com in the Secretarial Department for providing necessary information to the investors. The Company proposes to hold press meets / analysts meets to apprise and make public the information relating to the Company's working and future outlook.

(G) Management's Discussion & Analysis

The Management's Discussion & Analysis Report is given separately in the annual Report.

(H) General Shareholders' Information

(i) Annual General Meeting

Day, date and time : Wednesday, the 10th August 2005 at 10.30 AM
Venue : Banquet Hall (Lobby level)
Hotel Grand Ashok
Kumara Krupa Road, High Grounds,
Bangalore - 560 003.

Agenda:

- 1) Adoption of Audited Accounts, Directors' & Auditors' Report thereon.
- 2) Re-appointment of Shri Rajendra J Hinduja and Shri Dinesh J Hinduja, Directors
- 3) Re-appointment of M/s. RSM & Co, Chartered Accountants and M/s. Girish, Murthy & Kumar, Chartered Accountants as Joint Statutory Auditors
- 4) Declaration of Dividend
- 5) Payment of remuneration to Shri Madanlal J Hinduja, Chairman and Managing Director
- 6) Payment of remuneration to Shri Rajendra J Hinduja, Executive Director
- 7) Payment of remuneration to Shri Dinesh J Hinduja, Executive Director
- 8) Amendment of Articles of Association of the company
- 9) Consent of the members under Section 163 of the Companies Act, 1956 to keep the register of members and other statutory records at a premises other than the Registered Office.

(iii) The profile of Directors seeking re-appointment

(a) Shri Rajendra J Hinduja

Shri Rajendra J Hinduja holds a Bachelors degree in Engineering from the Bangalore University. He has been involved in the business since the Company's inception.

He has been the Senior Vice Chairman of the Apparel Export Promotion Council (APEC) in 2003 and has been on their Executive Committee for the past two decades. He is currently advisor to the Confederation of Indian Apparel Exporters. He has also served various committees formed by the Ministry of Textiles, Government of India on export/development projects. He is also on the Industry High power committee of Government of Karnataka since 2003.

He looks after finance, logistics, imports and exports, human resources/personnel and legal matters for the organization. He is also responsible for new projects and initiatives of the Company.

(b) Shri Dinesh J Hinduja

Shri Dinesh J Hinduja holds a Bachelors degree in Science from Bangalore University and involved in the business of the Company since its inception.

He has been the recipient of award for excellence in the year 1994 from Association of Young India. He was on the state level management committee of NIFT in the year 1998 and on the advisory board of the World Fashion Exchange inc. USA.

He oversees entire marketing function including designing, sampling, customer interaction and service. He is also responsible for our manufacturing function and oversees production planning, operations of our factories and support units.

(iv) Financial Calendar

Indicative calendar of events for the financial year 2005-2006 excluding Extraordinary General Meetings, if any, is as under:

First Quarter Financial Results (June 2005)	July, 2005
Annual General Meeting	10th August, 2005
Second Quarter Financial Results (September 2005)	October, 2005
Third Quarter Financial Results (December 2005)	January 2006
Fourth Quarter / Audited Financial Results (March 2006)	May/June 2006

(v) Book Closure

The Company's Register of Members and Share Transfer Books will remain closed for the purpose of dividend from 2nd August 2005 to 10th August, 2005 (both days inclusive).

(vi) Dividend

The dividend recommended by Directors, on approval by the members at the ensuing Annual General Meeting, will be paid to those shareholders whose names appear on the Company's Register of Members as on 1st August, 2005.

(vii) Listing on Stock Exchanges

The Company's equity shares are listed at the following Stock Exchanges located at :	Addresses of the Stock Exchanges
The Stock Exchange, Mumbai (BSE)	The Stock Exchange, Mumbai (BSE) Phiroze Jeejeebhoy Towers Dalal Street MUMBAI 400 001
National Stock Exchange, Mumbai (NSE)	The National Stock Exchange of India Ltd (NSE), Exchange Plaza, 5 th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex Bandra (E) MUMBAI – 400 051
The Stock Code of the Company is	BSE – 532630 NSE – GOKEX
The ISIN No for the Company's Equity Shares in Demat form	INE 887G01019
Depository Connectivity	NSDL and CDSL

(viii) Market Price Data

- (1) The market price of the Company's shares traded in The Stock Exchange, Mumbai and the National Stock Exchange on 31st May, 2005 was Rs. 689.90 and Rs. 644.95 respectively.
- (2) The market capitalization of the company's shares as on 31st May, 2005 was Rs. 118580 lakhs on The Stock Exchange, Mumbai (BSE) and Rs. 110854 lakhs on National Stock Exchange, Mumbai (NSE).

(ix) Shareholding Pattern

Equity Shares of Rs. 10/- each

Shareholders	As on 31.03.2004		As on 31.05.2005	
	No. of Shares	%	No. of Shares	%
Promoters	1,00,00,000	100	1,32,18,000	76.90
Resident Individuals	-	-	7,97,635	4.64
Mutual Funds	-	-	15,73,806	9.16
Bodies Corporates	-	-	8,96,799	5.22
Foreign Institutional Investors	-	-	4,44,115	2.58
HUF	-	-	2,05,163	1.19
Non resident Indians	-	-	22,312	0.13
Clearing Members	-	-	21,033	0.12
Banks	-	-	9,000	0.05
Trusts	-	-	137	0.01
Total	1,00,00,000	100	1,71,88,000	100

(x) Distribution of Shareholding:

No. of equity shares held	As on 31st May, 2005	
	No. of Shareholders	% of Shareholders
1 - 500	24049	3.13
500 - 10,000	95	0.43
10,001 - 20,000	45	0.40
20,001 - 30,000	13	0.06
30,001 - 40,000	7	0.14
40,001 - 50,000	3	0.08
50,001 - 1,00,000	16	0.68
1,00,001 & above	54	94.99
Total	24,282	100.00

(xi) Share Transfer Process

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

(xii) Dematerialisation of Shares

The equity shares of the company are available under dematerialised form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Trading of the Company's shares for all investors is compulsorily carried out in dematerialized form.

As on May 31, 2005, 39,00,000 shares have been dematerialised representing 22.70% of the total shares.

(xiii) Factory Locations

The Company's factories are located at different places in and around Bangalore.

(xiv) Address for Correspondence

(1) Registrar and Transfer Agents:

(For share transfer, dividend related queries)

**Karvy Computershare Private Limited
(Unit : Gokaldas Exports Limited)**
"Karvy House", 46, Avenue 4
Street No. 1, Banjara Hills
Hyderabad - 500 034

(2) Company

(For any other matter, unresolved complaints)

Gokaldas Exports Limited
Regd. Office :
No. 70, Mission Road
Bangalore – 560 027
Tel No. 080 - 5127 2200
Fax No.080 – 2227 4869
Corporate Secretarial E-mail ID:
mvs@gokaldasexports.com
Corporate Website :
www. Gokaldasexports.com

(xv) We have been advised that in view of listing of the Company's shares from April 27, 2005, the Auditors' Certificate on compliance of Corporate Governance does not apply for the year ended 31st March, 2005.

For and on behalf of the Board of Directors

Place : Bangalore
Date : June 18, 2005

Madanlal J Hinduja
Chairman & Managing Director

Management's Discussion and Analysis

Industry Structure and Developments

The textile and clothing are closely related with textiles providing major input to the clothing industry. International trade were hitherto regulated by the Agreement on Textiles and Clothing (ATC) at the multilateral level with various bilateral and regional trade agreements. The ATC called for phasing out of quota restrictions by putting pre-condition to the formation of World trade Organization (WTO). The textile and clothing sector has become subject to the World Trade Organisation (WTO), after removal of quotas from 1st January 2005 and India and China are likely to double their market share and expected to take 65 per cent of the export market to the USA. China is expected to emerge as the single largest exporter to the EU.

The Indian textile industry plays a vital role in the Indian economy by contributing to GDP, generating employment and earning foreign exchange. An estimated 35 million people are directly employed in the textile industry in India and contributes to 4% of GDP and 20% of total export earnings. India currently exports more than one hundred garment product categories and out of this, cotton apparel exports dominate, contributing nearly 76% by value and synthetic constitutes 12%. Indian textile exports is expected to grow from the current levels to US\$ 50 bn by 2010, consequent to quota removal, apparel being US\$25 bn.

Opportunities and Threats

After dismantling of quotas, India seems to benefit due to raw material, design skills and skilled labour advantages. India is the world's third largest producer of cotton, second largest producer of cotton yarn, third largest exporter of cotton fabric and fourth largest exporter of synthetic fabric. With the establishment of training institutions like National Institute of Fashion Technology (NIFT), many high quality designers, who are able to create modern designs and interact with the buyers, are emerging. This is a distinctive advantage that Indian companies have, and not yet exploited.

India already enjoys a significant competitive advantage in terms of labour cost per hour over developed countries like USA, EU, Honk Kong, Taiwan Singapore etc. India is rich in traditional workers adept at value adding tasks such as embroidery, minor work, beading and at marketing complex garments. Apart from these, USA and EU imposed quotas on China recently, which would benefit India in consolidating its market share and good political relations with these two countries would further help.

Inspite of above advantages that India has, there would be pricing pressures in view of dismantling of quotas as new small and medium manufacturers would crop in not only within India but also from other countries where similar quotas were imposed earlier. Also India has geographical disadvantage which take little longer time to reach its products to the key markets.

Operating Results / Financial Highlights

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and generally accepted accounting principles (GAAP) in India. The management accepts the responsibility for the integrity and objectivity of these financial statements and the basis for the various estimates and judgments used in preparing the financial statements.

During the year, the Company has achieved a net turnover of Rs.71979.44 lakhs, out of which 98.38% is in the form of foreign exchange. The Company posted a strong top line performance due to good order book. Profit before tax was at Rs.4369.67 lakhs and net profit after tax stood at Rs.3958.43 lakhs.

Earnings per equity share (face value Rs.10/-) was also significantly higher from Rs.2.94/- to Rs. 29.01 on year on year basis.

Some of the key performance indications are given below:

Particulars	(Rs. in lakhs)	
	2005	2004
Gross revenue	73003.46	3942.09
Profit before tax (PBT)	4369.67	301.26
Ratio of PBT to Gross revenue (%)	5.99%	7.67%
Profit After Tax (PAT)	3958.43	293.73
Ratio of PAT to Gross revenue	5.42%	7.47%
Earnings Per Share (EPS) (Rs.)	29.01	2.94

* Current year figures cannot be comparable with the previous year figures as operations during the previous year was only for one month.

Risks and Concerns

Risks are of both internal and external. Internal risks shall include, but not limited to, our dependency on limited number of buyers. The Company's largest five buyers account for approx. 78% of total revenue. Loss of any buyer or decrease in the volume of apparels they source from the Company may adversely affect revenues, pricing pressures and consequently profitability of the Company. Another risk factor is that with the opening up of international markets, after removal of quota system, there may be pricing pressure on products due to various suppliers who will start competing for the same orders in the international markets.

Apart from the above, we are exposed to foreign currency risk. The company is an export oriented apparel manufacturer and approx. 95% of its revenue comes as foreign currency. Since the buyers compare our products with that of competitors in USD denominated rate, appreciation of Indian rupee vis-à-vis USD would weaken our competitive position and similarly, our profits would depend on the Indian rupee appreciation/depreciation. Since the Company is Bangalore based and most of the factories/units are located in and around Bangalore, if there is any localized social unrest, break down of services and utilities, it may affect the business and consequently its revenues. The Company proposes to set up a factory in Chennai to mitigate its localized risk.

The Government of India has instituted several policies to promote the growth and these include interest rate subsidies, duty/tax reimbursement schemes etc. Withdrawal/ termination of any of these policies / schemes may adversely impact the profitability of the Company. Also wage costs in India have been significantly lower than the wage costs in the developed countries for skilled professionals in the textile industry, which has been our competitive strength. Wage increase in India may prevent us from sustaining this competitive advantage and may negatively affect our profit margins.

Internal Control Systems and their adequacy

The Company is committed to maintaining an effective system of internal control for facilitating accurate, reliable and speedy compilation of financial information, safeguarding the assets and interests of the Company and ensuring compliance with all laws and regulations. The Company has an internal control department to monitor, review and update internal controls on an ongoing basis. The Company has put in place a well defined organization structure, authority levels and internal guidelines for conducting business transactions.

The Company appointed independent internal auditors, who would monitor and review all transactions independently to get higher level of efficiency and would report directly to the Audit Committee, on quarterly basis. The minutes of Audit Committee would be reviewed by the Board for its suggestions/recommendations for further improvement on the internal control systems.

During the year, the Company has set up an Audit Committee of the Board of Directors comprising of only independent directors, which periodically reviews audit plans, observations and recommendations of the internal auditors as well as external auditors with reference to significant risk areas and adequacy of internal controls.

Human Resources / Industrial Relations

The Company believes that its people are a key differentiator, especially in knowledge driven, competitive and global business environment. Adapting work culture to suit the dynamic balancing of people requirements and employee needs is an ongoing process. Fundamental HR processes which enable higher performance orientation, speed, skill and competency development, talent management and human asset refreshal are corner stones for the success of any organization. As in the past, the industrial relations continued to remain cordial at all factories / units of the Company. The Company has 35,234 employees as on 31st March 2005 as against 26,773 employees as on 31st March 2004.

Caution Statement

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

Auditors' Report

Auditor's Report to the members of Gokaldas Exports Limited

[Formerly known as Gokaldas Exports Private Limited]

1. We have audited the attached Balance Sheet of **Gokaldas Exports Limited** [formerly known as Gokaldas Exports Private Limited] ('the Company') as at March 31, 2005, and also the Profit and Loss account and the Cash Flow statement of the Company for the year ended on that date (altogether referred to as the 'financial statements'). 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. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227 (4A) 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 and 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, the Profit and Loss account and Cash Flow statement comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e. on the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2005 from being appointed as a director under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - f. in our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read with the notes thereon, 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;
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2005;
 - ii. in the case of the Profit and Loss account, of the profit of the Company for the year ended on that date; and
 - iii. in case of the Cash Flow statement, of the cash flows of the Company for the year ended on that date.

For RSM & Co.
Chartered Accountants

Vijay N. Bhatt
Partner
Membership No.: F-36647

Bangalore: June 18, 2005

For Girish Murthy & Kumar
Chartered Accountants

A. V. Satish Kumar
Partner
Membership No.: F-26526

Bangalore: June 18, 2005

Annexure to Auditors' Report of Gokaldas Exports Limited
[Formerly known as Gokaldas Exports Private Limited]

Referred to in paragraph 3 of our report of even date

1.
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. These records are being updated for additions during the year.
 - b. We are informed that the fixed assets are physically verified by the management during the year and no material discrepancies were noticed on such verification.
 - c. In our opinion and according to the information and explanations given to us, the Company has not disposed off a substantial part of fixed assets during the year, thereby affecting the going concern.
2.
 - a. As explained to us, physical verification of the inventory was carried out at reasonable intervals by the management.
 - 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 nature of its business.
 - c. In our opinion, and according to the information and explanations given to us, the Company has maintained proper records of its inventory, and the discrepancies noticed on physical verification of inventory as compared to the book records were not material and have been properly dealt with in the books of account.
3.
 - a. In our opinion and according to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
 - b. The Company has taken unsecured loans from directors, companies and other parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 463,060,804 and the year end balance of loans taken from such directors, companies and other parties covered in the register maintained under section 301 of the Companies Act, 1956 was Rs. 452,913,460.
 - c. In our opinion the rate of interest and other terms and conditions on which loans have been taken from directors, companies and other parties listed in the registers maintained under section 301 of the Companies Act, 1956, are *prima facie*, not prejudicial to the interest of the Company.
 - d. The principal amount of loans taken by the Company, from directors, companies and other parties listed in the register maintained under section 301 of the Companies Act, 1956, are payable on call by the parties and we are informed that the same have been paid as and when requested by the directors, companies and other parties. We are informed that no interest is payable on the loans taken from directors, companies and other parties.
4. In our opinion, and according to the information and explanations given to us, the Company has adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system.
5.
 - a. According to the information and explanations given to us, we are of the opinion that the particulars 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.
 - b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the registers maintained under section 301 and exceeding the value of five lakh rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of section 58A, 58AA and any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are applicable.

7. The Company has an internal audit system. However, the coverage and scope of the same needs to be further strengthened so as to be commensurate with the size and nature of the business of the Company.
8. The Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any of the activities of the Company.
9.
 - a. According to the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including provident fund, investors education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty, cess and any other statutory dues as applicable with the appropriate authorities during the year.
 - b. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investors education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty, cess and any other statutory dues as applicable were outstanding, as at March 31, 2005 for a period of more than six months from the date they became payable.
 - c. According to the records of the Company, there are no dues of sales tax, income-tax, customs duty, and excise duty which have not been deposited on account of any dispute except for the following:

Statement of Disputed Dues*

<i>Name of the statute</i>	<i>Nature of the dues</i>	<i>Amount (Rupees)</i>	<i>Period to which the amount relates</i>	<i>Forum where dispute is pending</i>
Income-tax Act, 1961	Income Tax	1,833,768	Assessment Year-1994-95	High Court of Karnataka
Income-tax Act, 1961	Gift Tax	15,354,852	Assessment Year-1995-96	Income Tax Appellate Tribunal
Income-tax Act, 1961	Income Tax	3,182,151	Assessment Year-1995-96	High Court of Karnataka
Income-tax Act, 1961	Income Tax	3,562,105	Assessment Year-1996-97	High Court of Karnataka
Income-tax Act, 1961	Income Tax	961,615	Assessment Year-2001-02	CIT(Appeals)

* pertains to erstwhile Gokaldas Exports Private Limited and The Unique Creations (Bangalore) Private Limited merged into the Company

10. The Company does not have any accumulated losses as at the year end, and has not incurred any cash losses during the financial year and the immediately preceding financial year.
11. On the basis of our examination and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any bank or financial institution. The Company has not obtained any borrowings by way of debentures.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and therefore Paragraph 4(xii) of the said Order relating to maintenance of documents and records is not applicable.
13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore the provisions of Paragraph 4(xiii) of the said Order relating to compliance with the provisions of special statute relevant to chit fund and nidhi/mutual benefit/societies are not applicable to the Company.
14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, provisions of paragraph 4(xiv) of the said Order relating to maintenance of proper records, timely entries and holding investments in own name are not applicable to the Company.
15. In our opinion and according to the information and explanations given to us, the Company has not given guarantees for loans taken by others from bank or financial institutions.
16. In our opinion and according to the information and explanations given to us, the Company has applied the term loans for the purposes they were obtained.

17. In our opinion, and on the basis of our examination and according to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, we report that the Company has not, prima facie, used the funds borrowed on short term basis during the year for long term investment.
18. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. According to the information and explanations given to us, during the period covered by our audit report, the Company has not issued any debentures.
20. According to the information and explanations given to us, the public issue of the Company was open for subscription as at the end of the financial year and hence no money was available for use by the Company. Accordingly Paragraph 4(xx) of the said Order relating to disclosure by management of end use of money raised by public issue is not applicable.
21. To the best of our knowledge and belief, and according to the information and explanations given to us, there have been no cases of fraud on or by the Company noticed or reported during the year.

For RSM & Co.

Chartered Accountants

Vijay N. Bhatt

Partner

Membership No.: F-36647

Bangalore: June 18, 2005

For Girish Murthy & Kumar

Chartered Accountants

A. V. Satish Kumar

Partner

Membership No.: F-26526

Bangalore: June 18, 2005

Balance Sheet for the year ended 31.03.2005

		<i>Amount in Rupees</i>	
	Schedule	As at March 31, 2005	As at March 31, 2004
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	I	140,630,000	100,000,000
Reserves and Surplus	II	<u>1,522,364,548</u>	<u>29,372,910</u>
		1,662,994,548	129,372,910
Loan Funds			
Secured Loans	III	1,261,819,998	857,222,524
Unsecured Loans	IV	<u>643,585,732</u>	<u>383,450,823</u>
		1,905,405,730	1,240,673,347
Deferred Tax Liability (net) [Refer Note No. C 13 to Schedule XVII]		38,780,791	176,502
Total		<u><u>3,607,181,069</u></u>	<u><u>1,370,222,759</u></u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	V	1,290,950,807	580,867,161
Less: Depreciation		<u>395,836,657</u>	<u>113,263,037</u>
Net Block		895,114,150	467,604,124
Capital work-in-progress [including capital advances]		<u>21,263,785</u>	<u>8,351,882</u>
		916,377,935	475,956,006
Investments	VI	309,899,980	10,000
Current Assets, Loans and Advances			
Inventories	VII	1,775,938,145	1,096,818,997
Sundry Debtors		576,650,986	222,051,310
Cash and Bank Balances		204,124,908	239,777,012
Other Current Assets		26,581,707	28,903,741
Loans and Advances		<u>324,940,417</u>	<u>102,961,949</u>
		2,908,236,163	1,690,513,009
Less: Current Liabilities and Provisions			
Current Liabilities	VIII	465,088,639	791,299,259
Provisions		<u>62,773,170</u>	<u>5,551,897</u>
		527,861,809	796,851,156
Net Current Assets		2,380,374,354	893,661,853
Miscellaneous Expenditure (to the extent not written off or adjusted)	IX	528,800	594,900
Total		<u><u>3,607,181,069</u></u>	<u><u>1,370,222,759</u></u>
Significant Accounting Policies and Notes to Account			
	XVII		

Schedules referred to above form an integral part of the accounts.

As per our report of even date

for GIRISH MURTHY AND KUMAR

Chartered Accountants

A.V.SATISH KUMAR

Partner

Membership No. F-26526

Place : Bangalore

Dated : 18th June 2005

for RSM & CO

Chartered Accountants

VIJAY N BHAT

Partner

Place : Bangalore

Dated : 18th June 2005

For and on behalf of the Board

Madanlal J Hinduja

Chairman and Managing Director

Rajendra J Hinduja

Executive Director - Fin. & Admn.

L. Nandalal

Company Secretary

Profit & Loss Account for the year ended 31.03.2005

		<i>Amount in Rupees</i>	
	Schedule	As at March 31, 2005	As at March 31, 2004
INCOME			
Sales	X	7,197,944,667	391,063,728
Other Income	XI	102,401,264	3,145,068
		7,300,345,931	394,208,796
EXPENDITURE			
Purchase of Finished Goods		5,102,026	5,282,802
(Increase)/Decrease in Stocks	XII	(217,878,838)	(20,311,670)
Materials, Manufacturing and			
Operating Expenses	XIII	6,026,218,653	332,941,419
Personnel Expenses	XIV	345,590,754	16,424,337
Sales and Administrative Expenses	XV	470,667,757	18,907,464
Finance Charges	XVI	118,009,810	5,617,625
Depreciation		115,669,168	5,220,421
		6,863,379,330	364,082,398
Profit Before Tax		436,966,601	30,126,398
Provision for Taxes on Income			
— Current		12,500,000	576,986
— Deferred		26,829,435	176,502
Taxes of earlier years		1,794,108	-
Profit for the Year		395,843,058	29,372,910
Profit Brought Forward from Previous Year		29,372,910	-
Amount available for Appropriation		425,215,968	29,372,910
Appropriations			
Proposed Dividend		34,376,000	-
Tax on Dividend		3,594,011	-
Transfer to General Reserve		39,600,000	-
Balance transferred to Balance Sheet		347,645,957	29,372,910
		425,215,968	29,372,910
Earnings per share (basic and diluted)		29.01	2.94
[Refer Note No. C 12 to Schedule XVII]			
Significant Accounting Policies and Notes to Account	XVII		

Schedules referred to above form an integral part of the accounts.

As per our report of even date

for GIRISH MURTHY AND KUMAR

Chartered Accountants

A.V.SATISH KUMAR

Partner

Membership No. F-26526

Place : Bangalore

Dated : 18th June 2005

for RSM & CO

Chartered Accountants

VIJAY N BHAT

Partner

Place : Bangalore

Dated : 18th June 2005

For and on behalf of the Board

Madanlal J Hinduja

Chairman and Managing Director

Rajendra J Hinduja

Executive Director - Fin. & Admn.

L. Nandalal

Company Secretary

Schedules Annexed to and forming part of accounts for the year ended March 31, 2005

Amount in Rupees

	As at March 31, 2005	As at March 31, 2004
SCHEDULE I - SHARE CAPITAL		
Authorized		
20,000,000 (10,000,000) Equity Shares of Rs. 10 each	200,000,000	100,000,000
Issued, Subscribed and Paid-up		
14,063,000 (10,000,000) Equity Shares of Rs. 10 each fully paid up [out of the above shares, 3,563,000 shares have been allotted as fully paid up pursuant to a scheme of amalgamation without payment being received in cash]	140,630,000	100,000,000
	140,630,000	100,000,000
SCHEDULE II - RESERVES AND SURPLUS		
Capital Reserve - added during the year [Refer Note No. C 4 to Schedule XVII]	975,118,591	-
Share Premium - received during the year	160,000,000	-
General Reserve - transferred during the year	39,600,000	-
Balance in Profit and Loss Account	347,645,957	29,372,910
	1,522,364,548	29,372,910
SCHEDULE III - SECURED LOANS		
Packing Credit from Banks [Secured by hypothecation of raw materials, finished goods, book debts and also personally guaranteed by the directors of the Company]	1,199,422,010	822,408,122
Term Loan from Banks (Under Technology Upgradation Fund Scheme) [Secured by hyphothecation of specific fixed assets purchased under term loan]	62,397,988	34,814,402
	1,261,819,998	857,222,524
SCHEDULE IV - UNSECURED LOANS		
From Directors [interest free]	446,083,165	201,812,972
Others	197,502,567	181,637,851
	643,585,732	383,450,823

Schedules Annexed to and forming part of accounts for the year ended March 31, 2005

SCHEDULE - V

Particulars	Gross Block				Depreciation				Net Block			
	As at April 1, 2004	Additions On Amalgamation	Others	Deletions adjust-ment	As at March 31, 2005	Accumulated April 1, 2004	On Amalgamation	For the Year	Deletion/ adjustment	March 31, 2005	March 31, 2004	
Freehold Land	18,400,000	582,538	18,500,000	-	37,482,538	-	-	-	-	37,482,538	18,400,000	
Buildings	53,465,305	40,480,182	2,249,376	-	96,194,863	9,029,709	17,320,322	6,864,189	-	62,980,643	44,435,596	
Leasehold Improvements	572,973	-	5,003,598	-	5,576,571	36,906	-	249,638	-	5,290,027	536,067	
Plant and Machinery	473,309,970	283,808,734	288,637,561	9,615,210	1,036,141,055	92,667,486	121,676,632	94,963,910	4,915,867	731,748,894	380,642,484	
Electrical Equipments	3,074,965	5,404,414	2,020,371	-	10,499,750	1,099,549	3,053,111	695,754	-	5,651,336	1,975,416	
Office Equipments	3,210,312	7,226,151	1,926,213	-	12,362,676	475,949	4,834,036	838,077	-	6,214,614	2,734,363	
Furniture and Fixtures	6,856,915	10,764,736	7,669,857	-	25,291,508	1,638,731	7,410,472	2,154,118	-	14,088,187	5,218,184	
Computers	10,799,755	16,365,869	9,632,387	-	36,798,011	4,121,948	13,358,299	5,536,747	-	13,781,017	6,677,807	
Vehicles	11,176,966	13,028,846	10,773,951	4,375,928	30,603,835	4,192,759	7,168,728	4,366,735	3,001,281	17,876,894	6,984,207	
Total	580,867,161	377,661,470	346,413,314	13,991,138	1,290,950,807	113,263,037	174,821,600	115,669,168	7,917,148	895,114,150	467,604,124	
Capital work in progress [including capital advances]											21,263,785	8,351,882
Grand Total										916,377,935	475,956,006	
Previous Year	561,815,609	-	27,566,055	8,514,503	580,867,161	108,042,616	-	5,220,421	-	467,604,124		

Schedules Annexed to and forming part of accounts for the year ended March 31, 2005

Amount in Rupees

	As at March 31, 2005	As at March 31, 2004
SCHEDULE VI - INVESTMENTS		
[Long-term, Non-trade, at cost]		
In Government Securities [unquoted]		
National Savings Certificate	26,000	10,000
In Mutual Funds [unquoted]		
2,700 (Previous Year Nil) US 64 Bonds of Rs. 100 each, fully paid-up	516,100	-
In Subsidiary companies [unquoted]		
All Colour Garments Private Limited	33,397,990	-
19,999 (Previous Year Nil) Equity Shares of Rs. 10 each, fully paid-up		
Deejay Trading Private Limited	8,195,990	-
19,999 (Previous Year Nil) Equity Shares of Rs. 10 each, fully paid-up		
Glamourwear Apparels Private Limited	10,145,990	-
19,999 (Previous Year Nil) Equity Shares of Rs. 10 each, fully paid-up		
Madhin Trading Private Limited	6,585,990	-
19,999 (Previous Year Nil) Equity Shares of Rs. 10 each, fully paid-up		
Magenta Trading Private Limited	6,907,990	-
19,999 (Previous Year Nil) Equity Shares of Rs. 10 each, fully paid-up		
Rafter Trading Private Limited	3,671,990	-
19,999 (Previous Year Nil) Equity Shares of Rs. 10 each, fully paid-up		
Rajdin Apparels Private Limited	17,089,990	-
19,999 (Previous Year Nil) Equity Shares of Rs. 10 each, fully paid-up		
Reflexion Trading Private Limited	99,990	-
9,999 (Previous Year Nil) Equity Shares of Rs. 10 each, fully paid-up		
Rishikesh Trading Private Limited	6,782,990	-
19,999 (Previous Year Nil) Equity Shares of Rs. 10 each, fully paid-up		
Seven Hills Clothing Private Limited	30,789,990	-
19,999 (Previous Year Nil) Equity Shares of Rs. 10 each, fully paid-up		
SNS Clothing Private Limited	177,599,990	-
19,999 (Previous Year Nil) Equity Shares of Rs. 10 each, fully paid-up		
Vignesh Apparels Private Limited	8,088,990	-
19,999 (Previous Year Nil) Equity Shares of Rs. 10 each, fully paid-up		
	309,899,980	10,000
Aggregate amount of un-quoted investments	309,899,980	10,000

Schedules Annexed to and forming part of accounts for the year ended March 31, 2005

Amount in Rupees

	As at March 31, 2005	As at March 31, 2004
SCHEDULE VII - CURRENT ASSETS, LOANS AND ADVANCES		
Inventories		
[Refer Note No. B(c) to Schedule XVII for mode of valuation of inventories]		
Raw Materials	1,354,115,056	966,720,243
Consumable Stores and Spares Parts	15,080,008	944,702
Finished Goods	267,411,183	129,154,052
Work in progress	139,331,898	-
	1,775,938,145	1,096,818,997
Sundry Debtors		
[Unsecured, considered good]		
Debts outstanding for a period exceeding six months	-	-
Others	576,650,986	222,051,310
	576,650,986	222,051,310
Cash and Bank Balances		
Cash Balance on hand	786,432	272,389
Bank Balances with Scheduled Banks:		
— in Current Accounts	157,492,006	12,004,623
— Fixed Deposit Account	45,750,000	227,500,000
— Margin for Bank Guarantees	96,470	-
	204,124,908	239,777,012
Other Current Assets		
Interest accrued on bank deposits	4,896,802	421,145
Others	21,684,905	28,482,596
	26,581,707	28,903,741
Loans and Advances		
Advances to Subsidiaries	60,802,236	-
Advances recoverable in cash or for value to be received		
— for Supplies and Services	86,229,927	34,037,523
— from Staff	2,659,149	1,643,762
— others	1,178,453	29,768,338
Taxes paid in Advance	42,979,497	18,940,869
Expenses relating to Public Issue [Refer Note No.5 to Schedule XVII]	57,396,510	-
Deposits	73,694,645	18,571,457
	324,940,417	102,961,949
	2,908,236,163	1,690,513,009

Schedules Annexed to and forming part of accounts for the year ended March 31, 2005

Amount in Rupees

	As at March 31, 2005	As at March 31, 2004
SCHEDULE VIII - CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors		
— Due to Small Scale Industrial Undertakings		
[Refer Note No. 8 to Schedule XVII]	7,802,729	9,193,325
— Others	237,725,662	732,983,514
Due to Subsidiaries	126,943,827	-
Advance received from Customers	3,414,554	579,069
Other Liabilities	81,028,083	31,055,747
Book Overdraft	8,173,784	17,487,604
	465,088,639	791,299,259
Provisions		
Provision for Taxation	14,384,275	576,986
Proposed Dividend	34,376,000	-
Tax on Proposed Dividend	3,594,011	-
Provision for Gratuity	5,552,524	3,386,295
Provision for Leave Encashment	4,866,360	1,588,616
	62,773,170	5,551,897
	527,861,809	796,851,156
SCHEDULE IX - MISCELLANEOUS EXPENDITURE		
[to the extent not written off or adjusted]		
Preliminary Expenses b/f	594,900	661,000
Less: Written off during the year	66,100	66,100
	528,800	594,900

Schedules Annexed to and forming part of accounts for the year ended March 31, 2005

	<i>Amount in Rupees</i>	
	For the year ended March 31, 2005	For the year ended March 31, 2004
SCHEDULE X - SALES		
Sale of Finished Goods		
— Export Sales	7,083,367,049	367,102,936
— Domestic Sales	95,825,708	23,960,792
Sale of other items	18,751,910	-
	7,197,944,667	391,063,728
SCHEDULE XI - OTHER INCOME		
Export Incentives	43,980,016	6,319
Foreign Exchange difference (net)	17,509,470	2,874,678
Interest [Tax Deducted at Source Rs. 725,790 (Previous year Rs. 47,124)]	3,677,057	264,047
Profit on sale of Investments	11,577	-
Miscellaneous Income	37,223,144	24
	102,401,264	3,145,068
Schedule XII - (INCREASE)/DECREASE IN STOCKS		
<u>Opening Stock</u>		
Finished Goods	188,864,243	108,842,382
Work-in-progress	-	-
	188,864,243	108,842,382
<u>Closing Stock</u>		
Finished Goods	267,411,183	129,154,052
Work-in-progress	139,331,898	-
	406,743,081	129,154,052
	(217,878,838)	(20,311,670)
SCHEDULES XIII - MATERIALS, MANUFACTURING AND OPERATING EXPENSES		
Consumption of Raw Materials	4,575,978,788	254,801,732
Consumption of Consumables, Stores and Spares	37,692,588	1,699,089
Job Work Charges	1,091,386,026	56,021,413
Power and Fuel	28,087,164	1,447,715
Repairs and Maintainance - Plant and Machinery	10,115,918	1,117,433
Other Manufacturing Expenses	282,958,169	17,854,037
	6,026,218,653	332,941,419
SCHEDULE XIV - PERSONNEL EXPENSES		
Salaries, Wages and Bonus	305,759,168	11,611,753
Contribution to Provident Fund and other Funds	32,154,505	4,536,740
Welfare Expenses	7,677,081	275,844
	345,590,754	16,424,337

Schedules Annexed to and forming part of accounts for the year ended March 31, 2005

Amount in Rupees

	For the year ended March 31, 2005	For the year ended March 31, 2004
SCHEDULE XV - SALES AND ADMINISTRATION EXPENSES		
Rent	14,139,887	241,935
Insurance	11,480,414	645,309
Legal and Professional Charges	25,449,192	197,800
Printing and Stationery	11,941,282	531,232
Communication Costs	21,081,874	888,545
Travelling and Conveyance	21,395,891	1,761,858
Rates and Taxes	6,990,795	371,496
Repairs and Maintenance		
— Buildings	1,764,167	970,722
— Others	20,001,053	490,396
Preliminary Expenses written off	66,100	66,100
Auditors' Remuneration	1,860,000	100,000
Membership and Subscription	3,564,037	274,666
Commission, Discount and Brokerage	30,299,825	575,911
Clearing, Forwarding and Freight	179,412,845	5,390,852
Export Claims	6,349,925	93,988
Customs Duty	18,792,230	4,146,061
Quota Purchase	58,214,200	323,006
Charity and Donation	756,629	591,255
Directors Remuneration	14,430,000	800,000
Loss on Forward Contracts	7,829,740	-
Loss on sale of assets (net)	404,847	-
Advertisement, Publicity and Business Promotion	7,904,376	44,216
Goodwill written off	135,996	-
Sundry Expenses	6,402,452	402,116
	470,667,757	18,907,464
SCHEDULE XVI - FINANCE CHARGES		
Bank Interest		
— On Fixed Period Loans	3,421,197	-
— Others	43,501,188	1,416,957
Bank Charges	71,087,425	4,200,668
	118,009,810	5,617,625

Schedules Annexed to and forming part of accounts for the year ended March 31, 2005

SCHEDULE XVII - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNT

A. Background

Gokaldas Exports Limited [formerly known as Gokaldas Exports Private Limited] ('the Company') was incorporated on March 1, 2004 by converting the erstwhile partnership firm Gokaldas India under Part IX of the Companies Act, 1956. Pursuant to the order of the Hon'ble High Court of Karnataka on November 20, 2004, Gokaldas Exports Private Limited and The Unique Creations (Bangalore) Private Limited have been amalgamated with the Company, with April 1, 2004 being the appointed date. As a result of the said merger the Company now owns two 100% Export Oriented Units and a Domestic Tariff Area Unit (DTA).

Pursuant to the merger, the figures in the financial statements for the year ended March 31, 2005 represents the combined operations of three entities. The previous year figures represent one month's operations of the Company. Hence, the figures are not comparable.

The Company is engaged in the business of design, manufacture and sale of wide range of garments for men, women and children and caters to the needs of several leading international fashion brands and retailers. The principle source of revenue for the Company is from export of garments and related products.

B. Significant accounting policies

a. *Basis of preparation of financial statements and use of estimates*

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (Indian GAAP) under the historical cost convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

b. *Fixed assets and depreciation*

Fixed assets are stated at cost of acquisition/construction. Cost includes taxes, duties, freight and other incidental expenses related to acquisition/construction.

Depreciation on fixed assets is provided on written down value method at the rate and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

c. *Inventories*

Raw material, packing material, stores, spares and consumables are valued at cost. Finished goods and work in progress are valued at lower of cost and net realisable value. Cost is ascertained on weighted average basis and in case of finished products and work in progress includes appropriate production overheads. Duty liabilities, if any, in respect of uncleared finished goods are provided for and included in the carrying value of inventories.

d. *Revenue recognition*

Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer, which is generally on dispatch of goods from factory/warehouse.

e. *Export incentives*

Export incentives principally comprise of duty drawback and premium on past performance entitlements. The benefit under these incentive schemes are available based on the guideline formulated for respective schemes by the government authorities. Duty drawback is recognized as revenue on accrual basis to the extent it is probable that realisation is certain. Premium on past performance entitlements are accounted on transfer of such entitlements.

f. *Foreign currency transactions*

Transactions in foreign currencies are translated at the exchange rates prevailing on the dates of the transaction. Monetary foreign currency assets and liabilities are translated at the period end exchange rate. Resultant gains or losses are recognised in the profit and loss account.

Schedules Annexed to and forming part of accounts for the year ended March 31, 2005

g. Investments

Long term investments are valued at cost. Cost includes incidental charges incurred towards acquisition of such investments. Provision for diminution, if any, in the value of investments is made to recognise a decline, other than temporary. Current investments are valued at lower of cost and market value.

h. Retirement benefits

Company's contributions to defined contribution schemes such as provident fund and family pension funds are charged to the profit and loss account on accrual basis. Provision for leave encashment and gratuity, which is in the nature of defined benefit scheme, is based on actuarial valuation done as at the balance sheet date by independent actuaries.

i. Accounting for taxes on income

Provision for current tax is made based on the tax payable for the year under the Income-tax Act, 1961. Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets, other than on unabsorbed tax depreciation and unabsorbed tax losses, are recognised only to the extent that there is a reasonable certainty of their realisation. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognised only to the extent that there is virtual certainty of their realization supported by convincing evidence.

j. Preliminary expenses

Preliminary expenses are amortized over a period of ten years.

k. Share issue expenses

Share issue expenses are adjusted against the securities premium received on issue of shares.

C. Notes to Account

1. Contingent liabilities

Particulars	Amount in Rupees	
	As at March 31, 2005	As at March 31, 2004
Disputed income tax demand pending in appeal	34,229,239	-
Other claims against the Company not acknowledged as debts	531,471	-
Guarantees given by banks	95,978,388	25,650,000
Outstanding letter of credit	384,355,617	418,130,357
Bills discounted with banks	581,265,342	434,808,377
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	23,633,361	-

2. During the year, the Company has imported capital goods without payment of duty under the Export Promotion Capital Goods Scheme. Under the scheme the Company has export obligations of Rs. 73,121,418 (Previous Year Rs. Nil) which is required to be fulfilled before May 15, 2012.

3. Changes in the basis of accounting

The Company has performed actuarial valuation for measurement of its leave encashment liability as of March 31, 2005. Hitherto such liability was provided on an estimated basis. The basis of measurement of leave encashment liability has been changed to reasonably reflect the accuracy of such liability based on scientifically recognized basis of valuation. The difference on account of such change in the basis of measurement of leave encashment liability is adjusted in the statement of profit and loss for the year. However the difference between the actuarial valuation and the method adopted in the previous year is not significant.

4. Amalgamation of Gokaldas Exports Private Limited and The Unique Creations (Bangalore) Private Limited with the Company

Pursuant to the scheme of amalgamation sanctioned by the Honorable High Court of Karnataka on November 20, 2004, Gokaldas Exports Private Limited and The Unique Creations (Bangalore) Private Limited engaged in the business of manufacture and sale of garments have been amalgamated with the Company from April 1, 2004 being the appointed date.

The scheme has been accordingly been given effect in the accounts. Pursuant to the scheme of

Schedules Annexed to and forming part of accounts for the year ended March 31, 2005

amalgamation sanctioned, the entire business and all assets and liabilities of erstwhile Gokaldas Exports Private Limited and The Unique Creations (Bangalore) Private Limited, vest with the Company. Accordingly the said assets and liabilities have been incorporated in the accounts. The amalgamation has been accounted following pooling of interest method.

Under the scheme, the Company has issued to the shareholders of erstwhile Gokaldas Exports Private Limited one fully paid up equity share of Rs.10 for every ten fully paid up equity shares of Gokaldas Exports Private Limited i.e. 1,600,000 equity shares representing 10% of shares exchanged, and thirteen fully paid up equity shares of Rs. 10 each for every ten equity shares to the shareholders of The Unique Creations (Bangalore) Private Limited i.e. 1,963,000 equity shares representing 130% of shares exchanged.

The difference between the value of the net assets taken over and the paid up value of shares of the Company issued, aggregating to Rs. 975,118,591 has been accounted as Capital Reserve. The immovable properties, vehicles and investments continue to be in the name of erstwhile Gokaldas Exports Private Limited and The Unique Creations (Bangalore) Private Limited.

5. The Initial Public Offer (IPO) of the Company was open for subscription for public from March 30, 2005 and the closing date was April 6, 2005. As at the close of the financial year, subscription money received against IPO was kept in escrow account and was not available to the Company and the necessary accounting effect would be given on completion of IPO. Expenses incurred towards IPO amounting to Rs. 57,396,510 is classified as "Expenses relating to Public Offer" under loans and advances in the financial statements. These expenses would be adjusted against the securities premium account on completion of Public Issue.
6. Provision for the proposed dividend is made on the enlarged equity share capital of the Company after considering the shares allotted pursuant to the Initial Public Offer.
7. In the opinion of the Board, current assets, loans and advances have a value of at least equal to the amounts shown in the balance sheet, if realised in the ordinary course of the business. The provision for all the known liabilities including depreciation is adequate and not in excess of the amount reasonably necessary.
8. Sundry Creditors include Rs. 7,802,729 (Previous Year Rs. 9,193,325) due to Small Scale Industrial (SSI) Undertakings, which are identified based on the information available with the management. Following are the names of SSI units where dues are outstanding for a period exceeding 30 days as at March 31, 2005:
Kengeri Packers Pvt. Ltd.
Kumar Elastic
State Traders
Sri Ram Packaging Co.
Wadpack Limited
Jay Jay Polymers

9. Segment information

- a. Primary business segment
The Company is exclusively engaged in the business segment of manufacture and sale of garments.
- b. Secondary business segment (by geographical area based on location of customers):

Amount in Rupees

Particulars	Revenue by geographical market	Carrying amount of segment assets	Additions to tangible and intangible fixed assets
European Union and Western Europe	1,844,017,612 (101,788,003)	136,991,355 (79,219,086)	- (-)
USA, Canada and North America	5,081,477,274 (264,441,245)	385,776,219 (114,582,718)	- (-)
India	114,516,738 (23,960,792)	3,584,280,687 (1,972,544,367)	724,074,784* (27,566,055)
Others	157,933,043 (873,688)	27,465,817 (132,844)	- (-)
Total	7,197,944,667 (391,063,728)	4,134,514,078 (2,166,479,015)	724,074,784 (27,566,055)

Figures in brackets are for previous year.

* includes fixed assets aggregating to Rs 377,661,470 transferred to the Company on amalgamation.

Schedules Annexed to and forming part of accounts for the year ended March 31, 2005

10. Related party disclosure

- a. The following are the names of related parties and description of relationship:

Relationship	Name of the Party
<i>Enterprises where control exist</i>	
Subsidiary companies	
1. All Colour Garments Private Limited;	
2. Deejay Trading Private Limited;	
3. Glamourwear Apparels Private Limited;	
4. Madhin Trading Private Limited;	
5. Magenta Trading Private Limited;	
6. Rafter Trading Private Limited;	
7. Rajdin Apparels Private Limited;	
8. Reflexion Trading Private Limited;	
9. Rishikesh Apparels Private Limited;	
10. Seven Hills Clothing Private Limited;	
11. SNS Clothing Private Limited; and	
12. Vignesh Apparels Private Limited.	
<i>Other related parties with whom the Company had transactions</i>	
Key management personnel	1. Mr. Madanlal J Hinduja – Chairman and Managing Director
	2. Mr. Rajendra J Hinduja – Executive Director – Finance & Administration
	3. Mr. Dinesh J Hinduja – Executive Director – Production & Marketing
	4. Mr. Ashwin R Hinduja –Chief Operating Officer Production
	5. Mr. Vivek M Hinduja – Chief Operating Officer - Marketing
	6. Mr. Gaurav D Hinduja – Production Officer
<i>Enterprises over which key management personnel and their relatives exercise significant influence</i>	
1. Dazzle Trading Private Limited;	
2. Dice Trading Private Limited;	
3. Hinduja Exports Private Limited;	
4. J.V.N. Exports Private Limited;	
5. Maze Trading Private Limited;	
6. Parichay Investments Limited;	
7. Polyproducts Private Limited;	
8. Rapple Trading Private Limited;	
9. Vag Exports Private Limited;	
10. Asiatic Exports;	
11. Carnival Clothing Company;	
12. Central Wearhouse;	
13. Euro Clothing Company;	
14. Global Garments;	
15. Hinduja Fashions;	
16. Hinduja Sportswear;	
17. Hinduja Trading Company;	
18. International Clothing Company;	
19. J.D. Clothing Company;	
20. New Generation Apparels;	
21. Sunshine Enterprises;	
22. The Intex;	
23. Wear Craft Apparels	
24. Indev Warehouse and Container Services Private Limited (upto 31.10.2004)	

Schedules Annexed to and forming part of accounts for the year ended March 31, 2005

- B. The following are the volume of transactions with related parties during the year and outstanding balances as at the year end disclosed in aggregate by type of related party:

Amount in Rupees

Transactions	Enterprises where control exist	Key Management Personnel	Enterprises over which key management personnel and their relatives exercise significant influence	Total
Job work charges	962,843,500	-	389,990,548	1352,834,048
	(-)	(-)	(73,217,726)	(73,217,726)
Material purchases	-	-	2,263,050	2,263,050
Garment purchases	(-)	(-)	(325,000)	(325,000)
Rent received	-	-	-	-
	-	(-)	(2,261,000)	(2,261,000)
Rent paid	306,000	-	102,000	408,000
	(-)	(-)	(-)	(-)
Hire charges received	-	-	540,000	540,000
	(-)	(-)	(27,000)	(27,000)
Sale of garments	-	-	190,000	190,000
	(-)	(-)	-	-
Sale of assets	10,930,149	-	4,235,587	15,165,736
	(-)	(-)	(896,318)	(896,318)
Quota Purchase	-	-	2,117,180	2,117,180
	(-)	(-)	(-)	(-)
Remuneration	-	-	-	-
	(-)	(-)	(242,681)	(242,681)
Loans taken	-	14,430,000	-	14,430,000
	(-)	(800,000)	(-)	(800,000)
	-	260,134,908	-	260,134,908
	-	(603,311,971)	(9,626,295)	(612,938,266)
Balance outstanding as on March 31				
— Credit balances	126,943,827	636,755,437	39,957,202	803,656,466
	(-)	(376,620,529)	(588,308,709)	(964,929,238)
— Debit balances	60,802,236	-	1,178,453	61,980,689
	(-)	(-)	(29,768,338)	(29,768,338)

Figures in brackets are for previous year.

11. Balances with companies under the same management under section 370(1B) of the Companies Act, 1956 included in Loans and Advances:

Amount in Rupees

Name of the company	As at March 31, 2005		As at March 31, 2004	
	Maximum balance outstanding during the year	Closing balance	Maximum balance outstanding during the year	Closing balance
Magenta Trading Private Limited	4,218,392	3,397,128	-	-
Rishkesh Apparels Private Limited	37,691,580	37,691,580	-	-
Rajdhin Apparels Private Limited	18,754,705	4,596,996	-	-
Glamourwear Apparels Private Limited	26,041,147	90,532	-	-
Reflexion Trading Private Limited	26,000	26,000	-	-
Parichay Investments Limited	180,000	180,000	-	-
VAG Exports Private Limited	998,453	998,453	-	-
Total	87,910,277	46,980,689	-	-

Schedules Annexed to and forming part of accounts for the year ended March 31, 2005

12. Earnings per share

Amount in Rupees

Particulars	2004 - 2005	2003 - 2004
Net profit for the year as per profit and loss accounts considered as numerator for calculating earnings per share	395,843,058	29,372,910
Weighted average number of equity shares	13,646,333	10,000,000
Nominal value per share	10	10
Earnings per share – Basic and diluted	29.01	2.94*

* not annualised

13. Deferred taxes

The deferred tax assets/(liabilities) arising out of timing differences comprise of the following major components:

Amount in Rupees

Particulars	As at March 31, 2004	Recognised on amalgamation	Current year (charge)/ credit	As at March 31, 2005
Difference between book and tax base of fixed assets	(251,235)	(13,445,789)	(28,194,966)	(41,891,990)
Retirement benefits allowed on payment basis accrued in books	74,733	1,670,935	1,365,531	3,111,199
Total	(176,502)	(11,774,854)	(26,829,435)	(38,780,791)

14. The aggregate amount of research and development expenditure recognised as an expense during the year was Rs. 26,890,849/- (Previous year Rs. Nil).

15. Remuneration to directors

Amount in Rupees

Particulars	2004 – 2005	2003 – 2004
Salaries	14,430,000	800,000
Total	14,430,000	800,000

16. Auditors remuneration includes:

Amount in Rupees

Particulars	2004 – 2005	2003 – 2004
Audit fees (inclusive of service tax)	1,760,000	75,000
Taxation matters	100,000	25,000
Total	1,860,000	100,000

17. Licensed and installed capacities and production

Particulars	Unit	2004-2005	2003-2004
<i>Licensed capacity</i>			
Readymade garments	Pcs	Not Applicable	Not Applicable
<i>Installed capacity*</i>			
Readymade garments	Pcs	Not Applicable	Not Applicable
<i>Production</i>			
Readymade garments	Pcs	17,628,305	1,598,496

* The installed capacity is as certified by the management and accepted by the auditors, as it is a technical matter.

Schedules Annexed to and forming part of accounts for the year ended March 31, 2005

18. Purchase of finished goods Amount in Rupees

Products	Unit	2004-2005		2003-2004	
		Quantity	Amount	Quantity	Amount
Readymade garments	Pcs	51,513	5,102,026	31,316	5,282,802
Total		51,513	5,102,026	31,316	5,282,802

19. Sales by class of goods Amount in Rupees

Products	Unit	2004-2005		2003-2004	
		Quantity	Amount	Quantity	Amount
Readymade garments					
- Manufactured	Pcs	17,456,402*	7,173,478,488	1,512,698	385,186,611
- Taded	Pcs	51,513	5,714,269	31,316	5,877,117
Others			18,751,910		-
Total			7,197,944,667		391,063,728

* excludes free samples of 3,418 pcs.

20. Stock of finished goods Amount in Rupees

Products	Unit	2004-2005		2003-2004	
		Quantity	Amount	Quantity	Amount
Manufactured Readymade garments	Pcs	807,443	267,411,183	638,958*	188,864,243*
Total		807,443	267,411,183	638,958	188,864,243

* including 271,259 pcs of Rs. 59,710,191 of stock of amalgamated entities.

21. Raw materials consumed Amount in Rupees

Products	Unit	2004-2005		2003-2004	
		Quantity	Amount	Quantity	Amount
Cloth	Mts.	33,786,305	3,162,658,987	2,388,170	176,066,495
Fusible interlining	Mts.	3,144,453	85,417,166	111,313	1,515,127
Resin	Kgs	211,354	8,813,458	13,947	548,737
Fibre	Kgs	301,877	19,673,293	22,934	1,334,643
Polywadding	Mts.	1,432,927	188,726,375	72,355	540,766
Accessories			1,093,259,594		74,497,562
Others			17,429,915		298,402
Total			4,575,978,788		254,801,732

The consumption figures shown above are after adjusting excesses and shortages ascertained on physical count, unserviceable items, etc.

22. CIF value of imports

Amount in Rupees

Particulars	2004 - 2005	2003 - 2004
Capital goods	145,362,690	23,941,777
Raw materials and accessories	3,322,884,550	279,114,647
Stores and spares	3,196,146	-
Total	3,471,443,386	303,056,424

Schedules Annexed to and forming part of accounts for the year ended March 31, 2005

23. Expenditure in foreign currency

Amount in Rupees

Particulars	2004 - 2005	2003 - 2004
Travelling expenses	6,560,590	1,277,528
Brokerage and commission	11,727,923	191,959
Export claims	7,362,376	93,998
Salaries	4,930,717	
Consultancy	4,114,169	
Others	3,759,224	
Total	38,454,999	1,563,485

24. Value and percentage of imported and indigenous raw materials, spare parts and components consumed

Amount in Rupees

Particulars	2004-2005		2003-2004	
	Amount	%	Amount	%
<i>Raw Materials</i>				
Imported	3,269,022,293	71.44	207,150,609	81.30
Indigenous	1,306,956,495	28.56	47,651,123	18.70
Total	4,575,978,788	100.00	254,801,732	100.00
<i>Consumables, Stores and Spares</i>				
Imported	2,422,219	6.43	-	-
Indigenous	35,270,369	93.57	1,699,089	100.00
Total	37,692,588	100.00	1,699,089	100.00

25. Earnings in foreign currency

Amount in Rupees

Particulars	2004 - 2005	2003 - 2004
FOB value of exports	6,977,836,302	365,652,738
Freight and Insurance	105,530,747	1,450,198
Total	7,083,367,049	3,67102,936

26. The previous year's figures have been regrouped/rearranged/reclassified, wherever necessary to conform to the current year's presentation. Previous period information is for one month as compared to current period of 12 months and hence the figures are strictly not comparable.

Signatures to schedules I to XVI

For and on behalf of the Board

Madanlal J Hinduja

Chairman and Managing Director

Rajendra J Hinduja

Executive Director - Fin. & Admn.

L. Nandalal

Company Secretary

Place : Bangalore

Dated : 18th June 2005

Cash Flow Statement

PARTICULARS	Amount in Rupees	
	31.03.2005	31.03.2004
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax and extraordinary items	436,966,601	30,126,398
Adjusted for:		
Depreciation	115,669,168	5,220,421
Interest expense	118,009,810	5,617,625
Interest earned	(3,677,057)	(264,047)
(Profit)/Loss on sale of assets (net)	404,847	-
(Profit)/Loss on sale of investments	(11,577)	-
(Profit)/Loss on forward contracts	7,829,740	-
Goodwill written off	135,996	-
Preliminary expenses	66,100	66,100
Operating Profit/(Loss) before Working Capital Changes	675,393,628	40,766,497
Adjustments for:		
(Increase)/Decrease in Debtors	(345,438,251)	(222,051,310)
(Increase)/Decrease in Loans and Advances	(438,984,503)	(102,238,265)
(Increase)/Decrease in Inventories	(413,365,322)	(1,096,818,997)
(Increase)/Decrease in Other Current Assets	47,566,140	(28,903,741)
(Decrease)/Increase in Current Liabilities and Provisions	(444,658,356)	796,274,170
Cash Generated from Operations	(41,517,658)	(612,971,646)
Taxes paid (net of refund)	(10,465,318)	(723,684)
Extraordinary Items	-	-
Net Cash Flow from Operating Activities	(51,982,976)	(613,695,330)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	1,266,206	80,564
Purchase of Fixed Assets	(355,353,032)	(481,176,427)
Proceeds from sale of Fixed Assets	5,669,143	-
Purchase of Investments	(309,357,880)	(10,000)
Proceeds from sale of Investments	119,577	-
Net Cash Flow from Investing Activities	(657,655,986)	(481,105,863)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital (Including Share Premium)	165,000,000	100,000,000
Proceeds from Packing Credit (Net)	377,013,888	857,222,524
Proceeds from Term Loans	43,383,586	-
Repayment of Term Loans	(15,800,000)	-
Proceeds from Unsecured Loans	425,075,000	383,450,823
Repayment of Unsecured Loans	(182,559,972)	-
Profit/(Loss) on forward contracts	(7,829,740)	-
Advances paid towards Public Issue expenses	(57,396,510)	-
Preliminary expenses	-	(661,000)
Interest expense	(118,009,810)	(5,617,625)
Net Cash Flow from Investing Activities	628,876,442	1,334,394,722

Cash Flow Statement (Contd.)

<i>Amount in Rupees</i>		
PARTICULARS	31.03.2005	31.03.2004
D Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	(80,762,520)	239,410,046
E. Opening Balance of Cash and Cash Equivalents (refer note 2)	284,887,428	-
F. Closing Balance of Cash and Cash Equivalents	204,124,908	239,410,046
Cash and cash equivalents include:		
Cash and bank balances	204,123,326	239,410,046
Unrealized (loss)/gain on foreign currency Cash and Cash equivalents	1,582	-
Total Cash and Cash equivalents	204,124,908	239,410,046

Note: 1. The amalgamation of Gokaldas Exports Private Limited and The Unique Creations (Bangalore) Private Limited with the Company considered as a non cash transactions.
2. Includes Rs. 45,110,416 of merged entities.

As per our report of even date

for GIRISH MURTHY AND KUMAR
Chartered Accountants
A.V.SATISH KUMAR
Partner
Membership No. F-26526

Place : Bangalore
Dated : 18th June 2005

for RSM & CO
Chartered Accountants
VIJAY N BHAT
Partner

Place : Bangalore
Dated : 18th June 2005

For and on behalf of the Board

Madanlal J Hinduja
Chairman and Managing Director
Rajendra J Hinduja
Executive Director - Fin. & Admn.

L. Nandalal
Company Secretary

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.

			3	3	4	7	5
--	--	--	---	---	---	---	---

 Balance Sheet Date

3	1
---	---

0	3
---	---

2	0	0	5
---	---	---	---

Date Month Year

State code:

0	8
---	---

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

					N	I	L
--	--	--	--	--	---	---	---

Bonus Issue

					N	I	L
--	--	--	--	--	---	---	---

Right Issue

					N	I	L
--	--	--	--	--	---	---	---

Private Placement

			4	0	6	3	0
--	--	--	---	---	---	---	---

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Sources of Funds
 Total Liabilities

	4	1	3	5	0	4	3
--	---	---	---	---	---	---	---

Total Assets

	4	1	3	5	0	4	3
--	---	---	---	---	---	---	---

Paid-up Capital

		1	4	0	6	3	0
--	--	---	---	---	---	---	---

Reserves & Surplus

	1	5	2	2	3	6	4
--	---	---	---	---	---	---	---

Secured Loans

	1	2	6	1	8	2	0
--	---	---	---	---	---	---	---

Unsecured Loans

		6	4	3	5	8	6
--	--	---	---	---	---	---	---

Application of Funds
 Deferred tax liability (Net)

			3	8	7	8	1
--	--	--	---	---	---	---	---

Net Fixed Assets
 including capital work in progress

		9	1	6	3	7	8
--	--	---	---	---	---	---	---

Investments

		3	0	9	9	0	0
--	--	---	---	---	---	---	---

Net Current Assets

	2	3	8	0	3	7	4
--	---	---	---	---	---	---	---

Miscellaneous Expenditure

					5	2	9
--	--	--	--	--	---	---	---

Accumulated Losses

					N	I	L
--	--	--	--	--	---	---	---

IV. Performance of Company (Amount in Rs. Thousands)

Turnover

	7	3	0	0	3	4	6
--	---	---	---	---	---	---	---

 + - Profit/Loss before tax

		4	3	6	9	6	7
--	--	---	---	---	---	---	---

Total Expenditure

	6	8	6	3	3	7	9
--	---	---	---	---	---	---	---

 + - Profit/Loss after tax

		3	9	5	8	4	3
--	--	---	---	---	---	---	---

(Please tick appropriate box + for Profit - for Loss)

Earnings per share in Rs.
 Basic

			2	9	.	0	1
--	--	--	---	---	---	---	---

Dividend rate %

						2	0
--	--	--	--	--	--	---	---

V. Generic Names of Principal Products / Services of Company (as per monetary terms)

Item Code No. (ITC Code)

x	x	6	2	0	1	1	2
x	x	6	2	0	5	2	0
x	x	6	2	0	6	3	0

Product Description

						J	A	C	K	E	T	S
						S	H	I	R	T	S	
						B	L	O	U	S	E	S

For and on behalf of the board

Madanlal J Hinduja
 Chairman and Managing Director

Rajendra J Hinduja
 Executive Director

L. Nandalal
 Company Secretary

Bangalore : June 18, 2005

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT 1956

Name of the Company	Madhin Trading Pvt. Ltd	Magenta Trading Pvt. Ltd	Rafter Trading Pvt. Ltd.	Reflexion Trading Pvt. Ltd	Deejay Trading Pvt. Ltd	Rishikesh Apparels Pvt. Ltd	Vignesh Apparels Pvt. Ltd	SNS Clothing Pvt. Ltd	Seven Hills Clothing Pvt Ltd	Glamourwear Apparels Pvt. Ltd	Rajdin Apparels Pvt. Ltd	All Colour Garments Pvt. Ltd
Financial Year ending	31 st March 2005	31 st March 2005	31 st March 2005	31 st March 2005	31 st March 2005	31 st March 2005	31 st March 2005	31 st March 2005	31 st March 2005	31 st March 2005	31 st March 2005	31 st March 2005
Share of the subsidiary held by the Company on the above date												
a) Number and Face value	19999 Eq. shares of Rs. 10/- each	19999 Eq. shares of Rs. 10/- each	19999 Eq. shares of Rs. 10/- each	9999 Eq. shares of Rs. 10/- each	19999 Eq. shares of Rs. 10/- each	19999 Eq. shares of Rs. 10/- each	19999 Eq. shares of Rs. 10/- each	19999 Eq. shares of Rs. 10/- each	19999 Eq. shares of Rs. 10/- each	19999 Eq. shares of Rs. 10/- each	19999 Eq. shares of Rs. 10/- each	19999 Eq. shares of Rs. 10/- each
b) Extent of holding	99.995%	99.995%	99.995%	99.995%	99.995%	99.995%	99.995%	99.995%	99.995%	99.995%	99.995%	99.995%
Net aggregate amount of profit/(loss) of subsidiary for the above financial year so far as they concern members of the Company												
a) dealt within the accounts of the company for the year ended 31 st March 2005	94,624	59,919	126,603	-	59,454	59,259	197,944	94,751	78,675	69,397	73,225	47,819
b) not dealt within the accounts of the company for the year ended 31 st March 2005	118,280	74,899	158,254	-	74,317	74,073	247,430	47,375	98,344	86,747	91,531	59,773
Net aggregate amount of profit for previous financial years of the subsidiary, since it became subsidiary so far as they concern members of the Company												
a) dealt within the accounts of the company for the year ended 31 st March 2005												
b) not dealt within the accounts of the company for the year ended 31 st March 2005												

For and on behalf of the Board

Bangalore
June 18, 2005**Madanlal J Hinduja**
Chairman & Managing Director**Rajendra J Hinduja**
Executive Director-Finance& Administration**L Nandalal**
Company Secretary

ALL COLOUR GARMENTS PRIVATE LIMITED

BOARD OF DIRECTORS

Shri Madanlal J Hinduja Chairman
Shri Rajendra J Hinduja Director
Shri Dinesh J Hinduja Director

Registered Office:

70, Mission Road
Bangalore-560027.

Auditors

M/s Girish Murthy & Kumar
Chartered Accountants
4502, High Point IV, 45, Palace Road
Bangalore - 560001.

Bankers

Canara Bank
"Avenue Plaza"
Avenue Road Branch
Bangalore - 560002

DIRECTORS REPORT

Your Directors take great pleasure in presenting the First Annual Report of your Company together with the audited accounts for the period ended 31st March, 2005.

1. Financial Results:

The company primarily derives its income from the holding company, viz., Gokaldas Exports Limited by way of Job Work charges and the financial results for the period ended 31st March 2005 are furnished below:

Total Income	Rs. 8,77,02,446
Less: Expenditure	<u>8,75,14,035</u>
Profit before tax	1,88,411
Provision for Taxation:	
Current Tax	7,75,611
Provision for Deferred Tax	<u>(6,94,792)</u>
Profit after tax	<u>1,07,592</u>

2. Auditors:

M/s. Girish Murthy & Kumar, Chartered Accountants, will retire at the ensuing Annual General Meeting. However, being eligible, they offer themselves for re-appointment.

3. Directors:

During the period under review, Shri Madanlal J Hinduja, Shri Rajendra J Hinduja and Shri Dinesh J Hinduja were appointed as additional directors and seek your approval for their appointment as directors in the ensuing Annual General Meeting.

4. Conservation of energy, foreign exchange earnings and outgo:

Not applicable

5. Particulars of Employees:

Nil

6. Directors Responsibility statement:

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Board of directors state that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- accounting policies have been selected and applied consistently and the judgments and estimates made 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.
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the annual accounts have been prepared on a "going concern" basis.

7. ACKNOWLEDGEMENTS:

Your Directors express their thanks to Gokaldas Exports Ltd, the holding company, its bankers and employees for their support and look forward to their continued co-operation in the ensuing year.

For and on behalf of the Board of Directors

Bangalore
June 17, 2005

MADANLAL J HINDUJA
CHAIRMAN

AUDITORS' REPORT

To the Members of All Colour Garments Private Limited

We have audited the attached Balance Sheet of **ALL COLOUR GARMENTS PRIVATE LIMITED** as on 31st March 2005 & Profit and Loss Account and cash flow statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further, we report that,

- We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit. 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 the books. The said Balance Sheet and Profit and Loss account and the Cash Flow statement dealt by this report are in agreement with books of account. In our opinion, the Balance Sheet and the Profit and Loss Account and Cash Flow Statement dealt with by this report complies with the mandatory Accounting Standards referred in Section 211 (3C) of the Companies Act, 1956, and On the basis of written representations received from the directors as at 31st March, 2005 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March, 2005 from being appointed as a director in terms of clause(g) of sub-section(1) of section 274 of the Companies Act, 1956, as on that date. In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, together with and subject to notes annexed thereto, give the information required, and give a true and fair view:
 - In the case of Balance Sheet of the state of affairs of the company as at 31st March, 2005,
 - In the case of Profit and Loss account, of the profit of the company for the period ended on that date, and
 - In the case of Cash Flow Statement, of the cash flows of the company for the period ended on that date.

As required by the Companies (Auditors Report) order, 2003 issued by the Company Law Board, and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of our audit, we report that:-

- The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. During the period, the fixed assets have been physically verified by the management and there were no discrepancies.
- No substantial part of the the Fixed Assets have been disposed off during the period.
- The inventory has been physically verified during the period by the management. In our opinion, the frequency of verification is reasonable.
- The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- The company has not taken any loans secured or unsecured from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- The company has not granted any loans, secured or unsecured, to the companies, firms or other parties listed in the register maintained under section 301 of the Companies, Act 1956.
- In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase fixed Assets, inventory and with regard to sale of goods. During the course of audit we have not noticed any evidence of continuing failures to correct major weaknesses in internal controls.
- According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act. 1956 have been entered.
- In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contract or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the period have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- The company has not accepted deposits from the public during the period to which the provisions of section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are applicable.

Subsidiary

- xii) In our opinion, the company's present Internal Audit System is commensurate with the size and nature of its business.
- xiii) The Central Government has not prescribed the maintenance of cost records by the companies under section 209(I)(d) of the Companies Act, 1956.
- xiv) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees state insurance, Income tax, sales tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- xv) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears as at 31.03.2005 for a period of more than six months from the date they became payable.
- xvi) According to the information and explanations given to us, there are no dues of income tax, wealth tax, sales tax, customs duty, excise duty and cess which have not been deposited on account of any dispute
- xvii) The Company is not having any accumulated losses nor the company has incurred any cash loss for this period.
- xviii) The company has not taken any loan from financial institutions and from banks and as such question of default in repayment does not arise. The Company has not issued any debentures at any point of time.
- xix) The company has not granted any loans/advances on the basis of security by way of shares, debenture etc. As such, no records and documents have been maintained.
- xx) In our opinion, the company is not dealing or trading in shares, debentures and other investments and as such no records have been maintained. During the period company has not made any investments.

- xxi) We have been informed by the company that it has not given any guarantee for any loans taken by the others from banks and financial institutions.
- xxii) The company has not taken any term loans during this period and as such question of its application for the purpose for which it is taken does not arise.
- xxiii) According to the information and explanations given to us, and on an overall examination of the balance sheet of the company, we report that the company has not used any funds raised on short term basis for long term investment and long term funds for short term investment.
- xxiv) According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the registers maintained under section 301 of the Act.
- xxv) According to the information and explanations given to us, during the period covered by our report, the company has not issued any debentures and therefore no securities have been created.
- xxvi) The company has not raised any money by public issue and as such disclosure on the end use of money does not arise.
- xxvii) We have not noticed any fraud on or by the company during the period.
- xxviii) The company is not covered under special statutory provisions applicable to the chit fund, nidhi or mutual benefit societies.

PLACE : Bangalore
DATED : 17th June , 2005

FOR GIRISH MURTHY & KUMAR
Chartered Accountants

GIRISH RAO.B
Partner
Membership No. 85745

BALANCE SHEET AS AT 31.03.2005

SOURCES OF FUNDS	SCH. #	Amount Rs.
SHAREHOLDERS FUNDS		
Share Capital	I	200,000
Reserves & Surplus	II	33,497,038
UNSECURED LOANS	III	10,349
TOTAL		33,707,387
APPLICATION OF FUNDS		
FIXED ASSETS	XIII	
Gross Block		8,564,180
Less- Depreciation		801,396
Net Block		7,762,784
Capital work in progress		-
INVESTMENTS	V	200
CURRENT ASSETS, LOANS AND ADVANCES	VI	
Sundry Debtors		32,104,591
Cash & Bank Balances		369,742
Other Current Assets		5,362,818
Loans & Advances		3,903,609
Sister concern Balances		-
	(A)	41,740,760
CURRENT LIABILITIES AND PROVISIONS	IV	
(a) Liabilities		3,385,666
(b) Provisions		13,112,503
	(B)	16,498,169
NET CURRENT ASSETS		25,242,591
Deferred Tax Asset		694,792
Miscellaneous Expenditure (To the extent not written off or adjusted)		7,020
TOTAL		33,707,387
Significant Accounting Policies and notes on Accounts	XIV	

Schedules Referred to above form an integral part of the accounts. This is the Balance Sheet mentioned in our Report of even date.

for Girish Murthy & Kumar **For All Colour Garments Pvt. Ltd.**
Chartered Accountants

B. Girish Rao **Madanlal J Hinduja** **Rajendra J Hinduja**
Partner Director Director
Membership No.85745

Place : Bangalore
Dated :17th June 2005

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31.03.2005

PARTICULARS	SCH. #	Amount Rs.
INCOME		
Turnover	VII	87,688,451
Other Income	VIII	13,995
		87,702,446
EXPENDITURE		
Material, Manufacturing and Operating Exp.	IX	6,375,670
Personnel Expenditure	X	74,982,588
Sales & Administrative Expenditure	XI	5,350,413
Financial Expenditure	XII	3,968
Depreciation	XIII	801,396
		87,514,035
Profit Before Taxation		188,411
Provision for Taxation		775,611
Provision for Deferred tax		(694,792)
Profit After Taxation		107,592
Profit Brought Forward from Previous Year		-
Profit After Taxation Carried to Balance Sheet		107,592

Schedules Referred to above form an integral part of the accounts.

for Girish Murthy & Kumar
Chartered Accountants

For All Colour Garments Pvt. Ltd.

B. Girish Rao **Madanlal J Hinduja** **Rajendra J Hinduja**
Partner Director Director
Membership No.85745

Place : Bangalore
Dated :17th June 2005

Subsidiary

SCHEDULES TO ACCOUNTS FOR THE PERIOD ENDED 31th March 2005

	Amount Rs.
SCHEDULE - I - SHARE CAPITAL	
Authorised Share Capital	
20,000 Equity Shares of Rs 10 each	200,000
Issued ,Subscribed & Paidup Capital :	
20,000 Equity Shares of Rs 10 each	200,000
SCHEDULE - II - RESERVES AND SURPLUS	
Balance in Profit & loss account	107,592
Capital Reserve	191,446
Share Premium	33,198,000
	33,497,038
SCHEDULE - III - UNSECURED LOANS	
From others	10,349
SCHEDULE - IV - CURRENT LIABILITIES AND PROVISIONS	
(A) CURRENT LIABILITIES :	
Sundry Creditors	650,280
Other Liabilities	2,045,482
Book over draft	657,215
Advance from Customers	32,689
	3,385,666
(B) PROVISIONS :	
Provision for Expenses	12,336,892
Provision for Taxation	775,611
	13,112,504
	16,498,169
SCHEDULE - V - INVESTMENTS	
National Savings Certificate	200
SCHEDULE - VI - CURRENT ASSETS, LOANS & ADVANCES	
(A) CURRENT ASSETS :	
(a) Inventory	-
(b) Sundry Debtors	31,797,817
(i) Dedts outstanding for a Period of less than six months and considered good	
(ii) others	306,774
Total	32,104,591
(c) Cash and Bank Balances :	
(i) Cash on Hand	259,927
(ii) With Scheduled Banks	
- Current Accounts	109,816
(iii) With non Scheduled Banks	-
(f) Other Current Assets	369,742
	5,362,818

(B) LOANS AND ADVANCES :

- (A) Advances recoverable in cash or for value to be received.
 (i) for Supplies and Services
 (ii) To Staff
 (c) Other Deposits

179,229
 765,648
2,958,732

3,903,609

42,047,534

SCHEDULE - VII - TURNOVER

Tailoring Charges	74,040,721
Finishing Charges	13,647,730
	87,688,451

SCHEDULE - VIII - OTHER INCOME

Tranfer of Past performance Entitlement	6,225
Scrap sales	7,770
	13,995

SCHEDULES - IX - MATERIAL, MANUFACTURING AND OPERATION EXPENSES :

Consumption of Consumables	533,916
Dyes & Chemicals	175,890
Power & fuel	4,898,926
Machinery Repairs & maintainance	612,559
Other Manufacturing Expenses	154,379
	6,375,670

SCHEDULE - X - PERSONNEL EXPENSES

Salaries, Wages & Bonus	63,758,074
Contribution to P.F & other funds	8,868,491
Welfare Expenses	2,356,024
	74,982,588

SCHEDULE - XI - SALES & ADMINISTRATION EXPENSES

Rent	2,298,187
Insurance	186,557
Legal & Professional Charges	586,291
Printing & Stationery	39,821
Telephone, Postage & Telegrams	99,136
Travelling & Conveyance	304,104
Rates and Taxes	133,649
Repairs & Maintenance	749,368
Audit fee	33,060
Water Charges	32,782
Vehicle Maintenance	103,532
Sundry Expenses	96,107
Security Expenses	657,543
Charity & Donation	2,503
Prior Period Expenses	(2,824)
Preliminary Expenses Written off	780
Good will written off	29,818
	5,350,413

SCHEDULE - XII - FINANCIAL CHARGES

Bank Charges	3,968
	3,968

SCHEDULE - XIII - FIXED ASSETS

Particulars	Gross Block				Depreciation				Net Block	
	As on 01.07.2004	Additions	Deletions	Total 31.03.05	As on 01.07.2004	For the period	Deletions	Total 31.03.05	As on 31.03.2005	As on 01.07.2004
Building	-	2,832,014	-	2,832,014	-	212,595	-	212,595	2,619,419	-
Plant & Machineries	-	1,530,824	-	1,530,824	-	159,372	-	159,372	1,371,452	-
Air Conditioners	-	112,512	-	112,512	-	11,749	-	11,749	100,763	-
Electrical Fittings/ instalations	-	1,792,310	-	1,792,310	-	190,475	-	190,475	1,601,835	-
Office Equipments	-	328,090	-	328,090	-	8,640	-	8,640	319,450	-
Vehicles	-	95,138	-	95,138	-	9,934	-	9,934	85,203	-
Furnitures	-	1,776,192	-	1,776,192	-	177,696	-	177,696	1,598,496	-
Computers	-	97,099	-	97,099	-	30,935	-	30,935	66,164	-
		8,564,180	-	8,564,180	-	801,396	-	801,396	7,762,784	

Subsidiary

Schedules annexed to and forming part of accounts for the period ended March 31, 2005

Schedule XIV

Notes to Account

1. Background

All Colour Garments Private Limited (herein after referred to as “the Company”) was incorporated on 1st June 2004. The Company took over all the assets and liabilities of M/s Hinduja Fashions and M/s Balaji Finishing House as a going concern on 1st July 2004. The Company became a subsidiary of Gokaldas Exports Limited (formerly known as Gokaldas India Private Limited) on 1st December 2004.

2. Significant accounting policies

a. Basis of preparation of financial statements and use of estimates

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (“GAAP”) under the historical cost convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

b. Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition/construction. Cost includes taxes, duties, freight and other incidental expenses related to acquisition/construction.

Depreciation on fixed assets is provided on written down value method at the rate and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

c. Inventories

Raw material, packing material, stores, spares and consumables are valued at cost. Finished goods are valued at lower of cost and net realisable value. Cost is ascertained on weighted average basis and in case of finished products includes appropriate production overheads. Duty liabilities, if any, in respect of uncleared finished goods are provided for and included in the carrying value of inventories.

d. Revenue recognition

I) Sale: Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer, which is generally on dispatch of goods from factory.

II) Contract Receipt: Contract receipts are recognized as per the complete service contract method, upon delivery of garments, in accordance with requirement of AS 9.

e. Export incentives

Export incentives principally comprise of duty drawback and premium on past performance entitlements. The benefit under these incentive schemes are available based on the guideline formulated for respective schemes by the government authorities. Duty drawback is recognized as revenue on accrual basis to the extent it is probable that realisation is certain. Premium on past performance entitlements are accounted on transfer of such entitlements.

f. Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rates prevailing on the dates of the transaction. Monetary foreign currency assets and liabilities are translated at forward cover rate or at the period end exchange rate, as applicable. Resultant gains or losses are recognised in the profit and loss account. Exchange differences arising on forward exchange contracts are recognized over the period of the contract.

g. Investments

Long term investments are valued at cost. Provision for diminution, if any, in the value of investments is made to recognise a decline, other than temporary. Current investments are valued at lower of cost and market value. Cost includes incidental charges incurred towards acquisition of such investments.

h. Retirement benefits

Company's contributions to defined contribution schemes such as provident fund and family pension funds are charged to the profit and loss account on accrual basis. Provision for leave encashment and gratuity, which is in the nature of defined benefit scheme, is based on actuarial valuation done as at the balance sheet date by independent actuaries.

i. Accounting for taxes on income

Provision for current tax is made based on the tax payable for the year under the Income-tax Act, 1961. Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets, other than on unabsorbed tax depreciation and unabsorbed tax losses, are recognised only to the extent that there is a reasonable certainty of their realisation. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognised only to the extent that there is virtual certainty of their realization supported by convincing evidence.

j. Preliminary expenses

Preliminary expenses are amortized over a period of ten years.

3. Contingent liabilities

Amount in Rupees

Particulars	As at March 31, 2005
Disputed income tax demand pending in appeal	Nil
Guarantees given by banks	Nil
Outstanding letter of credit	Nil
Bills discounted with banks	Nil
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	Nil

4. During the period, the Company has not imported any capital goods.

5. No remuneration was paid to the Directors or their relatives during the period.

6. In the opinion of the Board, current assets, loans and advances have a value of at least equal to the amounts shown in the balance sheet, if realised in the ordinary course of the business. The provision for all the known liabilities including depreciation is adequate and not in excess of the amount reasonably necessary.

Subsidiary

7. There were no dues to SSI units which are identified based on the information available with the management where dues are outstanding for a sum exceeding Rs 1,00,000.00 and outstanding for more than 30 days as at March 31, 2005:

8. Segment information

a. Primary business segment

The Company is exclusively engaged in the business segment of job work of garments.

b. Geographical distribution of revenue:

Amount in Rupees

Particulars	Revenue by	Carrying amount geographical market	Additions to tangible of segment assets	and intangible fixed assets
European Union and Western Europe				
USA, Canada and North America				
India		8,76,88,451	4,95,03,544	85,64,179
Others				
Total		8,76,88,451	4,95,03,544	85,64,179

9. Related party disclosure

- a. The following are the names of related parties and description of relationship:

Relationship	Name of the Party
Holding Company	Gokaldas Exports Limited
<i>Other related parties with whom the Company had transactions</i>	
Enterprises where significant influence exists	
NIL	NIL
Key management personnel	
Directors	1) Mr Madanlal J Hinduja 2) Mr Rajendra J Hinduja 3) Mr Dinesh J Hinduja
Relatives of key management personnel	
NIL	NIL
Enterprises over which key management personnel and their relatives exercise significant influence	
Fellow Subsidiaries	1) Deejay Trading Pvt. Ltd. 2) Madhin Trading Pvt. Ltd. 3) Magenta Trading Pvt. Ltd. 4) Rafter Trading Pvt. Ltd. 5) Rajdin Apparels Pvt. Ltd. 6) Reflexion Trading Pvt. Ltd. 7) Rishikesh Apparels Pvt. Ltd. 8) Seven Hills Clothing Pvt. Ltd. 9) SNS Clothing Pvt. Ltd. 10) Vignesh Apparels Pvt. Ltd. 11) Glamourwear Apparels Pvt. Ltd.
OTHER PROMOTER GROUP COMPANIES	1) Dazzle Trading Pvt. Ltd. 2) Dice Trading Pvt. Ltd. 3) Hinduja Exports Pvt. Ltd. 4) J.V.N. Exports Pvt. Ltd. 5) Maze Trading Pvt. Ltd. 6) Parichay Investments Limited 7) Polyproducts Pvt. Ltd. 8) Rapple Trading Pvt. Ltd. 9) VAG Exports Pvt. Ltd.

- b. The following are the volume of transactions with related parties during the period and outstanding balances as at the period end disclosed in aggregate by type of related party:

Amount in Rupees

Transactions	Holding Company	Fellow Subsidiaries	Key Management Personnel	Other Promoter Group Companies	Enterprises over which key management personnel and their relatives exercise significant influence	Total
Job work charges	8,76,88,451					8,76,88,451
Equity contribution (including securities premium)	3,33,97,990					3,33,97,990
Balance outstanding as on March 31						
— Credit balances						
— Debit balances	3,17,92,220					3,17,92,220

Subsidiary

10. Earnings per share

Amount in Rupees

Particulars	2004 – 2005
Net profit for the period as per profit and loss accounts considered as numerator for calculating earnings per share	1,07,592
Weighted average number of equity shares	11,666
Nominal value per share	10
Earnings per share – Basic and diluted	9.22

11. Deferred taxes

The deferred tax assets/(liabilities) arising out of timing differences comprise of the following major components:

Amount in Rupees

Particulars	Current period (charge)/credit	As at March 31, 2005
Difference between book and tax base of fixed assets	(2,44,404)	(2,44,404)
Retirement benefits allowed on payment basis accrued in books	9,39,197	9,39,197
Total	6,94,793	6,94,793

12. The aggregate amount of research and development expenditure recognized as an expense during the period was Rs. Nil.

13. Remuneration to directors

Amount in Rupees

Particulars	2004 - 2005
Salaries	Nil
Total	Nil

14. Auditors remuneration includes:

Amount in Rupees

Particulars	2004 – 2005
Audit fees (inclusive of service tax)	33,060.00
Taxation matters	Nil
Out of pocket expenses	Nil
Total	33,060.00

15. Licensed and installed capacities and production

Particulars	Unit	2004-2005
<i>Licensed capacity</i>		
Readymade garments	Pcs	Not Applicable
<i>Installed capacity*</i>		
Readymade garments	Pcs	
<i>Production</i>		
Readymade garments	Pcs	

* The installed capacity is as certified by the management and accepted by the auditors, as it is a technical matter.

16. The Company is engaged exclusively in Job Work and hence quantitative particulars cannot be given.

17. CIF value of imports :

Current period : Nil

18. Expenditure in foreign currency :

Current period : Nil

19. Value and percentage of imported and indigenous raw materials, spare parts and components consumed

Amount in Rupees

Particulars	2004-2005	
	Amount	%
<i>Raw Materials</i>		
Imported	NOT APPLICABLE	
Indigenous		
Total		
<i>Tools, spare parts and components</i>		
Imported	NOT APPLICABLE	
Indigenous		
Total		

20. Earnings in foreign currency:

Current Year : Nil

Previous Year : Nil

21. Since this is the first year of the Company, disclosure of Previous years figures is not applicable.

Signatures to schedules I to XIV

For and on behalf of the Board

Madanlal J Hinduja
Director

Rajendra J Hinduja
Director

Bangalore: June 17, 2005

For Girish Murthy & Kumar
Chartered Accountants

Girish Rao.B
Partner
Membership No.85745

Subsidiary

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31.03.2005

		Amount Rs.
A Cash flow from Operating Activities		
Profits before Tax & Extraordinary Items		188,411
Adjustments for:		
a) Depreciation	801,396	
b) Interest Income	-	
c) Dividend Income	-	
d) Preliminary Expenses & Preoperative Exps written off	780	
e) Interest Expense	-	
f) Prior Period Income	-	802,176
Operating Profit before Working Capital Changes		990,587
(Increase) / Decrease in Sundry Debtors	(32,104,591)	
(Increase) / Decrease in Inventories	-	
(Increase) / Decrease in Loan & Advances	(3,903,609)	
(Increase) / Decrease in Other Current Assets	(5,362,818)	
(Decrease) / Increase in Current Liabilities & Provisions	15,722,558	(25,648,460)
Cash Generated From Operations		(24,657,873)
B CASH FLOW FROM INVESTING ACTIVITIES		
(Purchase) / Sale of Fixed Assets	(8,564,180)	
(Purchase) / Sale of Investments	(200)	
Interest Income	-	(8,564,380)
Net Cash Flow from Investing Activities		(33,222,252)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of shares	200,000	
Share Premium Received	33,198,000	
Capital Reserve on Business Purchase	191,446	
Proceeds from Long Term Borrowings (Net)	-	
Proceeds from Short Term Unsecured Borrowings (Net)	10,349	
Preliminary & Preoperative Expenses	(7,800)	
Interest Paid	-	
	33,591,995	
D Net Increase / (Decrease) in Cash & Cash Equivalents		369,742
E Opening Balance of Cash & Cash Equivalents		-
F Closing Balance of Cash & Cash Equivalents		369,742

for Girish Murthy & Kumar
Chartered Accountants

B. Girish Rao
Partner
Membership No.85745

Madanlal J Hinduja
Director

Rajendra J Hinduja
Director

For All Colour Garments Pvt. Ltd.

Place : Bangalore
Dated :17th June 2005

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration details

REGISTRATION NO 34055

BALANCE SHEET DATE

31.03.2005

STATE CODE

08

II. Capital raised during the year (Amount in Rs. Thousands)

PUBLIC ISSUE

NIL

RIGHTS ISSUE

NIL

BONUS ISSUE

NIL

PRIVATE PLACEMENT

200

III. Position of mobilisation and deployment of funds (amount in Rs. Thousands)

TOTAL LIABILITIES

33707

TOTAL ASSETS

33707

Sources of funds

PAID UP CAPITAL

200

RESERVES & SURPLUS

33497

SECURED LOANS

NIL

UNSECURED LOANS

10

Deferred Tax Liability (Net)

NIL

Application of funds

NET FIXED ASSETS
including capital work in progress

7763

INVESTMENTS

NIL

NET CURRENT ASSETS

25243

MISC EXPENDITURE

7

ACCUMULATED LOSSES

NIL

DEFERRED TAX ASSET

695

IV. Performance of Company (Amount in Rs. Thousands)

TURNOVER TOTAL INCOME

87702

TOTAL EXPENDITURE

87514

+ - PROFIT/(LOSS) BEFORE TAX + - PROFIT AFTER TAX

✓

188

✓

108

(Please tick appropriate box + for profit, - for loss)

EARNING PER SHARE

(on profit after taxes)

9.22

DIVIDEND RATE %

NIL

V. Generic Names of three principal products/services of Company (as per monetary terms)

ITEM CODE NO (ITC CODE)

PRODUCT DESCRIPTION

NOT APPLICABLE

For and on behalf of the board

Madanlal J Hinduja
Director

Rajendra J Hinduja
Director

Bangalore: June 17, 2005

DEEJAY TRADING PRIVATE LIMITED

Board of Directors

Shri Madanlal J Hinduja Chairman
Shri Rajendra J Hinduja Director
Shri Dinesh J Hinduja Director

Registered Office:

70, Mission Road
Bangalore-560027.

Auditors

M/s P A Ghatage & Co.,
Chartered Accountants
124, Margosa Road, Malleswaram
Bangalore - 560003.

Bankers

Canara Bank
"Avenue Plaza"
Avenue Road Branch
Bangalore - 560002

DIRECTORS REPORT

Your Directors take great pleasure in presenting the Second Annual Report of your Company together with the audited accounts for the period ended 31st March 2005.

1. Financial Results :

The company primarily derives its income from the holding company, viz., Gokaldas Exports Limited by way of Job Work charges and the financial results for the year ended 31st March 2005 are furnished below :

	Rs.
Total Income	5,45,66,353
Less : Expenditure	5,43,69,993
Profit before tax	1,96,360
Provision for Taxation :	
Current Tax	4,63,253
Provision for Deferred Tax	(4,00,664)
Profit for the year	1,33,771

2. Auditors :

M/s. P.A. Ghatage & Co, Chartered Accountants, will retire at the ensuing Annual General Meeting. However, being eligible, they offer themselves for re-appointment.

3. Directors:

During the period under review, Shri Madanlal J Hinduja and Shri Rajendra J Hinduja were appointed as additional directors and seek your approval for their appointment as directors in the ensuing Annual General Meeting.

4. Conservation of energy, foreign exchange earnings and outgo:

Not applicable

5. Particulars of Employees :

Nil

6. Directors Responsibility statement:

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Board of directors report that :

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- accounting policies have been selected and applied consistently and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the annual accounts have been prepared on a "going concern" basis.

7. ACKNOWLEDGEMENTS:

Your Directors express their thanks to Gokaldas Exports Ltd, the holding company, its bankers and employees for their support and look forward to their continued co-operation in the ensuing year.

For and on behalf of the Board of Directors

Bangalore
June 17,2005

MADANLAL J HINDUJA
CHAIRMAN

AUDITORS' REPORT

TO THE MEMBERS OF DEEJAY TRADING PRIVATE LIMITED

We have audited the attached Balance Sheet of DEEJAY TRADING PRIVATE LIMITED as on 31st March 2005 & Profit and Loss Account and Cash Flow statement for the year ended on that date annexed thereto. These financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further, we report that,

- We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit. 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 the books.

The said Balance Sheet and Profit and Loss account and the Cash Flow Statement dealt by this report are in agreement with books of account.

In our opinion, the Balance Sheet and the Profit and Loss Account and Cash Flow Statement dealt with by this report complies with the mandatory Accounting Standards referred in Section 211 (3C) of the Companies Act, 1956, and

On the basis of written representations received from the directors as at 31st March 2005 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2005 from being appointed as a director in terms of clause(g) of sub-section(1) of section 274 of the Companies Act,1956, as on that date.

In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, together with and subject to notes annexed thereto, give the information required, and give a true and fair view:

- In the case of Balance Sheet of the state of affairs of the company as at 31st March, 2005,
- In the case of Profit and Loss account, of the profit of the company for the year ended on that date, and
- in the case of Cash Flow Statement, of the cash flows of the company for the year ended on that date.

As required by the Companies (Auditors report) order, 2003 issued by the company law board, and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of our audit, we report that:-

- The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. During the year the fixed assets have been physically verified by the management and there were no discrepancies.
- No substantial part of the the Fixed Assets have been disposed during the year.
- The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- The company has not taken any loans secured or unsecured from companies, firm or other parties listed in the register maintained under section 301 of the Companies Act 1956.
- The company has not granted any loans, secured or unsecured to the companies, firms or other parties listed in the register maintained under section 301 of the Companies' Act 1956.
- In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase of fixed Assets, inventory and with regard to sale of goods During the course of audit we have not noticed any evidence of continuing failures to correct major weaknesses in internal control.
- According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act.1956 have been entered.
- In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contract or arrangements entered in the register maintained under section 301 of the Companies Act 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- The company has not accepted deposits from the public during the year to which the provisions of section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are applicable.

Subsidiary

- xii) In our opinion, the company's present Internal Audit system is commensurate with the size and nature of its business.
- xiii) The central government has not prescribed the maintenance of cost records by the companies under section 209(i)(d) of the Companies Act, 1956.
- xiv) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees state insurance, Income tax, sales tax, custom duty, excise duty, cess and other material statutory dues applicable to it..
- xv) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty, excise duty and cess were in arrears as at 31.03.2005 for a period of more than six months from the date they became payable.
- xvi) According to the information and explanations given to us, there are no dues of income tax wealth tax, sales tax, custom duty, excise duty and cess which have not been deposited on account of any dispute
- xvii) The Company is not having any accumulated losses nor the company has incurred any cash loss for this year or the preceeding financial year.
- xviii) The company has not taken any loan from financial institutions and from banks and as such question of default in repayment does not arise. The Company has not issued any debentures at any point of time.
- xix) The company has not granted any loans/advances on the basis of security by way of shares, debenture etc., as such no records and documents have been maintained.
- xx) In our opinion, the company is not dealing or trading in shares, debentures and other investments and as such no records have been maintained. During the year company has not made any investments.
- xxi) We have been informed by the company that it has not given any guarantee for any loans taken by the others from banks and financial institutions.
- xxii) The company has not taken any term loans during this year and as such question of its application for the purpose for which it is taken does not arise.
- xxiii) According to the information and explanations given to us, and on an overall examination of the balance sheet of the company, we report that the company has not used any funds raised on short term basis for long term investment and long term funds for short term investment.
- xxiv) According to the information and explanations given to us, the company has not made any preferential allotment of shares is made by the company to parties and companies covered in the registers maintained under section 301 of the act.
- xxv) According to the information and explanations given to us, during the period covered by our report, the company has not issued any debentures and therefore no securities have been created.
- xxvi) The company has not raised any money by public issue and as such disclosure on the end use of money does not arise.
- xxvii) We have not noticed any fraud on or by the company during the year.
- xxviii) The company is not covered under special statutory provisions applicable to the chit fund, nidhi or mutual benefit societies.

PLACE : BANGALORE
DATED : 17th June , 2005

FOR P.A.GHATAGE & Co.
Chartered Accountants

P.A.Ghatage
Partner
Membership No. 12153

BALANCE SHEET AS AT 31.03.2005

Particulars	Sch.	Amount (Rs) 31/03/2005	Amount (Rs) 31/03/2004
SOURCES OF FUNDS:			
1) Shareholders Funds:			
(a) Capital	'A'	200,000	100,000
(b) Reserves & Surplus	'B'	8,152,980	-
2) Loan Funds :			
(a) Secured Loans		-	-
(b) Unsecured Loans	'C'	7,920	6,920
		8,360,900	106,920
APPLICATION OF FUNDS:			
FIXED ASSETS	'D'		
(a) Gross Block		6,988,296	-
(b) Less: Depreciation Block		568,850	-
(c) Net Block		6,419,446	-
(d) Capital Work in Progress		-	-
INVESTMENTS		1,000	-
CURRENT ASSETS, LOANS 'E' AND ADVANCES:			
(a) Inventories			-
(b) Sundry Debtors		5,407,417	-
(c) Cash & Bank Balances		939,846	100,000
(d) Other Current Assets		5,249,303	-
(e) Loans and Advances		-	-
		11,596,566	100,000
LESS: CURRENT LIABILITIES & PROVISIONS : 'F'			
(a) Liabilities		9,599,752	-
(b) Provisions		463,253	5,400
		10,063,005	-
Net Current Assets		1,533,561	94,600
Deferred Tax Asset		400,664	-
Miscellaneous Expenditure to the extent not written off or adjusted		6,228	12,320
Notes to Accounts 'G'		8,360,900	106,920

Schedules Referred to above form an integral part of this Balance Sheet.

for DeeJay Trading Pvt. Ltd.

Madanlal J Hinduja **Rajendra J Hinduja**
Director Director

Place : Bangalore
Dated :17th June 2005

Vide our report of even date
For P. A. Ghatage & Co.
Chartered Accountants

P.A. Ghatage
Partner

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2005

Particulars	Sch.	Amount (Rs) 31/03/2005	Amount (Rs) 31/03/2004
INCOME:			
Contract Receipts	H	54,528,911	-
Other Income	I	37,442	-
		54,566,353	-
EXPENSES:			
Manufacturing Expenses	J	4,186,445	-
Administrative Expenses	K	2,334,732	-
Personnel Expenses	L	45,887,206	-
Other Overheads	M	1,391,641	-
Financial Expenses	N	1,119	-
		53,801,143	-
Profit before Depreciation, Tax & Deferred Tax		765,210	-
Less: Current Years Depreciation 'D'		568,850	-
Profit before Tax		196,360	-
Less: Provision for Tax		463,253	-
Add: Provision for Deferred Tax Asset		400,664	-
Net Profit transferred to Balance Sheet		133,771	-

Schedules referred to above form integral part of this Profit & Loss Account.

for DeeJay Trading Pvt. Ltd.

Madanlal J Hinduja **Rajendra J Hinduja**
Director Director

Place : Bangalore
Dated :17th June 2005

Vide our report of even date
For P. A. Ghatage & Co.
Chartered Accountants

P.A. Ghatage
Partner

Subsidiary

SCHEDULES TO BALANCE SHEET

PARTICULARS	Amount (Rs) 31.3.2005	Amount (Rs) 31.3.2004
SCHEDULE - A : SHARE CAPITAL		
Authorised Share Capital:		
20,000 (10,000) Eq. Shares of Rs.10 each	200,000	100,000
Issued, Subscribed, Called up and Paid Up:		
20,000 (10,000) Eq. Shares of Rs.10 each	200,000	100,000
SCHEDULE - B : RESERVES & SURPLUS		
Profit and Loss Account	133,771	-
Share Premium A/c	7,996,000	-
Capital Reserve	23,208	-
	8,152,979	-
SCHEDULE C: UNSECURED LOANS		
From Directors	7,920	6,920
	7,920	6,920
SCHEDULE E: CURRENT ASSETS, LOANS AND ADVANCES		
1) SUNDRY DEBTORS :		
(Considered Good)	5,407,417	-
	5,407,417	-
2) CASH AND BANK BALANCES		
Cash in Hand	560,480	-
Cash with Scheduled Banks	379,366	-
	939,846	-
3) OTHER CURRENT ASSETS		
Prepaid Expenses	105,642	-
TDS - Interest	9,427	-
TDS Receivable - Sister Concern	2,425,333	-
Staff Advance	1,318,096	-
KEB Deposit	285,381	-
Sales Tax deposit	4,000	-
Salary Advance	92,924	-
Security Deposit	8,500	-
Rent Deposit	1,000,000	-
	5,249,303	-
SCHEDULE F: CURRENT LIABILITIES & PROVISIONS:		
1) SUNDRY CREDITORS		
Sundry Creditors	664,912	-
	664,912	-
2) OUTSTANDING LIABILITIES		
Bonus Payable	2,455,142	-
ESI Payable	269,381	-
Leave Encashment payable	805,995	-
Provident Fund Payable	961,251	-
Quality Incentive Payable	242,100	-
Salary & Wages Payable	2,500,935	-
Gratuity Payable	945,921	-
Outstanding Liabilities	300,795	5,400
	8,481,520	5,400
3) STAFF VEHICLE LOAN RECOVERIES		
Narayanappa	46,754	-
Padmanabhan	25,162	-
D. Balu	24,600	-
Chandra B.M	33,150	-
Lakshmana Poojari	48,706	-
Maresh Babu	32,173	-
Rajan P K D	14,280	-
Shankar. D	18,177	-
	243,002	-
4) ADVANCES RECEIVED FROM		
Staff	2,000	-
	2,000	-

5) OTHER LIABILITIES

God Account	37	-
Sri Balaji Baghwan A/c	264	-
Tax Deducted at Source	69,168	-
TCWH - Peenya Sale	122,989	-
Profession Tax Payable	15,860	-
	208,318	-
TOTAL OF 1 TO 5	9,599,752	-
6) PROVISIONS		
For Income Tax	463,253	-
	463,253	-

SCHEDULES TO PROFIT AND LOSS ACCOUNT

PARTICULARS	Amount (Rs) 31.3.2005	Amount (Rs) 31.3.2004
SCHEDULE - H : CONTRACT RECEIPTS		
Finishing Charges	5,608,410	-
Tailoring Charges	48,920,501	-
	54,528,911	-
SCHEDULE - I : OTHER INCOME		
Transfer of Past Performance Entitlement	33,242	-
Scrap Sales	4,200	-
	37,442	-
SCHEDULE - J : MANUFACTURING EXPENSES:		
Boiler Fuel	902,330	-
Boiler Maintenance	70,567	-
Diesel Purchase	17,070	-
Dyes & Chemicals	125,450	-
Electricity & Power	2,232,087	-
Factory Expenses	199,715	-
Freight expenses inward	58,100	-
Generator Maintenance	97,636	-
Machinery Maintenance	456,885	-
Packing Materials - Local	2,154	-
Needle/Bobbin/Thread/Trimmer/ Hand Tags/Hooks purchases	24,450	-
	4,186,445	-
SCHEDULE - K : ADMINISTRATIVE EXPENSES		
Audit Fees	13,000	-
Consultancy Charges	506,300	-
Cleaning Charges	16,670	-
Conveyance Expenses	131,780	-
Electrical Expenses	381,624	-
Insurance	152,599	-
Legal and Professional Charges	114,620	-
Licence Fees, Rates & Taxes	75,135	-
Medical Expenses	35,975	-
Pooja Expenses	28,285	-
Printing and Stationery	103,412	-
Postage & Telegrams	431	-
Registration & Renewal Fees	68,580	-
Rent	644,000	-
Service Charges	750	-
Turnover Tax on Sales	43	-
Telephone Expenses	61,527	-
	2,334,732	-
SCHEDULE - L : PERSONNEL EXPENSES		
Bonus	1,539,629	-
Deposit Linked Insurance	127,745	-
Employers Contribution to ESI	1,487,885	-
Employers Contribution to PF	3,721,015	-
Labour Welfare Fund	7,374	-
Labour Welfare Expenses	435,491	-
Quality Incentive	553,961	-
Gratuity	958,921	-
Salaries & Wages	35,351,434	-
Leave Encashment	1,703,752	-
	45,887,206	-

SCHEDULES TO PROFIT AND LOSS ACCOUNTS (Contd.)

PARTICULARS	Amount (Rs) 31.3.2005	Amount (Rs) 31.3.2004		
SCHEDULE - M: OTHER OVERHEADS				
Building Maintenance	547,232	-	Sundry Expenses	110,986
Garden Maintenance	14,313	-	Salary Round Off	(40)
Repairs & Maintenance	332,047	-	Vehicle Maintenance	22,584
Security Expenses	318,651	-	Water Charges	38,946
Small Balances Written Off	831	-	Preliminary Expenses written off	6,092
				1,391,641
			SCHEDULE N: FINANCIAL EXPENSES:	
			Bank Charges & Interest	1,119
				1,119

SCHEDULE - D - FIXED ASSETS

Particulars	Gross Block				Depreciation				Net Block	
	As on 01.07.2004	Additions	Deletions	Total 31.03.05	As on 01.07.2004	For the Year	Deletions	Total 31.03.05	As on 31.03.2005	As on 01.07.2004
Building	-	2736794	-	2736794	-	205447	-	205447	2531347	
Plant & Machinery	-	1935144	-	1935144	-	179511	-	179511	1755633	
Factory Equipments	-	182950	-	182950	-	17872	-	17872	165078	
Electrical Equipments	-	864459	-	864459	-	53361	-	53361	811098	
Furniture & Fixtures	-	1180945	-	1180945	-	100852	-	100852	1080093	
Office Equipments	-	60960	-	60960	-	6365	-	6365	54595	
Vehicles	-	25288	-	25288	-	4915	-	4915	20373	
Computers	-	1756	-	1756	-	527	-	527	1229	
		6988296		6988296		568850	-	568850	6419446	

Schedules annexed to and forming part of accounts for the year ended March 31, 2005

Schedule G

Notes to Accounts

1. Background

Deejay Trading Private Limited (herein after referred to as "the Company") was incorporated on 21st February 2003. The Company took over all the assets and liabilities of M/s Wearcraft Apparels as a going concern on 1st July 2004. The Company became a subsidiary of Gokaldas Exports Limited (formerly known as Gokaldas India Private Limited) on 1st December 2004.

2. Significant accounting policies

a. Basis of preparation of financial statements and use of estimates

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

b. Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition/construction. Cost includes taxes, duties, freight and other incidental expenses related to acquisition/construction.

Depreciation on fixed assets is provided on written down value method at the rate and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

c. Inventories

Raw material, packing material, stores, spares and consumables are valued at cost. Finished goods are valued at lower of cost and net realisable value. Cost is ascertained on weighted average basis and in case of finished products includes appropriate production overheads.

Duty liabilities, if any, in respect of uncleared finished goods are provided for and included in the carrying value of inventories.

d. Revenue recognition

I) Sale: Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer, which is generally on dispatch of goods from factory.

II) Contract Receipt: Contract receipts are recognized as per the complete service contract method, upon delivery of garments, in accordance with requirement of AS 9.

e. Export incentives

Export incentives principally comprise of duty drawback and premium on past performance entitlements. The benefit under these incentive schemes are available based on the guideline formulated for respective schemes by the government authorities. Duty drawback is recognized as revenue on accrual basis to the extent it is probable that realisation is certain. Premium on past performance entitlements are accounted on transfer of such entitlements.

f. Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rates prevailing on the dates of the transaction. Monetary foreign currency assets and liabilities are translated at forward cover rate or at the period end exchange rate, as applicable. Resultant gains or losses are recognised in the profit and loss account. Exchange differences arising on forward exchange contracts are recognized over the period of the contract.

g. Investments

Long term investments are valued at cost. Provision for diminution, if any, in the value of investments is made to recognise a decline, other than temporary. Current investments are valued at lower of cost and market value. Cost includes incidental charges incurred towards acquisition of such investments.

h. Retirement benefits

Company's contributions to defined contribution schemes such as provident fund and family pension funds are charged to the profit and loss account on accrual basis. Provision for leave encashment and gratuity, which is in the nature of defined benefit scheme, is based on actuarial valuation done as at the balance sheet date by independent actuaries.

Subsidiary

i. Accounting for taxes on income

Provision for current tax is made based on the tax payable for the year under the Income-tax Act, 1961. Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets, other than on unabsorbed tax depreciation and unabsorbed tax losses, are recognised only to the extent that there is a reasonable certainty of their realisation. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognised only to the extent that there is virtual certainty of their realization supported by convincing evidence.

j. Preliminary expenses

Preliminary expenses are amortized over a period of ten years.

3. Contingent liabilities

Amount in Rupees

Particulars	As at March 31, 2005	As at March 31, 2004
Disputed income tax demand pending in appeal	Nil	Nil
Guarantees given by banks	Nil	Nil
Outstanding letter of credit	Nil	Nil
Bills discounted with banks	Nil	Nil
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	7,85,160	Nil

4. During the year, the Company has not imported any capital goods.

5. No remuneration was paid to the Directors or their relatives during the year.

6. In the opinion of the Board, current assets, loans and advances have a value of at least equal to the amounts shown in the balance sheet, if realized in the ordinary course of the business. The provision for all the known liabilities including depreciation is adequate and not in excess of the amount reasonably necessary.

7. There were no dues to SSI units which are identified based on the information available with the management where dues are outstanding for a sum exceeding Rs 1,00,000.00 and outstanding for more than 30 days as at March 31, 2005:

8. Segment information

a. Primary business segment

The Company is exclusively engaged in the business segment of job work of garments.

b. Geographical distribution of revenue:

Amount in Rupees

Particulars	Revenue by geographical market	Carrying amount of segment assets	Additions to tangible and intangible fixed assets
European Union and Western Europe			
USA, Canada and North America			
India	5,45,28,911	1,80,17,012	69,88,296
Others			
Total	5,45,28,911	1,80,17,012	69,88,296

9. Related party disclosure

a. The following are the names of related parties and description of relationship:

Relationship	Name of the Party
Holding Company	Gokaldas Exports Limited
<i>Other related parties with whom the Company had transactions</i>	
Enterprises where significant influence exists	
NIL	NIL
Key management personnel	
Directors	1) Mr Madanlal J Hinduja 2) Mr Rajendra J Hinduja 3) Mr Dinesh J Hinduja
Relatives of key management personnel	
NIL	NIL
Enterprises over which key management personnel and their relatives exercise significant influence	
Fellow Subsidiaries	1) All Colour Garments Pvt. Ltd. 2) Glamourwear Apparels Pvt. Ltd. 3) Madhin Trading Pvt. Ltd. 4) Magenta Trading Pvt. Ltd. 5) Rafter Trading Pvt. Ltd. 6) Rajdin Apparels Pvt. Ltd. 7) Reflexion Trading Pvt. Ltd. 8) Rishikesh Apparels Pvt. Ltd. 9) Seven Hills Clothing Pvt. Ltd. 10) SNS Clothing Pvt. Ltd. 11) Vignesh Apparels Pvt. Ltd.
OTHER PROMOTER GROUP COMPANIES	1) Dazzle Trading Pvt. Ltd. 2) Dice Trading Pvt. Ltd. 3) Hinduja Exports Pvt. Ltd. 4) J.V.N. Exports Pvt. Ltd. 5) Maze Trading Pvt. Ltd. 6) Parichay Investments Ltd. 7) Polyproducts Pvt. Ltd. 8) Rapple Trading Pvt. Ltd. 9) VAG Exports Pvt. Ltd.

Subsidiary

- b. The following are the volume of transactions with related parties during the year and outstanding balances as at the year end disclosed in aggregate by type of related party:

						Amount in Rupees
Transactions	Holding Company	Fellow Subsidiaries	Key Management Personnel	Other Promoter Group Companies	Enterprises over which key management personnel and their relatives exercise significant influence	Total
Job work charges	5,45,28,911					5,45,28,911
Polywadding purchases						
Rent received						
Rent paid						
Sale of garments						
Hire purchase paid						
Funds Transferred						
Equity contribution (including securities premium)	81,95,990					81,95,990
Balance outstanding as on March 31						
— Credit balances						
— Debit balances	5,01,845					5,01,845

10. Earnings per share

Particulars	2004 - 2005	2003-2004
Net profit for the year as per profit and loss accounts considered as numerator for calculating earnings per share	1,33,770	0
Weighted average number of equity shares	13,333	10,000
Nominal value per share	10	10
Earnings per share – Basic and diluted	10.03	0

11. Deferred taxes

The deferred tax assets/(liabilities) arising out of timing differences comprise of the following major components:

Particulars	As at March 31, 2004	Current year (charge)/credit	As at March 31, 2005
Difference between book and tax base of fixed assets	-	(2,13,169)	(2,13,169)
Retirement benefits allowed on payment basis accrued in books	-	6,13,834	6,13,834
Total		4,00,664	4,00,664

12. The aggregate amount of research and development expenditure recognized as an expense during the year was Rs. Nil (Previous year Rs. Nil).

13. Remuneration to directors

Particulars	2004 – 2005	2003-2004
Salaries	Nil	Nil
Total		

14. Auditors remuneration includes:

Particulars	2004 – 2005	2003-2004
Audit fees (inclusive of service tax)	13,000.00	5,400.00
Taxation matters	Nil	Nil
Out of pocket expenses	Nil	Nil
Total	13,000.00	5,400.00

15. Licensed and installed capacities and production

Particulars	Unit	2004-2005	2003-2004
<i>Licensed capacity</i>			
Readymade garments	Pcs	Not Applicable	Not Applicable
<i>Installed capacity*</i>			
Readymade garments	Pcs		
<i>Production</i>			
Readymade garments	Pcs		

* The installed capacity is as certified by the management and accepted by the auditors, as it is a technical matter.

16. The Company is engaged exclusively in Job Work and hence quantitative particulars cannot be given.

17. CIF value of imports :

Current Year : Nil Previous Year : Nil

18. Expenditure in foreign currency :

Current Year : Nil Previous Year : Nil

19. Value and percentage of imported and indigenous raw materials, spare parts and components consumed

Particulars	2004-2005		2003-2004	
	Amount	%	Amount	%
Raw Materials : Imported	NOT APPLICABLE		NOT APPLICABLE	
Indigenous				
Total				
Tools, spare parts and components: Imported	NOT APPLICABLE		NOT APPLICABLE	
Indigenous				
Total				

Subsidiary

20. Earnings in foreign currency:
Current Year : Nil Previous Year : Nil

21. The previous year's figures have been regrouped / rearranged / reclassified, wherever necessary to conform to the current year's presentation.

Signatures to schedules A to N
For and on behalf of the Board

Madanlal J Hinduja
Director

Rajendra J Hinduja
Director
Bangalore: June 17, 2005

For P.A. Ghatage & Co.
Chartered Accountants
P.A. Ghatage
Partner
Membership No.12153

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2005

	Amount Rs.
A Cash flow from Operating Activities	
Profits before Tax & Extraordinary Items	196,360
Adjustments for:	
a) Depreciation	568,850
b) Interest Income	-
c) Dividend Income	-
d) Preliminary Expenses & Preoperative Exps written off	6,092
e) Interest Expense	-
f) Prior Period Income	-
	574,942
Operating Profit before Working Capital Changes	771,302
(Increase)/Decrease in Sundry Debtors	(5,407,417)
(Increase) / Decrease in Inventories	-
(Increase) / Decrease in Loan & Advances	-
(Increase) / Decrease in Other Current Assets	(5,250,303)
(Decrease) / Increase in Current Liabilities & Provisions	9,594,352
	(1,063,296)
Cash Generated From Operations	(292,067)
B CASH FLOW FROM INVESTING ACTIVITIES	
(Purchase) / Sale of Fixed Assets	(6,988,296)
(Purchase) / Sale of Investments	-
Interest Income	-
	(6,988,296)
Net Cash Flow from Investing Activities	(7,280,363)
C CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from Issue of shares	100,000
Share Premium Received	7,996,000
Capital Reserve on Business Purchase	23,209
Proceeds from Long Term Borrowings (Net)	-
Proceeds from Short Term Unsecured Borrowings (Net)	1,000
Preliminary & Preoperative Expenses	-
Interest Paid	-
	8,120,209
D Net Increase / (Decrease) in Cash & Cash Equivalents	839,846
E Opening Balance of Cash & Cash Equivalents	100,000
F Closing Balance of Cash & Cash Equivalents	939,846

for DeeJay Trading Pvt. Ltd.

Vide our report of even date
For P.A. Ghatage & Co.
Chartered Accountants

Madanlal J Hinduja Director
Rajendra J Hinduja Director
Place : Bangalore
Dated :17th June 2005

P.A. Ghatage
Partner

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration details

REGISTRATION NO 31614

BALANCE SHEET DATE STATE CODE
31.03.2005 08

II Capital raised during the year (Amount in Rs. Thousands)

PUBLIC ISSUE RIGHTS ISSUE
NIL NIL
BONUS ISSUE PRIVATE PLACEMENT
NIL 100

III. Position of mobilisation and deployment of funds (amount in Rs. Thousands)

TOTAL LIABILITIES TOTAL ASSETS
8361 8361

Sources of funds

PAID UP CAPITAL RESERVES & SURPLUS
200 8153
SECURED LOANS UNSECURED LOANS
NIL 8

Deferred Tax Liability (Net)

NIL

Application of funds

NET FIXED ASSETS INVESTMENTS
including capital work in progress 6419
NET CURRENT ASSETS MISC EXPENDITURE
1534 6
ACCUMULATED LOSSES DEFERRED TAX ASSET
NIL 401

IV. Performance of Company (Amount in Rs. Thousands)

TURNOVER (TOTAL INCOME) TOTAL EXPENDITURE
54566 54370
+ - PROFIT / (LOSS) BEFORE TAX + - PROFIT AFTER TAX
196 134

(Please tick appropriate box + for profit, - for loss)

EARNING PER SHARE DIVIDEND RATE %
(on profit after taxes)
10.03 NIL

V. Generic Names of three principal products/services of Company (as per monetary terms)

ITEM CODE NO (ITC CODE) PRODUCT DESCRIPTION
NOT APPLICABLE

For and on behalf of the board

Madanlal J Hinduja
Director

Bangalore: June 17, 2005

Rajendra J Hinduja
Director

GLAMOURWEAR APPARELS PRIVATE LIMITED

Board of Directors

Shri Madanlal J Hinduja Chairman
Shri Rajendra J Hinduja Director
Shri Dinesh J Hinduja Director

Registered Office:

70, Mission Road
Bangalore-560027.

Auditors

M/s P A Ghatage & Co.
Chartered Accountants
124, Margosa Road, Malleswaram
Bangalore - 560003.

Bankers

Canara Bank
"Avenue Plaza"
Avenue Road Branch
Bangalore - 560002

DIRECTORS REPORT

Your Directors take great pleasure in presenting the First Annual Report of your Company together with the audited accounts for the period ended 31st March 2005.

1. Financial Results :

The company primarily derives its income from the holding company, viz., Gokaldas Exports Limited by way of Job Work charges and the financial results for the period ended 31st March 2005 are furnished below :

	Rs.
Total Income	17,62,03,648
Less : Expenditure	17,59,70,760
Profit before tax	2,32,888
Provision for Taxation :	
Current Tax	4,41,157
Provision for Deferred Tax	3,64,414
Profit after tax	1,56,144

2. Auditors:

M/s. P.A. Ghatage & Co, Chartered Accountants, will retire at the ensuing Annual General Meeting. However, being eligible, they offer themselves for re-appointment.

3. Directors:

During the period under review, Shri Madanlal J Hinduja, Shri Rajendra J Hinduja and Shri Dinesh J Hinduja were appointed as additional directors and seek your approval for their appointment as directors in the ensuing Annual General Meeting.

4. Conservation of energy, foreign exchange earnings and outgo:

Not applicable.

5. Particulars of Employees :

Nil

6. Directors Responsibility Statement:

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Board of directors report that :

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- accounting policies have been selected and applied consistently and the judgments and estimates made 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.
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the annual accounts have been prepared on a "going concern" basis.

7. ACKNOWLEDGEMENTS:

Your Directors express their thanks to Gokaldas Exports Ltd, the holding company, its bankers and employees for their support and look forward to their continued co-operation in the ensuing year.

For and on behalf of the Board of Directors

Bangalore
June 17, 2005

MADANLAL J HINDUJA
CHAIRMAN

AUDITORS' REPORT

TO THE MEMBERS OF GLAMOURWEAR APPARELS PRIVATE LIMITED

We have audited the attached Balance Sheet of **GLAMOURWEAR APPARELS PRIVATE LIMITED** as on 31st March 2005 & Profit and Loss Account and Cash Flow Statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further, we report that,

1. We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit. 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 the books.

The said Balance Sheet and Profit and Loss account and the Cash Flow Statement dealt by this report are in agreement with books of account.

In our opinion, the Balance Sheet and the Profit and Loss Account and Cash Flow Statement dealt with by this report complies with the mandatory Accounting Standards referred in Section 211 (3C) of the Companies Act, 1956, and

On the basis of written representations received from the directors as at 31st March 2005 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2005 from being appointed as a director in terms of clause(g) of sub-section(1) of section 274 of the Companies Act, 1956, as on that date.

In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, together with and subject to notes annexed thereto, give the information required, and give a true and fair view:

- a. In the case of Balance Sheet of the state of affairs of the company as at 31st March, 2005,
- b. In the case of Profit and Loss account, of the profit of the company for the period ended on that date, and
- c. in the case of Cash Flow Statement, of the cash flows of the company for the period ended on that date.

As required by the Companies (Auditors report) order, 2003 issued by the company law board, and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of our audit, we report that:-

- i) The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. During the period the fixed assets have been physically verified by the management and there were no discrepancies.
- ii) No substantial part of the the Fixed Assets have been disposed during the period.
- iii) The inventory has been physically verified during the period by the management. In our opinion, the frequency of verification is reasonable.
- iv) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- v) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- vi) The company has not taken any loans secured or unsecured from companies, firm or other parties listed in the register maintained under section 301 of the Companies Act 1956.
- vii) The company has not granted any loans, secured or unsecured to the companies, firms or other parties listed in the register maintained under section 301 of the Companies' Act 1956.
- viii) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase fixed Assets, inventory and with regard to sale of goods During the course of audit we have not noticed any evidence of continuing failures to correct major weaknesses in internal control.
- ix) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act.1956 have been entered..
- x) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contract or arrangements entered in the register maintained under section 301 of the Companies Act 1956 and exceeding the value of rupees five lakhs in respect of any party during the period have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- xi) The company has not accepted deposits from the public during the period to which the provisions of section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are applicable.

Subsidiary

- xii) In our opinion, the company's present Internal Audit system is commensurate with the size and nature of its business.
- xiii) The central government has not prescribed the maintenance of cost records by the companies under section 209(i)(d) of the Companies Act, 1956.
- xiv) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees state insurance, Income tax, sales tax, custom duty, excise duty, cess and other material statutory dues applicable to it..
- xv) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty, excise duty and cess were in arrears as at 31.03.2005 for a period of more than six months from the date they became payable.
- xvi) According to the information and explanations given to us, there are no dues of income tax wealth tax, sales tax, custom duty, excise duty and cess which have not been deposited on account of any dispute
- xvii) The Company is not having any accumulated losses nor the company has incurred any cash loss for this period.
- xviii) The company has not taken any loan from financial institutions and from banks and as such question of default in repayment does not arise. The Company has not issued any debentures at any point of time.
- xix) The company has not granted any loans/advances on the basis of security by way of shares, debenture etc. As such no records and documents have been maintained.
- xx) In our opinion, the company is not dealing or trading in shares, debentures and other investments and as such no records have been maintained. During the period company has not made any investments.

- xxi) We have been informed by the company that it has not given any guarantee for any loans taken by the others from banks and financial institutions.
- xxii) The company has not taken any term loans during this period and as such question of its application for the purpose for which it is taken does not arise.
- xxiii) According to the information and explanations given to us, and on an overall examination of the balance sheet of the company, we report that the company has not used any funds raised on short term basis for long term investment and long term funds for short term investment.
- xxiv) According to the information and explanations given to us, the company has not made any preferential allotment of shares is made by the company to parties and companies covered in the registers maintained under section 301 of the act.
- xxv) According to the information and explanations given to us, during the period covered by our report, the company has not issued any debentures and therefore no securities have been created.
- xxvi) The company has not raised any money by public issue and as such disclosure on the end use of money does not arise.
- xxvii) We have not noticed any fraud on or by the company during the period.
- xxviii) The company is not covered under special statutory provisions applicable to the chit fund, nidhi or mutual benefit societies.

PLACE : BANGALORE
DATED : 17th June , 2005

FOR P.A.GHATAGE & Co.
Chartered Accountants

P.A.Ghatage
Partner
Membership No. 12153

BALANCE SHEET AS AT 31.03.2005

Particulars	Sch.	Amount Rs.
SOURCES OF FUNDS:		
1) Shareholders Funds:		
(a) Share Capital	‘A’	200,000
(b) Reserves & Surplus	‘B’	10,355,049
2) Loan Funds :		
(a) Secured Loans		8,800
(b) Unsecured Loans	‘C’	<u>10,563,849</u>
APPLICATION OF FUNDS:		
FIXED ASSETS		
	‘D’	
(a) Gross Block		23,460,406
(b) Less: Depreciation Block		<u>2,291,920</u>
(c) Net Block		21,168,487
(d) Capital Work in Progress		-
INVESTMENTS		9,100
CURRENT ASSETS, LOANS AND ADVANCES:		
	‘E’	
(a) Inventories		952,601
(b) Sundry Debtors		246,431
(c) Cash & Bank Balances		1,050,100
(d) Other Current Assets		4,795,399
(e) Loans and Advances		<u>10,740,816</u>
		17,785,348
LESS: CURRENT LIABILITIES & PROVISIONS :		
	‘F’	
(a) Liabilities		28,329,362
(b) Provisions		<u>441,157</u>
		28,770,519
Net Current Assets		(10,985,171)
Deffered Tax Asset		364,414
Miscellaneous Expenditure to the extent not written off or adjusted		7,020
Notes to Accounts	‘G’	<u>10,563,849</u>

Schedules Referred to above form an integral part of this Balance Sheet.

Vide our report of even date

for Glamourwear Apparels Pvt. Ltd.

For P. A. Ghatage & Co.
Chartered Accountants

Madanlal J Hinduja Rajendra J Hinduja
Director Director

P.A. Ghatage
Partner
Membership No. 12153

Place : Bangalore
Dated :17th June 2005

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31.03.2005

Particulars	Sch.	Amount Rs.
INCOME:		
Contract Receipts	H	176,167,852
Other Income	I	34,847
Prior Period Income		949
		<u>176,203,648</u>
EXPENSES:		
Manufacturing Expenses	J	13,123,323
Administrative Expenses	K	14,448,594
Personnel Expenses	L	144,021,131
Other Overheads	M	2,085,793
		<u>173,678,840</u>
Profit before Depreciation, Tax & Deferred Tax		2,524,808
Less:Current Years Depreciation	'D'	2,291,920
Profit before Tax		232,888
Less: Provision for Tax		441,157
Add:Provision for Deffered Tax Asset		364,414
Net Profit transferred to Balance Sheet		156,144

Schedules referred to above form integral part of this Profit & Loss Account.

Vide our report of even date

for Glamourwear Apparels Pvt. Ltd.

For P. A. Ghatage & Co.
Chartered Accountants

Madanlal J Hinduja Rajendra J Hinduja
Director Director

P.A. Ghatage
Partner
Membership No. 12153

Place : Bangalore
Dated :17th June 2005

Subsidiary

SCHEDULES TO BALANCE SHEET

PARTICULARS	Amount Rs.
SCHEDULE - A : SHARE CAPITAL	
Authorised Share Capital:	
20,000 Eq. Shares of Rs.10 each	200,000
Issued, Subscribed, Called up and Paid Up:	
20,000 Eq. Shares of Rs.10 each	200,000
SCHEDULE - B : RESERVES & SURPLUS	
Profit and Loss Account	156,144
Capital Reserve	252,905
Share Premium A/c	9,946,000
	10,355,049
SCHEDULE C: UNSECURED LOANS	
From Others	8,800
	8,800
INVESTMENTS	
Indira Vikas Patra	4,100
National Savings Certificate	5,000
	9,100
SCHEDULE E: CURRENT ASSETS, LOANS AND ADVANCES	
A) INVENTORIES	
Fabric	952,601
	952,601
B) SUNDRY DEBTORS :	
Others	246,431
	246,431
C) CASH AND BANK BALANCES	
Cash in Hand	302,662
Cash with Bank	747,438
	1,050,100
D) OTHER CURRENT ASSETS	
Prepaid Expenses	96,829
Centrail Excise P L A a/c	1,266
TDS - Interest	6,718
TDS Receivable - Sister Concern	4,690,586
	4,795,399
E) LOANS AND ADVANCES	
a) Advances	
Carriers parties	678
Advance to Others	500,000
Staff Advance	627,176
	1,605,499
b) Deposits	
Rent Deposit	6,900,000
KEB Deposit	1,729,639
Sales Tax deposit	5,000
	8,634,639
SCHEDULE F: CURRENT LIABILITIES & PROVISIONS:	
1) SUNDRY CREDITORS	
Sundry Creditors	649,872
	649,872
2) OUTSTANDING LIABILITIES	
Bonus Payable	7,389,968
ESI Payable	754,821
Leave Encashment payable	1,313,337
Provident Fund Payable	2,712,150
Quality Incentive Payable	149,268
Salary & Wages Payable	10,871,836
Gratuity Payable	1,416,688
Electricity charges payable	946,394
Consultancy charges payable	152,900
Telephone expenses	5,941
Conveyance charges	126,514
Sales Tax Payable	1,231
Petty Cash Expenses	9,451
Staff Welfare expenses	32,612
Audit fee payable	39,015
	25,922,126
3) STAFF VEHICLE LOAN RECOVERIES	
Prakashlal	24,579
Venkata Subbaiah	9,727
	34,305

4) OTHER LIABILITIES

God Account	29
Sri Balaji Baghwan A/c	242
Tax Deducted at Source	88,096
TCWH - Peenya Sale	920,281
Profession Tax Payable	35,100
Balance with parent company & Co-subsidiaries	91,762
Canara Bank (Avenue Road - Book OD)	587,549
	1,723,058
TOTAL OF 1 TO 4	28,329,362
B) PROVISIONS	
For Income Tax	441,157
	441,157

SCHEDULES TO PROFIT AND LOSS ACCOUNT

PARTICULARS	Amount Rs.
SCHEDULE - H : CONTRACT RECEIPTS	
Finishing Charges	23,184,600
Tailoring Charges	152,983,252
	176,167,852
SCHEDULE - I : OTHER INCOME	
Transfer of Past Performance Entitlement	20,327
Interest earned	245
Scrap Sales	14,275
	34,847
SCHEDULE - J : MANUFACTURING EXPENSES:	
Boiler Fuel	2,161,262
Boiler Maintenance	203,205
Diesel Purchase	669,201
Dyes & Chemicals	314,210
Dyeing Charges	21,990
Electricity & Power	5,771,642
Factory Expenses	584,685
Generator Maintenance	198,129
Label purchase - local	896,289
Machinery Maintenance	1,271,463
Packing Materials - Local	30,969
Patteren development expenses	95,000
Tailoring Charges	788,349
Neckbands/Butterfly	2,959
Tags & stickers	79,500
Needle/Bobbin/Thread/Trimmer purchase/	
Hand Tags/Hooks	34,470
	13,123,323
SCHEDULE - K : ADMINISTRATIVE EXPENSES	
Audit Fees	20,000
Bank Charges & Interest	42,402
Consultancy Charges	1,701,100
Cleaning Charges	26,795
Conveyance Expenses	1,134,377
Electrical Expenses	908,718
Hire Charges	420
Insurance	349,763
Legal and Professional Charges	202,834
Licence Fees, Rates & Taxes	132,335
Medical Expenses	119,078
Office Maintenance expenses	1,431
Pooja Expenses	101,690
Printing and Stationery	634,338
Registration & Renewal Fees	105,765
Rent	8,641,845
Service Charges	450
Turnover Tax on Sales	125
Transportation Charges	224,650
Tools & Spares	4,282
Telephone Expenses	96,196
	14,448,594

Subsidiary

SCHEDULES TO PROFIT AND LOSS ACCOUNTS (Contd.)

PARTICULARS	Amount Rs.
SCHEDULE - L : PERSONNEL EXPENSES	
Bonus	7,016,303
Deposit Linked Insurance	485,706
Employers Contribution to ESI	4,914,155
Employers Contribution to PF	12,840,715
Labour Welfare Fund	25,476
Labour Welfare Expenses	558,839
Sampling Expenses	455,420
Quality Incentive	1,563,103
Gratuity	1,977,138
Salaries & Wages	112,408,063
Leave Encashment	1,776,212
	144,021,131

SCHEDULE - M : OTHER OVERHEADS

Building Maintenance	537,357
Garden Maintenance	14,476
Repairs & Maintenance	474,922
Security Expenses	972,317
Small Balances Written Off	(11)
Sundry Expenses	56,786
Salary Round Off	(88)
Vehicle Maintenance	11,654
Water Charges	17,600
Preliminary Expenses written off	780
	2,085,793

SCHEDULE - N : PRIOR PERIOD INCOME

Prior Period Income	949
	949

SCHEDULE - D - FIXED ASSETS

Particulars	Gross Block				Depreciation			Net Block	
	As on 01.07.2004	Additions	Delections	As at 31.03.05	Upto 01.07.2004	For the Year	Total as on 31.03.05	As at 31.03.05	As at 01.07.04
Building		664,287	-	664,287	-	49,867	49,867	614,420	
Plant & Machinery		6,004,840	-	6,004,840	-	584,826	584,826	5,420,014	
Factory Equipments		1,651,042	-	1,651,042	-	153,089	153,089	1,497,953	
Electrical Equipments		8,348,907	-	8,348,907	-	778,509	778,509	7,570,398	
Furniture & Fixtures		5,566,953	-	5,566,953	-	646,502	646,502	4,920,451	
Office Equipments		166,475	-	166,475	-	13,998	13,998	152,477	
Vehicles		3,287	-	3,287	-	639	639	2,648	
Computers		53,578	-	53,578	-	11,347	11,347	42,231	
Improvement on lease hold property		1,001,036	-	1,001,036	-	53,143	53,143	947,893	
		23,460,406	-	23,460,406	-	2,291,920	2,291,920	21,168,487	

Schedules annexed to and forming part of accounts for the period ended March 31, 2005

Schedule G

Notes to Account

1. Background

Glamourwear Apparels Private Limited (herein after referred to as "the Company") was incorporated on 17th June 2004. The Company took over all the assets and liabilities of M/s The Intex and J.D. Clothing Company as a going concern on 1st July 2004. The Company became a subsidiary of Gokaldas Exports Limited (formerly known as Gokaldas India Private Limited) on 1st December 2004.

2. Significant accounting policies

a. Basis of preparation of financial statements and use of estimates

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

b. Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition/construction. Cost includes taxes, duties, freight and other incidental expenses related to acquisition/construction.

Depreciation on fixed assets is provided on written down value method at the rate and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

c. Inventories

Raw material, packing material, stores, spares and consumables are valued at cost. Finished goods are valued at lower of cost and net realisable value. Cost is ascertained on weighted average basis and in case of finished products includes appropriate production overheads. Duty liabilities, if any, in respect of uncleared finished goods are provided for and included in the carrying value of inventories.

d. Revenue recognition

I) Sale: Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer, which is generally on dispatch of goods from factory.

II) Contract Receipt: Contract receipts are recognized as per the complete service contract method, upon delivery of garments, in accordance with requirement of AS 9.

e. Export incentives

Export incentives principally comprise of duty drawback and premium on past performance entitlements. The benefit under these incentive schemes are available based on the guideline formulated for respective schemes by the government authorities. Duty drawback is recognized as revenue on accrual basis to the extent it is probable that realisation is certain. Premium on past performance entitlements are accounted on transfer of such entitlements.

Subsidiary

f. Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rates prevailing on the dates of the transaction. Monetary foreign currency assets and liabilities are translated at forward cover rate or at the period end exchange rate, as applicable. Resultant gains or losses are recognised in the profit and loss account. Exchange differences arising on forward exchange contracts are recognized over the period of the contract.

g. Investments

Long term investments are valued at cost. Provision for diminution, if any, in the value of investments is made to recognise a decline, other than temporary. Current investments are valued at lower of cost and market value. Cost includes incidental charges incurred towards acquisition of such investments.

h. Retirement benefits

Company's contributions to defined contribution schemes such as provident fund and family pension funds are charged to the profit and loss account on accrual basis. Provision for leave encashment and gratuity, which is in the nature of defined benefit scheme, is based on actuarial valuation done as at the balance sheet date by independent actuaries.

i. Accounting for taxes on income

Provision for current tax is made based on the tax payable for the year under the Income-tax Act, 1961. Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets, other than on unabsorbed tax depreciation and unabsorbed tax losses, are recognised only to the extent that there is a reasonable certainty of their realisation. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognised only to the extent that there is virtual certainty of their realization supported by convincing evidence.

j. Preliminary expenses

Preliminary expenses are amortized over a period of ten years.

3. Contingent liabilities

Amount in Rupees

Particulars	As at March 31, 2005
Disputed income tax demand pending in appeal	Nil
Guarantees given by banks	Nil
Outstanding letter of credit	Nil
Bills discounted with banks	Nil
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	Nil

4. During the period, the Company has not imported any capital goods.

5. No remuneration was paid to the Directors or their relatives during the period.

6. In the opinion of the Board, current assets, loans and advances have a value of at least equal to the amounts shown in the balance sheet, if realized in the ordinary course of the business. The provision for all the known liabilities including depreciation is adequate and not in excess of the amount reasonably necessary.

7. There were no dues to SSI units which are identified based on the information available with the management where dues are outstanding for a sum exceeding Rs 1,00,000.00 and outstanding for more than 30 days as at March 31, 2005:

8. Segment information

a. Primary business segment

The Company is exclusively engaged in the business segment of job work of garments.

b. Geographical distribution of revenue:

Amount in Rupees

Particulars	Revenue by geographical market	Carrying amount of segment assets	Additions to tangible and intangible fixed assets
European Union and Western Europe			
USA, Canada and North America			
India	17,61,67,852	3,89,62,933	2,34,60,406
Others			
Total	17,61,67,852	3,89,62,933	2,34,60,406

9. Related party disclosure

a. The following are the names of related parties and description of relationship:

Relationship	Name of the Party
Holding Company	Gokaldas Exports Limited
Other related parties with whom the Company had transactions	
Enterprises where significant influence exists	
NIL	NIL
Key management personnel	
Directors	1) Mr Madanlal J Hinduja 2) Mr Rajendra J Hinduja 3) Mr Dinesh J Hinduja
Relatives of key management personnel	
NIL	NIL

Subsidiary

Enterprises over which key management personnel and their relatives exercise significant influence

Fellow Subsidiaries

- 1) All Colour Garments Pvt. Ltd.
- 2) DeeJay Trading Pvt. Ltd.
- 3) Madhin Trading Pvt. Ltd.
- 4) Magenta Trading Pvt. Ltd.
- 5) Rafter Trading Pvt. Ltd.
- 6) Rajdin Apparels Pvt. Ltd.
- 7) Reflexion Trading Pvt. Ltd.
- 8) Rishikesh Apparels Pvt. Ltd.
- 9) Seven Hills Clothing Pvt. Ltd.
- 10) SNS Clothing Pvt. Ltd.
- 11) Vignesh Apparels Pvt. Ltd.

OTHER PROMOTER GROUP COMPANIES

- 1) Dazzle Trading Pvt. Ltd.
- 2) Dice Trading Pvt. Ltd.
- 3) Hinduja Exports Pvt. Ltd.
- 4) J.V.N. Exports Pvt. Ltd.
- 5) Maze Trading Pvt. Ltd.
- 6) Parichay Investments Limited
- 7) Polyproducts Pvt. Ltd.
- 8) Rapple Trading Pvt. Ltd.
- 9) VAG Exports Pvt. Ltd.

- b. The following are the volume of transactions with related parties during the year and outstanding balances as at the year end disclosed in aggregate by type of related party:

Amount in Rupees

Transactions	Holding Company	Fellow Subsidiaries	Key Management Personnel	Other Promoter Group Companies	Enterprises over which key management personnel and their relatives exercise significant influence	Total
Job work charges	17,61,67,852					17,61,67,852
Polywadding purchases						
Rent received						
Rent paid						
Sale of garments						
Hire purchase paid						
Funds Transferred						
Equity contribution (including securities premium)	1,01,45,990					1,01,45,990
Balance outstanding as on March 31						
— Credit balances	90,531					90,531
— Debit balances						

10. Earnings per share Amount in Rupees

Particulars	2004 - 2005
Net profit for the period as per profit and loss accounts considered as numerator for calculating earnings per share	1,56,144
Weighted average number of equity shares	10,833
Nominal value per share	10
Earnings per share – Basic and diluted	14.41

11. Deferred taxes

The deferred tax assets/(liabilities) arising out of timing differences comprise of the following major components:

Amount in Rupees

Particulars	Current period (charge)/credit	As at March 31, 2005
Difference between book and tax base of fixed assets	(5,13,660)	(5,13,660)
Retirement benefits allowed on payment basis accrued in books	8,78,074	8,78,074
Total	3,64,414	3,64,414

12. The aggregate amount of research and development expenditure recognized as an expense during the period was Rs. Nil.

13. Remuneration to directors

Amount in Rupees

Particulars	2004 - 2005
Salaries	Nil
Total	

Subsidiary

14. Auditors remuneration includes: Amount in Rupees

Particulars	2004-2005
Audit fees (inclusive of service tax)	20,000.00
Taxation matters	Nil
Out of pocket expenses	Nil
Total	20,000.00

15. Licensed and installed capacities and production

Particulars	Unit	2004-2005
<i>Licensed capacity</i>		
Readymade garments	Pcs	Not Applicable
<i>Installed capacity*</i>		
Readymade garments	Pcs	
<i>Production</i>		
Readymade garments	Pcs	

* The installed capacity is as certified by the management and accepted by the auditors, as it is a technical matter.

16. The Company is engaged exclusively in Job Work and hence quantitative particulars cannot be given.

17. CIF value of imports : Current period : Nil

18. Expenditure in foreign currency : Current period : Nil

19. Value and percentage of imported and indigenous raw materials, spare parts and components consumed Amount in Rupees

Particulars	2004-2005	
	Amount	%
<i>Raw Materials</i> : Imported	NOT APPLICABLE	
Indigenous		
Total		
<i>Tools, spare parts and components</i> : Imported	NOT APPLICABLE	
Indigenous		
Total		

20. Earnings in foreign currency: Current Year : Nil Previous Year : Nil

21. Since this is the first year of the Company disclosure of previous years figures is not applicable.

Signatures to schedules A to N

For and on behalf of the Board

Madanlal J Hinduja
Director

Rajendra J Hinduja
Director

Bangalore: June 17, 2005

For P.A. Ghatage & Co.
Chartered Accountants

P.A. Ghatage
Partner
Membership No.12153

Subsidiary

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31.03.2005

		Amount Rs.
A Cash flow from Operating Activities		
Profits before Tax & Extraordinary Items		232,888
Adjustments for:		
a) Depreciation	2,291,920	
b) Interest Income	-	
c) Dividend Income	-	
d) Preliminary Expenses & Preoperative Exps written off	780	
e) Interest Expense	-	
f) Prior Period Income	-	2,292,700
Operating Profit before Working Capital Changes		2,525,587
(Increase) / Decrease in Sundry Debtors	(246,431)	
(Increase) / Decrease in Inventories	(952,601)	
(Increase) / Decrease in Loan & Advances	(10,740,816)	
(Increase) / Decrease in Other Current Assets	(4,795,399)	
(Decrease) / Increase in Current Liabilities & Provisions	28,329,362	11,594,114
Cash Generated From Operations		14,119,702
B CASH FLOW FROM INVESTING ACTIVITIES		
(Purchase) / Sale of Fixed Assets	(23,460,406)	
(Purchase) / Sale of Investments	(9,100)	
Interest Income	-	(23,469,506)
Net Cash Flow from Investing Activities		(9,349,805)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of shares	200,000	
Share Premium Received	9,946,000	
Capital Reserve on Business Purchase	252,905	
Proceeds from Long Term Borrowings (Net)	-	
Proceeds from Short Term Unsecured Borrowings (Net)	8,800	
Preliminary & Preoperative Expenses	(7,800)	
Interest Paid	-	10,399,905
D Net Increase / (Decrease) in Cash & Cash Equivalents		1,050,100
E Opening Balance of Cash & Cash Equivalents		-
F Closing Balance of Cash & Cash Equivalents		1,050,100

for Glamourwear Apparels Pvt. Ltd.

Madanlal J Hinduja
Director
Place : Bangalore
Dated :17th June 2005

Rajendra J Hinduja
Director

Vide our report of even date
For P. A. Ghatage & Co.
Chartered Accountants

P.A. Ghatage
Partner
Membership No. 12153

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration details

REGISTRATION NO 34154

BALANCE SHEET DATE

31.03.2005

STATE CODE

08

II Capital raised during the year (Amount in Rs. Thousands)

PUBLIC ISSUE

Nil

RIGHTS ISSUE

Nil

BONUS ISSUE

Nil

PRIVATE PLACEMENT

200

III. Position of mobilisation and deployment of funds (amount in Rs. Thousands)

TOTAL LIABILITIES

10564

TOTAL ASSETS

10564

Sources of funds

PAID UP CAPITAL

200

RESERVES & SURPLUS

10355

SECURED LOANS

Nil

UNSECURED LOANS

9

Deferred Tax Liability (Net)

Nil

Application of funds

NET FIXED ASSETS
including capital work in progress

21168

INVESTMENTS

9

NET CURRENT ASSETS

-10985

MISC EXPENDITURE

7

ACCUMULATED LOSSES

Nil

DEFERRED TAX ASSET

364

IV. Performance of Company (Amount in Rs. Thousands)

TURNOVER (TOTAL INCOME)

176204

TOTAL EXPENDITURE

175971

+ - PROFIT/(LOSS) BEFORE TAX + - PROFIT AFTER TAX

✓

233

✓

156

(Please tick appropriate box + for profit, - for loss)

EARNING PER SHARE
(on profit after taxes)

14.41

DIVIDEND RATE %

Nil

V. Generic Names of three principal products/services of Company (as per monetary terms)

ITEM CODE NO (ITC CODE)

PRODUCT DESCRIPTION

NOT APPLICABLE

For and on behalf of the board

Madanlal J Hinduja
Director

Bangalore: June 17, 2005

Rajendra J Hinduja
Director

MADHIN TRADING PRIVATE LIMITED

Board of Directors

Shri Madanlal J Hinduja Chairman
Shri Dinesh J Hinduja Director
Shri Rajendra J Hinduja Director

Registered Office:

70, Mission Road
Bangalore-560027.

Auditors

M/s V M Pal & Co.
Chartered Accountants
"Vasundhara", 127, 2nd Floor
10th Cross, Margosa Road, Malleswaram
Bangalore - 560003.

Bankers

Canara Bank
"Avenue Plaza"
Avenue Road Branch
Bangalore - 560002

DIRECTORS REPORT

Your Directors take great pleasure in presenting the Second Annual Report of your Company together with the audited accounts for the period ended 31st March, 2005.

1. Financial Results:

The company primarily derives its income from the holding company, viz., Gokaldas Exports Limited by way of Job work charges and the financial results for the year ended 31st March 2005 are furnished below:

	Rs.
Total Income	7,53,62,484
Less : Expenditure	7,51,55, 976
Profit before tax	2,07,508
Provision for Taxation :	
Current Tax	4,16,619
Deferred Tax	(4,22,016)
Profit for the year	2,12,905

2. Auditors:

M/s. V.M. Pal & Co, Chartered Accountants, will retire at the ensuing Annual General Meeting. However, being eligible, they offer themselves for re-appointment.

3. Directors:

During the period under review, Shri Rajendra J Hinduja and Shri Dinesh J Hinduja were appointed as additional directors and seek your approval for their appointment as directors in the ensuing Annual General Meeting.

4. Conservation of energy, foreign exchange earnings and outgo

Not applicable

5. Particulars of Employees :

Nil

6. Directors Responsibility statement:

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Board of directors report that :

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- accounting policies have been selected and applied consistently and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the annual accounts have been prepared on a "going concern" basis.

7. ACKNOWLEDGEMENTS:

Your Directors express their thanks to Gokaldas Exports Ltd, the holding company, its bankers and employees for their support and look forward to their continued co-operation in the ensuing year.

For and on behalf of the Board of Directors
OF MADHIN TRADING PRIVATE LIMITED

Bangalore
June 17,2005

MADANLAL J HINDUJA
CHAIRMAN

AUDITORS' REPORT

TO THE MEMBERS OF MADHIN TRADING PRIVATE LIMITED

We have audited the attached Balance Sheet of MADHIN TRADING PRIVATE LIMITED as on 31st March 2005 & Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further, we report that,

- We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit. 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 the books. The said Balance Sheet and Profit and Loss Account and the Cash Flow Statement dealt by this report are in agreement with books of account. In our opinion, the Balance Sheet and the Profit and Loss Account and Cash Flow Statement dealt with by this report complies with the mandatory Accounting Standards referred in Section 211 (3C) of the Companies Act, 1956, and
On the basis of written representations received from the directors as at 31st March 2005 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2005 from being appointed as a director in terms of clause(g) of sub-section(1) of section 274 of the Companies Act,1956, as on that date. In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, together with and subject to notes annexed thereto, give the information required, and give a true and fair view:
 - In the case of Balance Sheet of the state of affairs of the company as at 31st March, 2005,
 - In the case of Profit and Loss account, of the profit of the company for the year ended on that date, and
 - in the case of Cash Flow Statement, of the cash flows of the company for the year ended on that date.

As required by the Companies (Auditors report) order, 2003 issued by the company law board, and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of our audit, we report that:-

- The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. During the year the fixed assets have been physically verified by the management and there were no discrepancies.
- No substantial part of the the Fixed Assets have been disposed during the year.
- The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- The company has not taken any loans secured or unsecured (except from Directors) from companies, firm or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- The company has not granted any loans, secured or unsecured to the companies, firms or other parties listed in the register maintained under section 301 of the Companies' Act, 1956.
- In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase fixed Assets, inventory and with regard to sale of goods During the course of audit we have not noticed any evidence of continuing failures to correct major weaknesses in internal control.
- According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act.1956 have been entered..
- In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contract or arrangements entered in the register maintained under section 301 of the Companies Act 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- The company has not accepted deposits from the public during the year to which the provisions of section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are applicable.

Subsidiary

- xii) In our opinion, the company's present Internal Audit system is commensurate with the size and nature of its business.
- xiii) The central government has not prescribed the maintenance of cost records by the companies under section 209(i)(d) of the Companies Act, 1956.
- xiv) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees state insurance, Income tax, sales tax, custom duty, excise duty, cess and other material statutory dues applicable to it..
- xv) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty, excise duty and cess were in arrears as at 31.03.2005 for a period of more than six months from the date they became payable.
- xvi) According to the information and explanations given to us, there are no dues of income tax wealth tax, sales tax, custom duty, excise duty and cess which have not been deposited on account of any dispute
- xvii) The Company is not having any accumulated losses nor the company has incurred any cash loss for this year or the preceding financial year.
- xviii) The company has not taken any loan from financial institutions and from banks and as such question of default in repayment does not arise. The Company has not issued any debentures at any point of time.
- xix) The company has not granted any loans/advances on the basis of security by way of shares, debenture etc. As such no records and documents have been maintained.
- xx) In our opinion, the company is not dealing or trading in shares, debentures and other investments and as such no records have been maintained. During the year company has not made any investments.

- xxi) We have been informed by the company that it has not given any guarantee for any loans taken by the others from banks and financial institutions.
- xxii) The company has not taken any term loans during this year and as such question of its application for the purpose for which it is taken does not arise.
- xxiii) According to the information and explanations given to us, and on an overall examination of the balance sheet of the company, we report that the company has not used any funds raised on short term basis for long term investment and long term funds for short term investment.
- xxiv) According to the information and explanations given to us, the company has not made any preferential allotment of shares is made by the company to parties and companies covered in the registers maintained under section 301 of the act.
- xxv) According to the information and explanations given to us, during the period covered by our report, the company has not issued any debentures and therefore no securities have been created.
- xxvi) The company has not raised any money by public issue and as such disclosure on the end use of money does not arise.
- xxvii) We have not noticed any fraud on or by the company during the year.
- xxviii) The company is not covered under special statutory provisions applicable to the chit fund, nidhi or mutual benefit societies.

PLACE : BANGALORE
DATED : 17th June , 2005

FOR V.M.PAL & CO
Chartered Accountants

A.V.PAL
Partner
Membership No. 37316

BALANCE SHEET AS AT 31.03.2005

Particulars	Sch.	Amount (Rs) 31/03/2005	Amount (Rs) 31/03/2004
SOURCES OF FUNDS:			
1) Shareholders Funds:			
(a) Share Capital	'A'	200,000	100,000
(b) Reserves & Surplus	'B'	6,609,893	-
2) Loan Funds :			
(a) Secured Loans		-	-
(b) Unsecured Loans	'C'	7,920	6,920
		6,817,813	106,920
APPLICATION OF FUNDS:			
FIXED ASSETS	'D'		
(a) Gross Block		6,993,996	-
(b) Less: Depreciation Block		793,031	-
(c) Net Block		6,200,966	-
Capital work in progress		-	-
INVESTMENTS		1,000	-
CURRENT ASSETS, LOANS AND ADVANCES:	'E'		
(a) Inventories		1,282,477	-
(b) Sundry Debtors		5,239,615	-
(c) Cash & Bank Balances		329,337	-
(d) Other Current Assets		5,217,335	-
(e) Loans and Advances		2,784,372	-
		14,853,136	
LESS: CURRENT LIABILITIES & PROVISIONS :	'F'		
(a) Liabilities		14,248,913	5,400
(b) Provisions		416,619	-
		14,665,532	5,400
Net Current Assets		187,604	94,600
Miscellaneous Expenditure to the extent not written off or adjusted		6,228	12,320
Deferred Tax Asset		422,016	-
Notes to Accounts	'I'	6,817,813	106,920

Schedules Referred to above form an integral part of this Balance Sheet.

Vide our report of even date
for Madhin Trading Pvt. Ltd.
For V. M. Pal & Co.
Chartered Accountants
Madanlal J Hinduja **Rajendra J Hinduja**
Director Director
A. V. Pal
Partner
Membership No. 37316

Place : Bangalore
Dated : 17th June 2005

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2005

Particulars	Sch.	As at 31/03/2005	As at 31/03/2004
INCOME:			
Contract Receipts		74,899,528	-
Other Income	G	462,956	-
		75,362,484	-
EXPENDITURE:			
Material, Manufacturing & Operating Expenses	H	6,792,576	-
Personnel Expenses	I	60,889,671	-
Administrative Expenses	J	6,663,003	-
Financial Expenses	K	17,696	-
Depreciation	D	793,031	-
		75,155,976	-
Net Profit for the Year		206,508	-
Prior period Adjustment		1,000	-
Profit Before Tax		207,508	
Provision for Taxation:			
- Current Tax		416,619	-
- Deferred Tax		(422,016)	-
Profit/(Loss) after Tax		212,905	-
Balance brought forward		-	-
Less: Appropriations		-	-
Balance Carried to Balance Sheet		212,905	-
NOTES TO ACCOUNT	L		

Schedules referred to above form integral part of this Profit & Loss Account.

Vide our report of even date
for Madhin Trading Pvt. Ltd.
For V. M. Pal & Co.
Chartered Accountants
Madanlal J Hinduja **Rajendra J Hinduja**
Director Director
A. V. Pal
Partner
Membership No. 37316

Place : Bangalore
Dated : 17th June 2005

Subsidiary

SCHEDULES TO BALANCE SHEET

Particulars	Amount (Rs) 31/03/2005	Amount (Rs) 31/03/2004
Schedule 'A': Share Capital:		
Authorised Share Capital: 20,000, (10,000) Equity Shares of Rs.10 each	200,000	100,000
Issued, Subscribed & Paidup Capital: 20,000(10,000) Equity Shares of Rs.10 each	200,000	100,000
	200,000	100,000
Schedule 'B': Reserves & Surplus		
Capital Reserve	10,988	-
Share Premium Account	6,386,000	-
Surplus In Profit & Loss Account	212,905	-
	6,609,893	-
Schedule 'C' Unsecured Loans		
From Directors	7,920	6,920
From Others:	-	-
	7,920	6,920
Schedule 'E': Current Assets, Loans & Advances:		
a. Inventories		
Consumables, Stores & Spares	1,282,477	-
	1,282,477	-
b. Sundry Debtors		
(unsecured, considered good except otherwise stated) Outstanding more than six months	-	-
Others	-	-
	-	-
c. Cash & Bank Balances		
Cash in hand	173,378	100,000
Balances with schedule banks		
- In Current Accounts	155,959	-
	329,337	100,000
d. OTHER CURRENT ASSETS		
Deposits	5,217,334	-
	5,217,334	-
e. LOANS AND ADVANCES		
(unsecured & considered good except otherwise stated)	-	-
Advances recoverable in cash and kind for the value to be received	2,784,372	-
	2,784,372	-
Current Assets, Loans & Advances	9,613,520	100,000
Schedule F:		
CURRENT LIABILITIES & PROVISIONS:		
CURRENT LIABILITIES	14,248,913	5,400
PROVISIONS	416,619	-
	14,665,532	5,400

SCHEDULES TO PROFIT AND LOSS ACCOUNT

Particulars	Amount (Rs) 31/03/2005	Amount (Rs) 31/03/2004
Schedule 'G': OTHER INCOME:		
Transfer of Past Performance	12,889	-
Others	450,067	-
	462,956	-
Expenditure		
Materials, Manufacturing & Operation Expenses H		
Consumables	181,140	-
Power & Fuel	4,074,424	-
Machinery repairs & Maintenance	215,201	-
Other Manufacturing Expenses	2,321,811	-
	6,792,576	-
Personnel Expenses I		
Salaries, Wages & Bonus	49,874,866	-
Contribution to P.F. & other Funds	10,542,419	-
Welfare Expenses	472,386	-
	60,889,671	-
Administration Expenses J		
Rent	4,158,657	-
Insurance	142,634	-
Rates & Taxes	142,876	-
Other Expenses	1,261,141	-
Repairs & Maintenance- Others	226,054	-
-Building	663,265	-
Miscellaneous Expenses	62,284	-
Preoperative Expenses	5,400	-
Preliminary Expenses written off	692	-
	6,663,003	-
Financial Expenses K		
Bank Charges	17,696	-
	17,696	-

SCHEDULE - D - FIXED ASSETS

Particulars	Gross Block			Depreciation			Net Block	
	As on 01.04.2004	Additions	Deletions	As at 31.03.2005	For the Year	Total 31.03.2005	As on 31.03.05	As on 31.03.04
Plant & Machinery	-	4,118,603	-	4,118,603	415,907	415,907	3,702,696	-
Furniture & Fixtures	-	2,870,366	-	2,870,366	375,749	375,749	2,494,617	-
Vehicles	-	1,243	-	1,243	242	242	1,001	-
Computer	-	3,784	-	3,784	1,133	1,133	2,651	-
Total	-	6,993,996	-	6,993,996	793,031	793,031	6,200,966	-

Subsidiary

Schedules annexed to and forming part of accounts for the year ended March 31, 2005

Schedule L

Notes to Account

1. Background

Madhin Trading Private Limited (herein after referred to as "the Company") was incorporated on 27th February 2003. The Company took over all the assets and liabilities of M/s Carnival Clothing Company as a going concern on 1st July 2004. The Company became a subsidiary of Gokaldas Exports Limited on 1st December 2004.

2. Significant accounting policies

a. Basis of preparation of financial statements and use of estimates

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

b. Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition/construction. Cost includes taxes, duties, freight and other incidental expenses related to acquisition/construction.

Depreciation on fixed assets is provided on written down value method at the rate and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

c. Inventories

Raw material, stores, spares and consumables are valued at cost. Finished goods are valued at lower of cost and net realisable value. Cost is ascertained on weighted average basis and in case of finished products includes appropriate production overheads. Duty liabilities, if any, in respect of uncleared finished goods are provided for and included in the carrying value of inventories.

d. Revenue recognition

Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer, which is generally on dispatch of goods from factory.

Contract receipts are recognized as revenue as per the Completed Service Contract Method, upon delivery of finished goods.

e. Export incentives

Export incentives principally comprise of duty drawback and premium on past performance entitlements. Duty drawback is recognized as revenue on accrual basis to the extent the realisation is certain. Premium on past performance entitlements are accounted on transfer of such entitlements.

f. Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rates prevailing on the dates of the transaction. Monetary foreign currency assets and liabilities are translated at forward cover rate or at the period end exchange rate, as applicable. Resultant gains or losses are recognised in the profit and loss account. Exchange differences arising on forward exchange contracts are recognized over the period of the contract.

g. Investments

Long term investments are valued at cost. Provision for diminution, if any, in the value of investments is made to recognise a decline, other than temporary. Current investments are valued at lower of cost and market value. Cost includes incidental charges incurred towards acquisition of such investments.

h. Retirement benefits

Company's contributions to defined contribution schemes such as provident fund and family pension funds are charged to the profit and loss account on accrual basis. Provision for leave encashment and gratuity, which is in the nature of defined benefit scheme, is based on actuarial valuation done as at the balance sheet date by independent actuaries.

i. Accounting for taxes on income

Provision for current tax is made based on the tax payable for the year under the Income-tax Act, 1961. Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets, other than on unabsorbed tax depreciation and unabsorbed tax losses, are recognised only to the extent that there is a reasonable certainty of their realisation. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognised only to the extent that there is virtual certainty of their realization supported by convincing evidence.

j. Preliminary expenses

Preliminary expenses are amortized over a period of ten years.

3. Contingent liabilities

Amount in Rupees

Particulars	As at	As at
	March 31, 2005	March 31, 2004
Disputed income tax demand pending in appeal	Nil	Nil
Relating to Labour dispute	21,504	Nil
Guarantees given by banks	Nil	Nil
Outstanding letter of credit	Nil	Nil
Bills discounted with banks	Nil	Nil
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	Nil	Nil

4. During the year, the Company has not imported any capital goods.

5. No remuneration was paid to the Directors or their relatives during the year.

6. In the opinion of the Board, current assets, loans and advances have a value of at least equal to the amounts shown in the balance sheet, if realized in the ordinary course of the business. The provision for all the known liabilities including depreciation is adequate and not in excess of the amount reasonably necessary.

7. There were no dues to SSI units which are identified based on the information available with the management where dues are outstanding for a sum exceeding Rs 1,00,000.00 and outstanding for more than 30 days as at March 31, 2005:

Subsidiary

8. Segment information

a. Primary business segment

The Company is exclusively engaged in the business segment of job work of garments.

b. Geographical distribution of revenue:

Amount in Rupees

Particulars	Revenue by geographical market	Carrying amount of segment assets	Additions to tangible and intangible fixed assets
European Union and Western Europe			
USA, Canada and North America			
India	7,48,99,528 (Nil)	2,10,55,102 (Nil)	69,93,996 (Nil)
Others			
Total	7,48,99,528	2,10,55,102	69,93,996

Previous year figures are given in brackets

9. Related party disclosure

a. The following are the names of related parties and description of relationship:

Relationship	Name of the Party
Holding Company	Gokaldas Exports Limited
Other related parties with whom the Company had transactions	
Enterprises where significant influence exists	
NIL	NIL
Key management personnel	
Directors	1) Mr Madanlal J Hinduja 2) Mr Rajendra J Hinduja 3) Mr Dinesh J Hinduja
Relatives of key management personnel	
NIL	NIL
Enterprises over which key management personnel and their relatives exercise significant influence	
Fellow Subsidiaries	1) All Colour Garments Pvt. Ltd. 2) DeeJay Trading Pvt. Ltd. 3) Rafter Trading Pvt. Ltd. 4) Seven Hills Clothing Pvt. Ltd. 5) Glamourwear Apparels Pvt. Ltd. 6) Reflexion Trading Pvt. Ltd. 7) SNS Clothing Pvt. Ltd. 8) Rajdin Apparels Pvt. Ltd. 9) Rishikesh Apparels Pvt. Ltd. 10) Magenta Trading Pvt. Ltd. 11) Vignesh Apparels Pvt. Ltd.
OTHER PROMOTER GROUP COMPANIES	1) Dazzle Trading Pvt. Ltd. 2) Dice Trading Pvt. Ltd. 3) Hinduja Exports Pvt. Ltd. 4) J.V.N. Exports Pvt. Ltd. 5) Maze Trading Pvt. Ltd. 6) Parichay Investments Limited 7) Polyproducts Pvt. Ltd. 8) Rapple Trading Pvt. Ltd. 9) VAG Exports Pvt. Ltd.

b. The following are the volume of transactions with related parties during the year and outstanding balances as at the year end disclosed in aggregate by type of related party:

Amount in Rupees

Transactions	Holding Company	Fellow Subsidiaries	Key Management Personnel	Other Promoter Group Companies	Enterprises over which key management personnel and their relatives exercise significant influence	Total
Job work charges	7,48,99,528					7,48,99,528
Polywadding purchases	(0)					
Rent received						
Rent paid						
Sale of garments						
Hire purchase paid						
Funds Transferred						
Equity contribution (including securities premium)	65,85,990 (0)					65,85,990
Salary Advance						
Balance outstanding as on March 31						
— Credit balances						
— Debit balances	41,85,760 (0)					41,85,760

Previous year figures are given in brackets

Subsidiary

10. Earnings per share

Amount in Rupees

Particulars	2004 - 2005	2003-2004
Net profit for the year as per profit and loss accounts considered as numerator for calculating earnings per share	2,12,905	0
Weighted average number of equity shares	13,333	0
Nominal value per share	10	10
Earnings per share – Basic and diluted	15.97	0

11. Deferred taxes

The deferred tax assets/(liabilities) arising out of timing differences comprise of the following major components:

Amount in Rupees

Particulars	As at March 31, 2004	Current year (charge)/credit	As at March 31, 2005
Difference between book and tax base of fixed assets	-	(1,91,599)	(1,91,599)
Retirement benefits allowed on payment basis accrued in books	-	6,13,615	6,13,615
Total		4,22,016	4,22,016

12. The aggregate amount of research and development expenditure recognized as an expense during the year was Rs. Nil (Previous year Rs. Nil).

13. Remuneration to directors

Amount in Rupees

Particulars	2004 – 2005	2003-2004
Salaries	Nil	Nil
Total		

14. Auditors remuneration includes:

Amount in Rupees

Particulars	2004 – 2005	2003-2004
Audit fees (inclusive of service tax)	33,060.00	5,400.00
Taxation matters	Nil	Nil
Out of pocket expenses	Nil	Nil
Total	33,060.00	5,400.00

15. Licensed and installed capacities and production

Particulars	Unit	2004-2005	2003-2004
<i>Licensed capacity</i>			
Readymade garments	Pcs	Not Applicable	Not Applicable
<i>Installed capacity*</i>			
Readymade garments	Pcs		
<i>Production</i>			
Readymade garments	Pcs		

* The installed capacity is as certified by the management and accepted by the auditors, as it is a technical matter.

16. The Company is engaged exclusively in Job Work and hence quantitative particulars cannot be given.

17. CIF value of imports :

Current Year : Nil Previous Year : Nil

18. Expenditure in foreign currency :

Current Year : Nil Previous Year : Nil

19. Value and percentage of imported and indigenous raw materials, spare parts and components consumed

Amount in Rupees

Particulars	2004-2005 Amount	%
<i>Raw Materials</i> : Imported	NOT APPLICABLE	
Indigenous		
Total		
<i>Tools, spare parts and components</i> : Imported	NOT APPLICABLE	
Indigenous		
Total		

20. Earnings in foreign currency:

Current Year : Nil Previous Year : Nil

21. The previous year's figures have been regrouped / rearranged / reclassified, wherever necessary to conform to the current year's presentation.

Signatures to schedules A to L

For and on behalf of the Board

Madanlal J Hinduja
Director

Rajendra J Hinduja
Director

Bangalore: June 17, 2005

For V.M. PAL & Co.
Chartered Accountants

A. V. PAL
Partner
Membership No. 37316

Subsidiary

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31.03.2005

	Amount Rs.
A Cash flow from Operating Activities	
Profits before Tax & Extraordinary Items	206,508
Adjustments for:	
a) Depreciation	793,031
b) Interest Income	-
c) Dividend Income	-
d) Preliminary Expenses & Preoperative Exps written off	6,092
e) Interest Expense	-
f) Prior Period Income	1,000
Operating Profit before Working Capital Changes	1,006,631
(Increase) / Decrease in Sundry Debtors	(5,239,615)
(Increase) / Decrease in Inventories	(1,282,477)
(Increase) / Decrease in Loan & Advances	(2,474,452)
(Increase) / Decrease in Other Current Assets	(5,527,254)
(Decrease) / Increase in Current Liabilities & Provisions	13,947,203
Cash Generated From Operations	430,036
B CASH FLOW FROM INVESTING ACTIVITIES	
(Purchase) / Sale of Fixed Assets	(6,993,996)
(Purchase) / Sale of Investments	(1,000)
Interest Income	-
Net Cash Flow from Investing Activities	(6,564,960)
C CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from Issue of shares	100,000
Share Premium Received	6,386,000
Capital Reserve on Business Purchase	10,988
Proceeds from Long Term Borrowings (Net)	296,309
Proceeds from Short Term Unsecured Borrowings (Net)	1,000
Preliminary & Preoperative Expenses Interest Paid	
	6,794,297
D Net Increase / (Decrease) in Cash & Cash Equivalents	229,337
E Opening Balance of Cash & Cash Equivalents	100,000
F Closing Balance of Cash & Cash Equivalents	329,337

for Madhin Trading Pvt. Ltd.

Madanlal J Hinduja
Director

Rajendra J Hinduja
Director

For V. M. Pal & Co.
Chartered Accountants
A. V. Pal
Partner
Membership No. 37316

Place : Bangalore
Dated : 17th June 2005

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration details

REGISTRATION NO 31643

BALANCE SHEET DATE 31.03.2005

STATE CODE 08

II Capital raised during the year (Amount in Rs. Thousands)

PUBLIC ISSUE

RIGHTS ISSUE

Nil

Nil

BONUS ISSUE

PRIVATE PLACEMENT

Nil

100

III. Position of mobilisation and deployment of funds (amount in Rs. Thousands)

TOTAL LIABILITIES

TOTAL ASSETS

6818

6818

Sources of funds

PAID UP CAPITAL

RESERVES & SURPLUS

200

6610

SECURED LOANS

UNSECURED LOANS

Nil

8

Deferred Tax Liability (Net)

Nil

Application of funds

NET FIXED ASSETS
including capital work in progress

INVESTMENTS

6201

1

NET CURRENT ASSETS

MISC EXPENDITURE

188

6

ACCUMULATED LOSSES

DEFERRED TAX ASSET

Nil

422

IV. Performance of Company (Amount in Rs. Thousands)

TURNOVER (TOTAL INCOME)

TOTAL EXPENDITURE

75363

75156

+ - PROFIT/(LOSS) BEFORE TAX + - PROFIT AFTER TAX

207

213

(Please tick appropriate box + for profit, - for loss)

EARNING PER SHARE
(on profit after taxes)

DIVIDEND RATE %

15.97

Nil

V. Generic Names of three principal products/services of Company (as per monetary terms)

ITEM CODE NO (ITC CODE)

PRODUCT DESCRIPTION

NOT APPLICABLE

NOT APPLICABLE

For and on behalf of the board

Madanlal J Hinduja
Director

Rajendra J Hinduja
Director

Bangalore: June 17, 2005

MAGENTA TRADING PRIVATE LIMITED

Board of Directors

Shri Madanlal J Hinduja Chairman
Shri Dinesh J Hinduja Director
Shri Rajendra J Hinduja Director

Registered Office:

70, Mission Road
Bangalore-560027.

Auditors

M/s V M Pal & Co.
Chartered Accountants
"Vasundhara", 127, 2nd Floor
10th Cross, Margosa Road, Malleswaram
Bangalore - 560003.

Bankers

Canara Bank
"Avenue Plaza"
Avenue Road Branch
Bangalore - 560002

DIRECTORS REPORT

Your Directors take great pleasure in presenting the Second Annual Report of your Company together with the audited accounts for the period ended 31st March, 2005.

1. Financial Results:

The company primarily derives its income from the holding company, viz., Gokaldas Exports Limited by way of Job Work charges and the financial results for the year ended 31st March 2005 are furnished below:

	Rs.
Total Income	10,10,57,046
Less : Expenditure	<u>10,08,47,409</u>
Profit before tax	2,09,637
Provision for Taxation :	
Current Tax	1,82,922
Deferred Tax	<u>(1,08,103)</u>
Profit for the year	<u>1,34,817</u>

2. Auditors:

M/s. V.M. Pal & Co, Chartered Accountants, will retire at the ensuing Annual General Meeting. However, being eligible, they offer themselves for re-appointment.

3. Directors:

During the period under review, Shri Rajendra J Hinduja and Shri Dinesh J Hinduja were appointed as additional directors and seek your approval for their appointment as directors in the ensuing Annual General Meeting.

4. Conservation of energy, foreign exchange earnings and outgo:

Not Applicable

5. Particulars of Employees:

Nil

6. Directors Responsibility statement:

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Board of directors report that :

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- accounting policies have been selected and applied consistently and the judgments and estimates made 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.
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the annual accounts have been prepared on a "going concern" basis.

7. ACKNOWLEDGEMENTS:

Your Directors express their thanks to Gokaldas Exports Ltd, the holding company, its bankers and employees for their support and look forward to their continued co-operation in the ensuing year.

For and on behalf of the Board of Directors

Bangalore
June 17, 2005

MADANLAL J HINDUJA
CHAIRMAN

AUDITORS' REPORT

TO THE MEMBERS OF MAGENTA TRADING PRIVATE LIMITED

We have audited the attached Balance Sheet of **MAGENTA TRADING PRIVATE LIMITED** as on 31st March 2005 & Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further, we report that,

1. We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit.

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 the books. The said Balance Sheet and Profit and Loss account and the Cash Flow Statement dealt by this report are in agreement with books of account.

In our opinion, the Balance Sheet and the profit and Loss Account and Cash Flow Statement dealt with by this report complies with the mandatory Accounting Standards referred in Section 211 (3C) of the Companies Act, 1956, and

On the basis of written representations received from the directors as at 31st March 2005 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2005 from being appointed as a director in terms of clause(g) of sub-section(1) of section 274 of the Companies Act, 1956, as on that date.

In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, together with and subject to notes annexed thereto, give the information required, and give a true and fair view:

- a In the case of Balance Sheet of the state of affairs of the company as at 31st March, 2005,
- b In the case of Profit and Loss account, of the profit of the company for the year ended on that date, and
- c in the case of Cash Flow Statement, of the cash flows of the company for the year ended on that date.

As required by the Companies (Auditors report) order, 2003 issued by the company law board, and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of our audit, we report that:-

- i) The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. During the year the fixed assets have been physically verified by the management and there were no discrepancies.
- ii) No substantial part of the the Fixed Assets have been disposed during the year.
- iii) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- iv) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- v) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- vi) The company has not taken any loans secured or unsecured (except from Directors) from companies, firm or other parties listed in the register maintained under section 301 of the Companies Act 1956.
- vii) The company has not granted any loans, secured or unsecured to the companies, firms or other parties listed in the register maintained under section 301 of the Companies' Act 1956.
- viii) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase fixed Assets, inventory and with regard to sale of goods During the course of audit we have not noticed any evidence of continuing failures to correct major weaknesses in internal control.
- ix) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act. 1956 have been entered..
- x) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contract or arrangements entered in the register maintained under section 301 of the Companies Act 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- xi) The company has not accepted deposits from the public during the year to which the provisions of section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are applicable.

Subsidiary

- xii) In our opinion, the company's present Internal Audit system is commensurate with the size and nature of its business.
- xiii) The central government has not prescribed the maintenance of cost records by the companies under section 209(i)(d) of the Companies Act, 1956.
- xiv) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees state insurance, Income tax, sales tax, custom duty, excise duty, cess and other material statutory dues applicable to it..
- xv) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty, excise duty and cess were in arrears as at 31.03.2005 for a period of more than six months from the date they became payable.
- xvi) According to the information and explanations given to us, there are no dues of income tax wealth tax, sales tax, custom duty, excise duty and cess which have not been deposited on account of any dispute
- xvii) The Company is not having any accumulated losses nor the company has incurred any cash loss for this year or the preceding financial year.
- xviii) The company has not taken any loan from financial institutions and from banks and as such question of default in repayment does not arise. The Company has not issued any debentures at any point of time.
- xix) The company has not granted any loans/advances on the basis of security by way of shares, debenture etc. As such no records and documents have been maintained.
- xx) In our opinion, the company is not dealing or trading in shares, debentures and other investments and as such no records have been maintained. During the year company has not made any investments.
- xxi) We have been informed by the company that it has not given any guarantee for any loans taken by the others from banks and financial institutions.
- xxii) The company has not taken any term loans during this year and as such question of its application for the purpose for which it is taken does not arise.
- xxiii) According to the information and explanations given to us, and on an overall examination of the balance sheet of the company, we report that the company has not used any funds raised on short term basis for long term investment and long term funds for short term investment.
- xxiv) According to the information and explanations given to us, the company has not made any preferential allotment of shares is made by the company to parties and companies covered in the registers maintained under section 301 of the act.
- xxv) According to the information and explanations given to us, during the period covered by our report, the company has not issued any debentures and therefore no securities have been created.
- xxvi) The company has not raised any money by public issue and as such disclosure on the end use of money does not arise.
- xxvii) We have not noticed any fraud on or by the company during the year.
- xxviii) The company is not covered under special statutory provisions applicable to the chit fund, nidhi or mutual benefit societies.

PLACE : BANGALORE
DATED : 17th June , 2005

FOR V.M.PAL & CO
Chartered Accountants
A.V.PAL
Partner
Membership No. 37316

BALANCE SHEET AS AT 31.03.2005

Particulars	Sch.	Amount (Rs) 31/03/2005	Amount (Rs) 31/03/2004
SOURCES OF FUNDS:			
1) Shareholders Funds:			
(a) Share Capital	A	200,000	100,000
(b) Reserves & Surplus	B	6,876,718	-
2) Loan Funds :			
(a) Secured Loans		-	-
(b) Unsecured Loans	C	7,920	6,920
		7,084,638	106,920
APPLICATION OF FUNDS:			
FIXED ASSETS	D		
(a) Gross Block		13,014,027	-
(b) Less: Depreciation Block		1,318,251	-
(c) Net Block		11,695,777	-
(d) Capital Work in Progress		-	-
INVESTMENTS	E	2,500	-
CURRENT ASSETS, LOANS AND ADVANCES:	F		
(a) Inventories		1,251,719	-
(b) Sundry Debtors		-	-
(c) Cash & Bank Balances		5,252,981	100,000
(d) Other Current Assets		5,119,078	-
(e) Loans and Advances		3,857,328	-
		15,481,106	100,000
LESS: CURRENT LIABILITIES & PROVISIONS :	G		
(a) Liabilities		20,026,154	5,400
(b) Provisions		182,922	-
		20,209,076	5,400
Net Current Assets		(4,727,970)	94,600
Deferred Tax Asset		108,103	-
Miscellaneous Expenditure to the extent		6,228	12,320
Not written off or adjusted			
Notes to Accounts	M		
		7,084,638	106,920

Schedules Referred to above form an integral part of this Balance Sheet.

Vide our report of even date
for Magenta Trading Pvt. Ltd.
For V.M. Pal & Co.
Chartered Accountants
Madanlal J Hinduja **Rajendra J Hinduja**
Director Director
A.V. Pal
Partner
Membership No.37316

Place : Bangalore
Dated :17th June 2005

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2005

Particulars	Sch.	As at 31/03/2005	As at 31/03/2004
INCOME:	H	101,055,823	-
		101,055,823	-
EXPENDITURE:			
Material, Manufacturing & Operating Expenses	I	9,618,686	-
Personnel Expenditure	J	83,495,023	-
Administrative Expenditure	K	6,396,183	-
Financial Expenditure	L	19,266	-
Depreciation	D	1,318,251	-
		100,847,409	-
Net Profit for the Year		208,414	-
Prior Period Adjustment		1,223	-
Profit before Tax		209,637	-
Less: Provision for Tax		182,922	-
Provision for Deferred Tax(Net)		(108,103)	-
Net Profit/(Net Loss) transferred to Balance Sheet		134,817	-
Notes to Accounts	M		

Schedules referred to above form integral part of this Profit & Loss Account.

Vide our report of even date
for Magenta Trading Pvt. Ltd.
For V.M. Pal & Co.
Chartered Accountants
Madanlal J Hinduja **Rajendra J Hinduja**
Director Director
A.V. Pal
Partner
Membership No.37316

Place : Bangalore
Dated :17th June 2005

Subsidiary

SCHEDULES TO BALANCE SHEET

Particulars	Amount (Rs) 31/03/2005	Amount (Rs) 31/03/2004
SCHEDULE - A : SHARE CAPITAL		
Authorised Share Capital:		
20,000 (10,000) Equity Shares of Rs.10/- each	200,000	100,000
1) Issued, Subscribed, Called up and Paid Up:		
20,000 (10,000) Equity Shares of Rs.10/- each	200,000	100,000
SCHEDULE - B RESERVES & SURPLUS		
Reserves & Surplus		
Capital reserve	33,900	-
Share Premium Account	6,708,000	-
Surplus in Profit & Loss Account	134,817	-
	6,876,717	-
SCHEDULE - C : UNSECURED LOANS		
1) Unsecured Loans		
From Directors	7,920	6,920
	7,920	6,920
SCHEDULE E: INVESTMENTS		
Long Term Investments-		
Unquoted		
Others	2,500	-
	2,500	-
SCHEDULE F: CURRENT ASSETS, LOANS AND ADVANCES		
(a) Inventories		
Consumables, Stores & Spares	1,251,719	-
	1,251,719	-
(b) Sundry Debtors		
(Unsecured, Considered good except otherwise stated)		
Outstanding for more than six months		
others	-	-
(c) CASH AND BANK BALANCES		
Cash In Hand	173,377	100,000
Bank Balance		
I. Balance with schedule banks		
-In Current Accounts	2,579,604	-
-In Deposit Accounts	2,500,000	-
	5,252,981	100,000
(d) OTHER CURRENT ASSETS		
Other Current Assets		
Deposits	5,119,078	-
(e) Loans And Advances		
Unsecured and considered good except otherwise stated)	-	-
Advances recoverable in cash or kind for the value to be received	3,857,328	-
	15,481,106	-
SCHEDULE G: CURRENT LIABILITIES & PROVISIONS:		
Current Liabilities	20,026,154	5,400
Provisions	182,922	-
	20,209,076	5,400

SCHEDULES TO PROFIT AND LOSS ACCOUNT

Particulars	Amount (Rs) 31/03/2005	Amount (Rs) 31/03/2004
SCHEDULE H- INCOME		
Contract Receipts	101,008,240	-
Other Income	47,583	-
	101,055,823	-
SCHEDULE I- MATERIAL, MANUFACTURING & OPERATION EXPENSES		
Consumables	133,418	-
Power & Fuel	4,404,335	-
Repairs & Maintenance- Machinery	832,258	-
- Building	681,055	-
Other Manufacturing Expenses	3,567,619	-
	9,618,686	-
SCHEDULE J - PERSONNEL EXPENSES		
Salaries, Wages, & Bonus	71,443,774	-
Contribution to PF & Other Funds	11,655,277	-
Welfare Expenses	395,972	-
	83,495,023	-
SCHEDULE K - ADMINISTRATION EXPENSES		
Rent	4,469,985	-
Insurance	266,380	-
Rates & taxes	163,887	-
Repairs & Maintenance- Others	225,118	-
Other Expenses	1,264,721	-
Preliminary Expenses w/off	6,092	-
	6,396,183	-
SCHEDULE L - FINANCIAL EXPENDITURE		
Bank Charges	19,266	-

SCHEDULE - D - FIXED ASSETS

Particulars	Gross Block			Depreciation			Net Block	
	As on 01.04.2004	Additions	Deletions	As on 31.03.2005	For the Year	Total as on 31.03.2005	As on 31.03.05	As on 31.03.04
Building	-	2,102,038	-	2,102,038	142,142	142,142	1,959,896	-
Plant & Machinery	-	7,446,274	-	7,446,274	759,678	759,678	6,686,596	-
Furniture & Fixtures	-	3,358,210	-	3,358,210	395,538	395,538	2,962,672	-
Vehicles	-	107,506	-	107,506	20,894	20,894	86,612	-
Total	-	13,014,028	-	13,014,028	1,318,251	1,318,251	11,695,777	-

Subsidiary

Schedules annexed to and forming part of accounts for the year ended March 31, 2005

Schedule M

Notes to Account

1. Background

Magenta Trading Private Limited (herein after referred to as "the Company") was incorporated on 27th February 2003. The Company took over all the assets and liabilities of M/s International Clothing Company as a going concern on 1st July 2004. The Company became a subsidiary of Gokaldas Exports Limited (formerly known as Gokaldas India Private Limited) on 1st December 2004.

2. Significant accounting policies

a. Basis of preparation of financial statements and use of estimates

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

b. Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition/construction. Cost includes taxes, duties, freight and other incidental expenses related to acquisition/construction.

Depreciation on fixed assets is provided on written down value method at the rate and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

c. Inventories

Raw material, stores, spares and consumables are valued at cost. Finished goods are valued at lower of cost or net realisable value. Cost is ascertained on weighted average basis and in the case of finished products includes appropriate production overheads. Duty liabilities, if any, in respect of uncleared finished goods are provided for and included in the carrying value of inventories.

d. Revenue recognition

Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer, which is generally on dispatch of goods from factory.

Contract receipts are recognized as revenue as per the Completed Service Contract Method, upon delivery of finished goods.

e. Export incentives

Export incentives principally comprise of duty drawback and premium on past performance entitlements. Duty drawback is recognized as revenue on accrual basis to the extent the realisation is certain. Premium on past performance entitlements are accounted on transfer of such entitlements.

f. Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rates prevailing on the dates of the transaction. Monetary foreign currency assets and liabilities are translated at forward cover rate or at the period end exchange rate, as applicable. Resultant gains or losses are recognised in the profit and loss account. Exchange differences arising on forward exchange contracts are recognized over the period of the contract.

g. Investments

Long term investments are valued at cost. Provision for diminution, if any, in the value of investments is made to recognise a decline, other than temporary. Current investments are valued at lower of cost and market value. Cost includes incidental charges incurred towards acquisition of such investments.

h. Retirement benefits

Company's contributions to defined contribution schemes such as provident fund and family pension funds are charged to the profit and loss account on accrual basis. Provision for leave encashment and gratuity, which is in the nature of defined benefit scheme, is based on actuarial valuation done as at the balance sheet date by independent actuaries.

i. Accounting for taxes on income

Provision for current tax is based on the tax payable for the year under the Income-tax Act, 1961. Deferred tax on timing differences between taxable income and accounted income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets, other than on unabsorbed tax depreciation and unabsorbed tax losses, are recognised only to the extent that there is a reasonable certainty of their realisation. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognised only to the extent that there is virtual certainty of their realization supported by convincing evidence.

j. Preliminary expenses

Preliminary expenses are amortized over a period of ten years.

3. Contingent liabilities

Particulars	Amount in Rupees	
	As at March 31, 2005	As at March 31, 2004
Disputed income tax demand pending in appeal	Nil	Nil
Relating to Labour dispute	Nil	Nil
Guarantees given by banks	Nil	Nil
Outstanding letter of credit	Nil	Nil
Bills discounted with banks	Nil	Nil
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	12,00,000	Nil

4. During the year, the Company has not imported any capital goods.

5. No remuneration was paid to the Directors or their relatives during the year.

6. In the opinion of the Board, current assets, loans and advances have a value of at least equal to the amounts shown in the balance sheet, if realized in the ordinary course of the business. The provision for all the known liabilities including depreciation is adequate and not in excess of the amount reasonably necessary.

7. There were no dues to SSI units which are identified based on the information available with the management where dues are outstanding for a sum exceeding Rs 1,00,000.00 and outstanding for more than 30 days as at March 31, 2005:

Subsidiary

8. Segment information

a. Primary business segment

The Company is exclusively engaged in the business segment of job work of garments.

b. Geographical distribution of revenue:

Amount in Rupees

Particulars	Revenue by geographical market	Carrying amount of segment assets	Additions to tangible and intangible fixed assets
European Union and Western Europe			
USA, Canada and North America			
India	10,10,55,823	2,71,79,398	1,30,14,027
	Nil	Nil	Nil
Others			
Total	10,10,55,823	2,71,79,398	1,30,14,027

9. Related party disclosure

a. The following are the names of related parties and description of relationship:

Relationship	Name of the Party
Holding Company	Gokaldas Exports Limited
Other related parties with whom the Company had transactions	
Enterprises where significant influence exists	
NIL	NIL
Key management personnel	
Directors	1) Mr Madanlal J Hinduja 2) Mr Rajendra J Hinduja 3) Mr Dinesh J Hinduja
Relatives of key management personnel	
NIL	NIL
Enterprises over which key management personnel and their relatives exercise significant influence	
Fellow Subsidiaries	1) All Colour Garments Pvt. Ltd. 2) DeeJay Trading Pvt. Ltd. 3) Madhin Trading Pvt. Ltd. 4) Rafter Trading Pvt. Ltd. 5) Seven Hills Clothing Pvt. Ltd. 6) Glamourwear Apparels Pvt. Ltd. 7) Reflexion Trading Pvt. Ltd. 8) SNS Clothing Pvt. Ltd. 9) Rajdin Apparels Pvt. Ltd. 10) Rishikesh Apparels Pvt. Ltd. 11) Vignesh Apparels Pvt. Ltd.
OTHER PROMOTER GROUP COMPANIES	1) Dazzle Trading Pvt. Ltd. 2) Dice Trading Pvt. Ltd. 3) Hinduja Exports Pvt. Ltd. 4) J.V.N. Exports Pvt. Ltd. 5) Maze Trading Pvt. Ltd. 6) Parichay Investments Limited 7) Polyproducts Pvt. Ltd. 8) Rapple Trading Pvt. Ltd. 9) VAG Exports Pvt. Ltd.

b. The following are the volume of transactions with related parties during the year and outstanding balances as at the year end disclosed in aggregate by type of related party:

Amount in Rupees

Transactions	Holding Company	Fellow Subsidiaries	Key Management Personnel	Other Promoter Group Companies	Enterprises over which key management personnel and their relatives exercise significant influence	Total
Job work charges	10,10,55,823					10,10,55,823
Polywadding purchases						
Rent received						
Rent paid						
Sale of garments						
Hire purchase paid						
Equity contribution (including securities premium)	69,07,990					69,07,990
Balance outstanding as on March 31						
— Credit balances	33,97,128					33,97,128
— Debit balances						

Subsidiary

10. Earnings per share	<i>Amount in Rupees</i>	
Particulars	2004 - 2005	2003-2004
Net profit for the year as per profit and loss accounts considered as numerator for calculating earnings per share	1,34,817	0
Weighted average number of equity shares	13,333	10,000
Nominal value per share	10	10
Earnings per share – Basic and diluted	10.11	0

11. Deferred taxes			
The deferred tax assets/(liabilities) arising out of timing differences comprise of the following major components:			
	<i>Amount in Rupees</i>		
Particulars	As at March 31, 2004	Current year (charge)/credit	As at March 31, 2005
Difference between book and tax base of fixed assets	-	(4,15,568)	(4,15,568)
Retirement benefits allowed on payment basis accrued in books	-	5,23,671	5,23,671
Total		1,08,103	1,08,103

12. The aggregate amount of research and development expenditure recognized as an expense during the year was Rs. Nil (Previous year Rs. Nil).

13. Remuneration to directors	<i>Amount in Rupees</i>	
Particulars	2004 – 2005	2003-2004
Salaries	Nil	Nil
Total		

14. Auditors remuneration includes:	<i>Amount in Rupees</i>	
Particulars	2004 – 2005	2003-2004
Audit fees (inclusive of service tax)	33,060.00	5,400.00
Taxation matters	Nil	Nil
Out of pocket expenses	Nil	Nil
Total	27,500.00	5,400.00

15. Licensed and installed capacities and production			
Particulars	Unit	2004-2005	2003-2004
<i>Licensed capacity</i>			
Readymade garments	Pcs	Not Applicable	Not Applicable
<i>Installed capacity*</i>			
Readymade garments	Pcs		
<i>Production</i>			
Readymade garments	Pcs		

* The installed capacity is as certified by the management and accepted by the auditors, as it is a technical matter.

16. The Company is engaged exclusively in Job Work and hence quantitative particulars cannot be given.

17. **CIF value of imports :**
Current Year : Nil Previous Year : Nil

18. **Expenditure in foreign currency :**
Current Year : Nil Previous Year : Nil

19. Value and percentage of imported and indigenous raw materials, spare parts and components consumed	<i>Amount in Rupees</i>	
Particulars	2004-2005	
	Amount	%
<i>Raw Materials : Imported</i>	NIL	
<i>Indigenous</i>		
Total		
<i>Tools, spare parts and components: Imported</i>	NIL	
<i>Indigenous</i>		
Total		

20. **Earnings in foreign currency:**
Current Year : Nil Previous Year : Nil

21. The previous year's figures have been regrouped / rearranged / reclassified, wherever necessary to conform to the current year's presentation.

Signature to Schedules A to M

For and on behalf of the Board

Madanlal J Hinduja
 Director

Rajendra J Hinduja
 Director

Bangalore: June 17, 2005

For V.M. PAL & Co.
 Chartered Accountants
A. V. PAL
 Partner
 Membership No. 37316

Subsidiary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2005

	Amount Rs.
A Cash flow from Operating Activities	
Profits before Tax & Extraordinary Items	208,414
Adjustments for:	
a) Depreciation	1,318,251
b) Interest Income	-
c) Dividend Income	-
d) Preliminary Expenses & Preoperative Exps written off	6,092
e) Interest Expense	-
f) Prior Period Income	1,223
Operating Profit before Working Capital Changes	1,325,566
(Increase) / Decrease in Sundry Debtors	-
(Increase) / Decrease in Inventories	(1,251,719)
(Increase) / Decrease in Loan & Advances	(934,312)
(Increase) / Decrease in Other Current Assets	(8,042,094)
(Decrease) / Increase in Current Liabilities & Provisions	19,341,542
Cash Generated From Operations	9,113,417
B CASH FLOW FROM INVESTING ACTIVITIES	
(Purchase) / Sale of Fixed Assets	(13,014,027)
(Purchase) / Sale of Investments	(2,500)
Interest Income	-
Net Cash Flow from Investing Activities	(13,016,527)
C CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from Issue of shares	100,000
Share Premium Received	6,708,000
Capital Reserve on Business Purchase	33,900
Proceeds from Long Term Borrowings (Net)	679,212
Proceeds from Short Term Unsecured Borrowings (Net)	1,000
Preliminary & Preoperative Expenses Interest Paid	
	7,522,112
D Net Increase / (Decrease) in Cash & Cash Equivalents	5,152,982
E Opening Balance of Cash & Cash Equivalents	100,000
F Closing Balance of Cash & Cash Equivalents	5,252,982

forMagenta Trading Pvt. Ltd.

For V.M. Pal & Co.
Chartered Accountants

Madanlal J Hinduja Director
Rajendra J Hinduja Director

A.V. Pal Partner
Membership No.37316

Place : Bangalore
Dated :17th June 2005

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration details

REGISTRATION NO 31645
BALANCE SHEET DATE 31.03.2005
STATE CODE 08

II Capital raised during the year (Amount in Rs. Thousands)

PUBLIC ISSUE RIGHTS ISSUE
NIL NIL
BONUS ISSUE PRIVATE PLACEMENT
NIL 100

III. Position of mobilisation and deployment of funds (amount in Rs. Thousands)

TOTAL LIABILITIES TOTAL ASSETS
7085 7085

Sources of funds

PAID UP CAPITAL RESERVES & SURPLUS
200 6877
SECURED LOANS UNSECURED LOANS
NIL 8

Deferred Tax Liability (Net)

NIL

Application of funds

NET FIXED ASSETS INVESTMENTS
including capital work in progress 11696 3
NET CURRENT ASSETS MISC EXPENDITURE
-4728 6
ACCUMULATED LOSSES DEFERRED TAX ASSET
NIL 108

IV. Performance of Company (Amount in Rs. Thousands)

TURNOVER (TOTAL INCOME) TOTAL EXPENDITURE
101057 100847
+ - PROFIT/(LOSS) BEFORE TAX + - PROFIT AFTER TAX
✓ 210 ✓ 135

(PLease tick appropriate box + for profit, - for loss)

EARNING PER SHARE DIVIDEND RATE %
(on profit after taxes)
10.11 NIL

V. Generic Names of three principal products/services of Company (as per monetary terms)

ITEM CODE NO (ITC CODE) PRODUCT DESCRIPTION
NOT APPLICABLE

For and on behalf of the board

Madanlal J Hinduja
Director

Rajendra J Hinduja
Director

Bangalore: June 17, 2005

RAFTER TRADING PRIVATE LIMITED,

Board of Directors

Shri Madanlal J Hinduja Chairman
Shri Dinesh J Hinduja Director
Shri Rajendra J Hinduja Director

Registered Office:

70, Mission Road
Bangalore-560027.

Auditors

M/s Satish & Ravi Associates
Chartered Accountants
G-10, Naveen Apts., 13th Main
Bangalore - 560052

Bankers

Canara Bank
"Avenue Plaza"
Avenue Road Branch
Bangalore - 560002

DIRECTORS REPORT

Your Directors take great pleasure in presenting the Second Annual Report of your Company together with the audited accounts for the period ended 31st March 2005.

1. Financial Results:

The company primarily derives its income from the holding company, viz., Gokaldas Exports Limited by way of Job Work Charges and the financial results for the year ended 31st March 2005 are furnished below :

	Rs.
Total Income	4,58,32,541
Less: Expenditure	<u>4,56,55,745</u>
Profit before tax	1,76,797
Provision for Taxation:	
Current Tax	2,43,810
Deferred tax liability	24,948
Deferred Tax Asset	<u>3,76,819</u>
Profit for the year	<u>2,84,857</u>

2. Auditors:

M/s. Satish & Ravi Associates, Chartered Accountants, will retire at the ensuing Annual General Meeting. However, being eligible, they offer themselves for re-appointment.

3. Directors:

During the period under review, Shri Madanlal J Hinduja and Shri Dinesh J Hinduja were appointed as additional directors and seek your approval for their appointment as directors in the ensuing Annual General Meeting.

4. Conservation of energy, foreign exchange earnings and outgo:

Not applicable

5. Particulars of Employees:

Nil

6. Directors Responsibility statemtn:

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Board of directors report that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- accounting policies have been selected and applied consistently and the judgments and estimates made 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.
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the annual accounts have been prepared on a going concern basis.

7. ACKNOWLEDGEMENTS:

Your Directors express their thanks to Gokaldas Exports Ltd, the holding company, its bankers and employees for their support and look forward to their continued co-operation in the ensuing year.

For and on behalf of the Board of Directors

Bangalore
June 17, 2005

MADANLAL J HINDUJA
CHAIRMAN

AUDITORS' REPORT

To the members of **Rafter Trading Private Limited,**

We have audited the attached Balance Sheet as at 31st March 2005 of **RAFTER TRADING PRIVATE LIMITED**, Bangalore and the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have 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 from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) 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.

- Further to our comments in Annexure referred to in Paragraph 1 above, we report that:
 - We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - 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 the Books of Company.
 - The Balance Sheet, Profit and Loss account & Cash Flow Statement dealt with by this report are in agreement with the Books of Account of the Company.
 - In our opinion, the Profit and Loss account and Balance Sheet referred above comply with the mandatory Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
 - On basis of written representations received from the directors as on 31st March 2005, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on the date of Balance Sheet from being appointed as Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes and the accounting policies thereon, give the information required by the Companies Act, 1956 in the manner so required, subject to: **NIL**

Give a true and fair view:

- In the case of the Balance Sheet, of the State of affairs of the Company as at 31st March 2005;
 - In case of the Profit and Loss Account, of the profits for the year ended on that date.
- And
- In case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For Satish & Ravi Associates
Chartered Accountants

Place: Bangalore
Date: 17th June 2005

M Ravi Kumar
Partner
Membership No. 204203

ANNEXURE TO AUDITORS' REPORT

Statement referred to in Paragraph 1 of our Report of even date to the Members of **Rafter Trading Private Limited** on the accounts for the year ended 31st March 2005.

- The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
 - The fixed assets have been physically verified by the management at reasonable intervals. No material discrepancies were noticed on such verification.
 - The Company has not disposed off substantial part of fixed assets during the year, and therefore do not affect the going concern assumption.
- The Company does not carry any inventory.
 - & (c) Not Applicable.
- The Company has neither granted nor taken any loans to companies covered in the register maintained under section 301 of the Act.
 - (b) & (c) Not Applicable.
 - There are no loans on which Rs. 1.00 lacs or more is overdue.
- In our opinion and according to information and explanations given to us, there exists an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for the purchase of consumables and fixed assets and for job work charges received. There were no major weaknesses in internal control.
- According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register in pursuance of section 301 of the Act, have been entered in such register.

Subsidiary

- (b) In our opinion, having regard to our comments in para 4 above and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and aggregating during the year to Rupees Five Lakh or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The Company has not accepted deposits from the public, hence the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Act and the rules framed there under, are not applicable to the Company.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have been informed that maintenance of cost records prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act are presently not applicable to the Company.
9. (a) The Company is regular in depositing undisputed statutory dues including Income-tax, Sales-tax, Custom Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities and as per information and explanations given to us there were no arrears of outstanding statutory dues as at the last day of the said period concerned for a period of more than six months from the date they became payable.
- (b) As per information and explanation given to us, there was no dispute in case dues of sales tax/income tax/custom tax/excise duty/cess.
10. The clause on accumulated losses and cash losses is not applicable since the Company is registered for less than five years.

11. The Company does not owe any debt to banks or financial institutions nor has it issued debentures.
12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debenture and other securities.
13. The Company is not a chit fund, nidhi /mutual benefit fund or a society.
14. The Company is neither dealing nor trading in shares, securities, debentures and other investments and thus the provisions of this clause are not applicable.
15. The Company has not given guarantee for loans taken by others from bank or financial institutions.
16. The Company has not taken any term loans during the period under review.
17. The Company has raised share capital during the year. The same is not applied to short term purposes.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
19. The Company has not issued any debentures, during the year. Hence the question of creation of securities does not arise.
20. The Company has not raised any monies during the year by way of public issue.
21. As per information and explanation given to us there was no fraud on or by the Company have been noticed or reported during the year.

For Satish & Ravi Associates,
Chartered Accountants,

M Ravi Kumar
Partner

Membership No. 204203

Place: Bangalore

Date: 17th June 2005

BALANCE SHEET AS AT 31.03.2005

Particulars	Sch.	Amount (Rs) 31/03/2005	Amount (Rs) 31/03/2004
SOURCES OF FUNDS:			
1) Shareholders Funds:			
a) Share Capital	A	200,000	100,000
b) Reserves & Surplus	B	3,756,857	-
2) Loan Funds :			
(a) Secured Loans		-	-
(b) Unsecured Loans	C	7,920	6,920
		3,964,777	106,920
APPLICATION OF FUNDS:			
FIXED ASSETS			
(a) Gross Block	D	2,955,699	-
(b) Less: Depreciation Block		285,334	-
(c) Net Block		2,670,365	-
(d) Capital Work in Progress		-	-
INVESTMENTS		-	-
CURRENT ASSETS, LOANS AND ADVANCES:	E		
(a) Inventories		-	-
(b) Sundry Debtors (Considered Good & Less than 6 Months)		2,162,094	-
(c) Cash & Bank Balances		684,700	100,000
(d) Other Current Assets		5,913,943	-
(e) Loans and Advances		615,014	-
		9,375,751	100,000
LESS: CURRENT LIABILITIES & PROVISIONS :	F		
(a) Current Liabilities		8,195,627	5,400
(b) Provisions		243,810	-
		8,439,437	5,400
Net Current Assets		936,314	94,600
Deffered Tax Asset		351,871	-
Miscellaneous Expenditure (to the extent not written off or adjusted)		6,228	6,920
Preoperative Expenditure		-	5,400
NOTES TO ACCOUNTS	M		
		3,964,777	106,920

Schedules Referred to above form an integral part of this Balance Sheet.

As per our report of even date

for Rafter Trading Pvt. Ltd.

For Satish & Ravi Associates
Chartered Accountants

Madanlal J Hinduja **Rajendra J Hinduja**
Director Director

M. Ravi Kumar
Partner
Membership No. 204203

Place : Bangalore

Dated :17th June 2005

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2005

Particulars	Sch.	As at 31/03/2005	As at 31/03/2004
INCOME:			
Contract Receipts	G	45,828,341	-
Other Income	H	4,200	-
		45,832,541	-
EXPENDITURE:			
Manufacturing Expenses	I	4,094,162	-
Personnel Expenses	J	37,055,332	-
Administrative Expenses	K	4,219,801	-
Financial Expenses	L	1,116	-
		45,370,411	-
Profit / (Loss) before Depreciation & Tax		462,130	-
Less: Depreciation	D	285,334	-
Profit / (Loss) before Tax		176,797	-
Less: Provision for Taxation		-	-
- Current Tax		243,810	-
- Deferred Tax Liability		24,948	-
Add: Deferred Tax Asset		376,819	-
Profit/(Loss) for the year		284,857	-
Balance brought forward		-	-
Less: Appropriations		-	-
Balance Carried to Balance Sheet		284,857	-
Notes to Accounts	M		

Schedules Referred to above form an integral part of this Profit and Loss account

As per our report of even date

for Rafter Trading Pvt. Ltd.

For Satish & Ravi Associates
Chartered Accountants

Madanlal J Hinduja **Rajendra J Hinduja**
Director Director

M. Ravi Kumar
Partner
Membership No. 204203

Place : Bangalore

Dated :17th June 2005

Subsidiary

SCHEDULES TO BALANCE SHEET

PARTICULARS	Amount (Rs) 31.3.2005	Amount (Rs) 31.3.2004
SCHEDULE 'A': SHARE CAPITAL:		
Authorised Share Capital:		
20,000 (10,000) Eq. Shares of Rs.10 each	200,000	100,000
Issued, Subscribed & Paidup Capital:		
20,000 (10,000) Eq. Shares of Rs.10 each	200,000	100,000
	200,000	100,000
SCHEDULE 'B': RESERVES & SURPLUS:		
Share Premium Account	3,472,000	-
Profit and Loss Account	284,857	-
	3,756,857	-
SCHEDULE 'C': UNSECURED LOANS:		
From Directors	7,920	6,920
	7,920	6,920
SCHEDULE 'E': CURRENT ASSETS, LOANS & ADVANCES:		
CASH AND BANK BALANCES		
Cash at Bank	370,057	100,000
Cash on Hand	149,923	-
Petty Cash & Imprest Balances	164,720	-
	684,700	100,000
OTHER ASSETS:		
Deposits	4,164,655	-
Prepaid Expenses	47,773	-
TDS Receivable	1,700,625	-
Other current assets	890	-
	5,913,943	-
STAFF ADVANCES & LOANS:		
Salary Advances	5,004	-
Deductions from Salary	118,509	-
	123,514	-
OTHER ADVANCES:		
Advance for Building Repair	491,500	-
TOTAL LOANS & ADVANCES:	615,014	-
SCHEDULE 'F': CURRENT LIABILITIES & PROVISIONS:		
SUNDRY CREDITORS:		
For Services	166,513	-
(A)	166,513	-
Balance with Co-subsidiary companies		
Deejay Trading Pvt. Ltd.	20,000	-
Glamourwear Apparels Pvt. Ltd.	40,000	-
(B)	60,000	-
OUTSTANDING LIABILITIES:		
TDS Payable	46,402	-
Audit Fee Payable	25,704	5,400
Bonus Payable	2,291,992	-
ESI Payable	193,766	-
Electricity Charges Payable	269,294	-
Leave Encashment Payable	578,341	-
Profession Tax Liability	12,545	-
Provident Fund Payable	675,501	-
Water Charges	7,024	-
Quality Incentive Payable	234,179	-
Labour Welfare Expenses	12,425	-
Salary & Wages Payable	3,034,475	-
TCWH - Peenya Sale	118,509	-
Telephone Charges Payable	1,086	-
Gratuity Payable	467,734	-
(C)	7,968,977	5,400
OTHER LIABILITIES:		
From Others:		
Sri God Account	28	-
Sri Balaji Account	110	-
(D)	138	-
Total (A) to (D)	8,195,627	-
Provisions:		
Provision for Income Tax	243,810	-
	243,810	-

SCHEDULES TO PROFIT AND LOSS ACCOUNT

PARTICULARS	Amount (Rs) 31.3.2005	Amount (Rs) 31.3.2004
SCHEDULE 'G': CONTRACT RECEIPTS:		
Tailoring Charges	34,739,305	-
Finishing Charges	5,932,146	-
Embroidery Charges	5,156,890	-
	45,828,341	-
Schedule 'H': OTHER INCOME:		
Scrap Sales	4,200	-
	4,200	-
SCHEDULE 'I': MANUFACTURING EXPENSES:		
Label Direct Purchase	112,000	-
Packing Material	2,740	-
Electrical Expenses	193,020	-
Electricity Charges	2,433,642	-
Dyes & Chemicals	102,533	-
Diesel Purchase	26,314	-
Cleaning Charges	8,142	-
Factory Expenses	58,118	-
Fuel to Boiler	854,152	-
Needle/Bobbin/Thread etc	4,657	-
Tags & Stickers	75,000	-
Boiler Maintenance	2,040	-
Machinery Maintenance	200,153	-
Generator Maintenance	21,652	-
	4,094,162	-
SCHEDULE 'J': PERSONNEL EXPENSES:		
Salaries	29,157,304	-
Bonus	1,567,081	-
Employers Contribution to E.S.I	1,198,432	-
Employers Contribution to PF	2,963,921	-
Quality Incentive Paid	488,264	-
Leave Encashment	877,060	-
Labour Welfare fund	6,132	-
Gratuity	477,734	-
Employees Deposit Linked Insurance	128,443	-
Medical Expenses	17,487	-
Staff Welfare Expenses	173,474	-
	37,055,332	-
SCHEDULE 'K': ADMINISTRATIVE EXPENSES:		
Audit Fees	19,224	-
Conveyance Expenses	115,172	-
Consultancy Charges	32,950	-
Insurance Charges	76,293	-
Legal & Professional Charges	21,585	-
Miscellaneous Expenses	26,184	-
Preoperative Expenses	5,400	-
Printing & Stationery	12,198	-
Pooja Expenses	2,548	-
Rent Expenses	2,943,810	-
Garden Maintenance	6,800	-
Repairs & Maintenance	180,586	-
Registration & Renewal	39,960	-
Licence Fees, Rates & Taxes	30,637	-
Small Balances Written Off	476	-
Security Expenses	377,709	-
Telephone Expenses	86,795	-
Turnover Tax on Sales	42	-
Preliminary Expenses W/Off	692	-
Vehicle Maintenance	5,100	-
Office Maintenance Expenses	2,013	-
Water Charges	82,059	-
Hire Charges	7,000	-
Building Maintenance	103,198	-
Goodwill Written Off	41,370	-
	4,219,801	-
SCHEDULE 'L': FINANCIAL EXPENSES:		
Bank Charges	1,116	-
	1,116	-

Subsidiary

SCHEDULE - D - FIXED ASSETS

Particulars	Gross Block				Depreciation				Net Block	
	As on 01.04.2004	Additions	Deletions	Total 31.03.05	As on 01.04.2004	For the Year	Deletions	Total 31.03.05	As on 31.03.2005	As on 01.04.2004
Building	-	1,310,015	-	1,310,015		98,475	-	98,475	1,211,540	-
Electrical Equipment	-	240,259	-	240,259		25,088	-	25,088	215,171	-
Factory Equipment	-	226,177	-	226,177		23,618	-	23,618	202,559	-
Furniture & Fixtures	-	477,373	-	477,373		64,863	-	64,863	412,510	-
Plant & Machinery	-	599,396	-	599,396		62,589	-	62,589	536,807	-
Office Equipments	-	102,479	-	102,479		10,701	-	10,701	91,778	-
Total	-	2,955,699	-	2,955,699		285,334	-	285,334	2,670,365	-

Schedules annexed to and forming part of accounts for the year ended March 31, 2005

Schedule M

Notes to Accounts

1. **Background**
Rafter Trading Private Limited (herein after referred to as "the Company") was incorporated on 18th June 2004. The Company took over all the assets and liabilities of M/s Hinduja Sports Wear as a going concern on 1st July 2004. The Company became a subsidiary of Gokaldas Exports Limited (formerly known as Gokaldas India Private Limited) on 1st December 2004.
2. **Significant accounting policies**
 - a. **Basis of preparation of financial statements and use of estimates**
The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956.
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.
 - b. **Fixed Assets and Depreciation**
Fixed assets are stated at cost of acquisition/construction. Cost includes taxes, duties, freight and other incidental expenses related to acquisition/construction.
Depreciation on fixed assets is provided on written down value method at the rate and in the manner prescribed in Schedule XIV to the Companies Act, 1956.
 - c. **Inventories**
Raw material, packing material, stores, spares and consumables are valued at cost. Finished goods are valued at lower of cost and net realisable value. Cost is ascertained on weighted average basis and in case of finished products includes appropriate production overheads. Duty liabilities, if any, in respect of uncleared finished goods are provided for and included in the carrying value of inventories.
Cost of finished goods is ascertained on average of all manufacturing expenditure.
 - d. **Revenue recognition**
I) Sale: Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer, which is generally on dispatch of goods from factory.
II) Contract Receipt: Contract receipts are recognized as per the complete service contract method, upon delivery of garments, in accordance with requirement of AS 9.
 - e. **Export incentives**
Export incentives principally comprise of duty drawback and premium on past performance entitlements. The benefit under these incentive schemes are available based on the guideline formulated for respective schemes by the government authorities. Duty drawback is recognized as revenue on accrual basis to the extent it is probable that realisation is certain. Premium on past performance entitlements are accounted on transfer of such entitlements.
 - f. **Foreign currency transactions**
Transactions in foreign currencies are translated at the exchange rates prevailing on the dates of the transaction. Monetary foreign currency assets and liabilities are translated at forward cover rate or at the period end exchange rate, as applicable. Resultant gains or losses are recognised in the profit and loss account. Exchange differences arising on forward exchange contracts are recognized over the period of the contract.
 - g. **Investments**
Long term investments are valued at cost. Provision for diminution, if any, in the value of investments is made to recognise a decline, other than temporary. Current investments are valued at lower of cost and market value. Cost includes incidental charges incurred towards acquisition of such investments.
 - h. **Retirement benefits**
Company's contributions to defined contribution schemes such as provident fund and family pension funds are charged to the profit and loss account on accrual basis. Provision for leave encashment and gratuity, which is in the nature of defined benefit scheme, is based on actuarial valuation done as at the balance sheet date by independent actuaries.
 - i. **Accounting for taxes on income**
Provision for current tax is made based on the tax payable for the year under the Income-tax Act, 1961. Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets, other than on unabsorbed tax depreciation and unabsorbed tax losses, are recognised only to the extent that there is a reasonable certainty of their realisation. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognised only to the extent that there is virtual certainty of their realization supported by convincing evidence.
 - j. **Preliminary expenses**
Preliminary expenses are amortized over a period of ten years.
 - k. **Goodwill :**
Goodwill arising on Business Purchase during the year has been treated as a current expense and written off during the year.

Subsidiary

3. Contingent liabilities		<i>Amount in Rupees</i>	
Particulars	As at March 31, 2005	As at March 31, 2004	
Disputed income tax demand pending in appeal	Nil	Nil	
Relating to Labour dispute	1,85,625	Nil	
Guarantees given by banks	Nil	Nil	
Outstanding letter of credit	Nil	Nil	
Bills discounted with banks	Nil	Nil	
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	6,00,000	Nil	

4. During the year, the Company has not imported any capital goods.
5. No remuneration was paid to the Directors or their relatives during the year.
6. In the opinion of the Board, current assets, loans and advances have a value of at least equal to the amounts shown in the balance sheet, if realized in the ordinary course of the business. The provision for all the known liabilities including depreciation is adequate and not in excess of the amount reasonably necessary.
7. There were no dues to SSI units which are identified based on the information available with the management where dues are outstanding for a sum exceeding Rs 1,00,000.00 and outstanding for more than 30 days as at March 31, 2005:

8. Segment information

a. Primary business segment

The Company is exclusively engaged in the business segment of job work of garments.

b. Geographical distribution of revenue:

Amount in Rupees

Particulars	Revenue by geographical market	Carrying amount of segment assets	Additions to tangible and intangible fixed assets
European Union and Western Europe			
USA, Canada and North America			
India	4,58,28,341	1,20,46,116	29,55,699
	Nil	Nil	Nil
Others			
Total	4,58,28,341	1,20,46,116	29,55,699

9. Related party disclosure

a. The following are the names of related parties and description of relationship:

Relationship	Name of the Party
Holding Company	Gokaldas Exports Limited
<i>Other related parties with whom the Company had transactions</i>	
Enterprises where significant influence exists	
NIL	NIL
Key management personnel	
Directors	1) Mr Madanlal J Hinduja 2) Mr Rajendra J Hinduja 3) Mr Dinesh J Hinduja
Relatives of key management personnel	
NIL	NIL
Enterprises over which key management personnel and their relatives exercise significant influence	
Fellow Subsidiaries	1) All Colour Garments Pvt. Ltd. 2) DeeJay Trading Pvt. Ltd. 3) Madhin Trading Pvt. Ltd. 4) Magenta Trading Pvt. Ltd. 5) Seven Hills Clothing Pvt. Ltd. 6) Glamourwear Apparels Pvt. Ltd. 7) Reflexion Trading Pvt. Ltd. 8) SNS Clothing Pvt. Ltd. 9) Rajdin Apparels Pvt. Ltd. 10) Rishikesh Apparels Pvt. Ltd. 11) Vignesh Apparels Pvt. Ltd.
OTHER PROMOTER GROUP COMPANIES	1) Dazzle Trading Pvt. Ltd. 2) Dice Trading Pvt. Ltd. 3) Hinduja Exports Pvt. Ltd. 4) J.V.N. Exports Pvt. Ltd. 5) Maze Trading Pvt. Ltd. 6) Parichay Investments Limited 7) Polyproducts Pvt. Ltd. 8) Rapple Trading Pvt. Ltd. 9) VAG Exports Pvt. Ltd.

b. The following are the volume of transactions with related parties during the year and outstanding balances as at the year end disclosed in aggregate by type of related party:

Subsidiary

						Amount in Rupees
Transactions	Holding Company	Fellow Subsidiaries	Key Management Personnel	Other Promoter Group Companies	Enterprises over which key management personnel and their relatives exercise significant influence	Total
Job work charges	4,58,28,341					4,58,28,341
Polywadding purchases						
Rent received						
Rent paid						
Sale of garments						
Hire purchase paid						
Equity contribution (including securities premium)	36,71,990					36,71,990
Balance outstanding as on March 31						
— Credit balances	60,000					60,000
— Debit balances	21,62,094					21,62,094
10. Earnings per share						Amount in Rupees
Particulars						2004 - 2005 2003-2004
Net profit for the year as per profit and loss accounts considered as numerator for calculating earnings per share						2,84,857 Nil
Weighted average number of equity shares						13,333 Nil
Nominal value per share						10 Nil
Earnings per share – Basic and diluted						21.36 Nil
11. Deferred taxes						
The deferred tax assets/(liabilities) arising out of timing differences comprise of the following major components:						Amount in Rupees
Particulars			As at March 31, 2004	Current year (charge)/credit	As at March 31, 2005	
Difference between book and tax base of fixed assets			-	(24,948)	(24,948)	
Retirement benefits allowed on payment basis accrued in books			-	3,76,818	3,76,818	
Total				3,51,870	3,51,870	
12. The aggregate amount of research and development expenditure recognized as an expense during the year was Rs. Nil (Previous year Rs. Nil).						
13. Remuneration to directors						Amount in Rupees
Particulars						2004 – 2005 2003-2004
Salaries						Nil Nil
Total						
14. Auditors remuneration includes:						Amount in Rupees
Particulars						2004 – 2005 2003-2004
Audit fees (inclusive of service tax)						19,224.00 5,400.00
Taxation matters						Nil Nil
Out of pocket expenses						Nil Nil
Total						19,224.00 5,400.00
15. Licensed and installed capacities and production						
Particulars				Unit	2004-2005	2003-2004
Licensed capacity						
Readymade garments				Pcs	Not Applicable	Not Applicable
Installed capacity*						
Readymade garments				Pcs		
Production						
Readymade garments				Pcs		
* The installed capacity is as certified by the management and accepted by the auditors, as it is a technical matter.						
16. The Company is engaged exclusively in Job Work and hence quantitative particulars cannot be given.						
17. CIF value of imports :						
Current Year : Nil Previous Year : Nil						
18. Expenditure in foreign currency :						
Current Year : Nil Previous Year : Nil						
19. Value and percentage of imported and indigenous raw materials, spare parts and components consumed						Amount in Rupees
Particulars						2004-2005
						Amount %
Raw Materials : Imported						NIL
Indigenous						
Total						
Tools, spare parts and components: Imported						NIL
Indigenous						
Total						
20. Earnings in foreign currency:						
Current Year : Nil Previous Year : Nil						

Subsidiary

21. The previous year's figures have been regrouped / rearranged / reclassified, wherever necessary to conform to the current year's presentation.

Signature to Schedules A to M
For and on behalf of the Board

Madanlal J Hinduja
Director

Rajendra J Hinduja
Director
Bangalore: June 17, 2005

For Satish & Ravi Associates
Chartered Accountants
M. Ravi Kumar
Partner
Membership No. 204203

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2005

	Amount Rs.
A Cash flow from Operating Activities	
Profits before Tax & Extraordinary Items	176,796
Adjustments for:	
a) Depreciation	285,334
b) Interest Income	-
c) Dividend Income	-
d) Preliminary Expenses & Preoperative Exps written off	6,092
e) Interest Expense	-
f) Prior Period Income	-
Operating Profit before Working Capital Changes	468,222
(Increase) / Decrease in Sundry Debtors	(2,162,094)
(Increase) / Decrease in Inventories	-
(Increase) / Decrease in Loan & Advances	(615,014)
(Increase) / Decrease in Other Current Assets	(5,913,943)
(Decrease) / Increase in Current Liabilities & Provisions	8,190,227
Cash Generated From Operations	(32,602)
B CASH FLOW FROM INVESTING ACTIVITIES	
(Purchase) / Sale of Fixed Assets	(2,955,698)
(Purchase) / Sale of Investments	-
Interest Income	-
Net Cash Flow from Investing Activities	(2,988,300)
C CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from Issue of shares	100,000
Share Premium Received	3,472,000
Capital Reserve on Business Purchase	-
Proceeds from Long Term Borrowings (Net)	-
Proceeds from Short Term Unsecured Borrowings (Net)	1,000
Preliminary & Preoperative Expenses	-
Interest Paid	-
	3,573,000
D Net Increase / (Decrease) in Cash & Cash Equivalents	584,700
E Opening Balance of Cash & Cash Equivalents	100,000
F Closing Balance of Cash & Cash Equivalents	684,700

for Rafter Trading Pvt. Ltd.

Madanlal J Hinduja
Director

Rajendra J Hinduja
Director

Place : Bangalore
Dated :17th June 2005

As per our report of even date
For Satish & Ravi Associates
Chartered Accountants
M. Ravi Kumar
Partner
Membership No. 204203

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration details

REGISTRATION NO U17111KA2003PTC031681

BALANCE SHEET DATE

STATE CODE

31.03.2005

08

II Capital raised during the year (Amount in Rs. Thousands)

PUBLIC ISSUE

RIGHTS ISSUE

N I L

N I L

BONUS ISSUE

PRIVATE PLACEMENT

N I L

100

III. Position of mobilisation and deployment of funds (amount in Rs. Thousands)

TOTAL LIABILITIES

TOTAL ASSETS

3964

3964

Sources of funds

PAID UP CAPITAL

RESERVES & SURPLUS

200

3756

SECURED LOANS

UNSECURED LOANS

N I L

8

Application of funds

NET FIXED ASSETS
including capital work in progress

INVESTMENTS

2670

0

NET CURRENT ASSETS

MISC EXPENDITURE

936

6

ACCUMULATED LOSSES

DEFERRED TAX ASSET

N I L

352

IV. Performance of Company (Amount in Rs. Thousands)

TURNOVER (TOTAL INCOME)

TOTAL EXPENDITURE

45832

45655

+ - PROFIT / (LOSS) BEFORE TAX

+ - PROFIT AFTER TAX

✓

177

✓

284

(Please tick appropriate box + for profit, - for loss)

EARNING PER SHARE
(on profit after taxes)

DIVIDEND RATE %

21.36

N I L

V. Generic Names of three principal products/services of Company (as per monetary terms)

ITEM CODE NO (ITC CODE)

PRODUCT DESCRIPTION

NOT APPLICABLE

For and on behalf of the board

for Rafter Trading Pvt. Ltd

Madanlal J Hinduja
Director

Rajendra J Hinduja
Director

Place : Bangalore
Dated :17th June 2005

RAJDIN APPARELS PRIVATE IMITED

Board of Directors

Shri Madanlal J Hinduja Chairman
Shri Rajendra J Hinduja Director
Shri Dinesh J Hinduja Director

Registered Office:

70, Mission Road
Bangalore-560027.

Auditors

M/s Girish Murthy & Kumar,
Chartered Accountants
4502, High Point IV, 45, Palace Road
Bangalore - 560001.

Bankers

Canara Bank
"Avenue Plaza"
Avenue Road Branch
Bangalore - 560002

DIRECTORS REPORT

Your Directors take great pleasure in presenting the First Annual Report of your Company together with the audited accounts for the period ended 31st March 2005.

1. Financial Results :

The company primarily derives its income from the holding company, viz., Gokaldas Exports Limited as well as from others by way of Job Work charges, etc, and the financial results for the period ended 31st March, 2005 are furnished below :

	Rs.
Total Income	6,20,90,482
Less : Expenditure	<u>6,18,25,595</u>
Profit before tax	2,64,888
Provision for Taxation :	
Current Tax	1,28,310
Provision for Deferred Tax	<u>(28,179)</u>
Profit after tax	<u>1,64,756</u>

2. Auditors :

M/s. Girish Murthy & Kumar, Chartered Accountants, will retire at the ensuing Annual General Meeting. However, being eligible, they offer themselves for re-appointment.

3. Directors:

During the period under review, Shri Madanlal J Hinduja, Shri Rajendra J Hinduja and Shri Dinesh J Hinduja were appointed as additional directors and seek your approval for their appointment as directors in the ensuing Annual General Meeting

4. Conservation of energy, foreign exchange earnings and outgo:

Not applicable

5. Particulars of Employees :

Nil

6. Directors Responsibility statement:

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Board of Directors report that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- accounting policies have been selected and applied consistently and the judgments and estimates made 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.
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the annual accounts have been prepared on a "going concern" basis.

7. ACKNOWLEDGEMENTS:

Your Directors express their thanks to Gokaldas Exports Ltd, the holding company, its bankers and employees for their support and look forward to their continued co-operation in the ensuing year.

For and on behalf of the Board of Directors

Bangalore
June 17, 2005

MADANLAL J HINDUJA
CHAIRMAN

AUDITORS' REPORT

TO THE MEMBERS OF RAJDIN APPARELS PRIVATE LIMITED

We have audited the attached Balance Sheet of **RAJDIN APPARELS PRIVATE LIMITED** as on 31st March 2005 & Profit and Loss Account and Cash Flow Statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis in our opinion.

Further, we report that,

- We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit.

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 the books. The said Balance Sheet and Profit and Loss account and the Cash Flow Statement dealt by this report are in agreement with books of account. In our opinion, the Balance Sheet and the Profit and Loss Account and Cash Flow Statement dealt with by this report complies with the mandatory Accounting Standards referred in Section 211 (3C) of the Companies Act, 1956, and

On the basis of written representations received from the directors as at 31st March 2005 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2005 from being appointed as a director in terms of clause(g) of sub-section(1) of section 274 of the Companies Act, 1956, as on that date.

In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, together with and subject to notes annexed thereto, give the information required, and give a true and fair view:

- In the case of Balance Sheet of the state of affairs of the company as at 31st March, 2005,
- In the case of Profit and Loss account, of the profit of the company for the period ended on that date, and
- in the case of Cash Flow Statement, of the cash flows of the company for the period ended on that date.

As required by the Companies (Auditors report) order, 2003 issued by the company law board, and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of our audit, we report that:-

- The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. During the period the fixed assets have been physically verified by the management and there were no discrepancies.
- No substantial part of the Fixed Assets have been disposed during the period.
- The inventory has been physically verified during the period by the management. In our opinion, the frequency of verification is reasonable.
- The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- The company has not taken any loans secured or unsecured from companies, firm or other parties listed in the register maintained under section 301 of the Companies Act 1956.
- The company has not granted any loans, secured or unsecured to the companies, firms or other parties listed in the register maintained under section 301 of the Companies' Act 1956.
- In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase fixed Assets, inventory and with regard to sale of goods during the course of audit we have not noticed any evidence of continuing failures to correct major weaknesses in internal control.
- According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act.1956 have been entered.
- In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contract or arrangements entered in the register maintained under section 301 of the Companies Act 1956 and exceeding the value of rupees five lakhs in respect of any party during the period have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- The company has not accepted deposits from the public during the period to which the provisions of section 58A and 58AA of the companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are applicable.

Subsidiary

- xii) In our opinion, the company's present Internal Audit system is commensurate with the size and nature of its business.
- xiii) The central government has not prescribed the maintenance of cost records by the companies under section 209(i)(d) of the Companies Act, 1956.
- xiv) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees state insurance, Income tax, sales tax, custom duty, excise duty, cess and other material statutory dues applicable to it..
- xv) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty, excise duty and cess were in arrears as at 31.03.2005 for a period of more than six months from the date they became payable.
- xvi) According to the information and explanations given to us, there are no dues of income tax wealth tax, sales tax, custom duty, excise duty and cess which have not been deposited on account of any dispute.
- xvii) The Company is not having any accumulated losses nor the company has incurred any cash loss for this period.
- xviii) The company has not taken any loan from financial institutions and from banks and as such question of default in repayment does not arise. The Company has not issued any debentures at any point of time.
- xix) The company has not granted any loans/advances on the basis of security by way of shares, debenture etc. As such no records and documents have been maintained.
- xx) In our opinion, the company is not dealing or trading in shares, debentures and other investments and as such no records have been maintained. During the period company has not made any investments.
- xxi) We have been informed by the company that it has not given any guarantee for any loan taken by the others from banks and financial institutions.
- xxii) The company has not taken any term loan during this period and as such question of its application for the purpose for which it is taken does not arise.
- xxiii) According to the information and explanations given to us, and on an overall examination of the balance sheet of the company, we report that the company has not used any funds raised on short term basis for long term investment and long term funds for short term investment.
- xxiv) According to the information and explanations given to us, the company has not made any preferential allotment of shares is made by the company to parties and companies covered in the registers maintained under section 301 of the act.
- xxv) According to the information and explanations given to us, during the period covered by our report, the company has not issued any debentures and therefore no securities have been created.
- xxvi) The company has not raised any money by public issue and as such disclosure on the end use of money does not arise.
- xxvii) We have not noticed any fraud on or by the company during the period.
- xxviii) The company is not covered under special statutory provisions applicable to the chit fund, nidhi or mutual benefit societies.

PLACE : BANGALORE
DATED : 17th June , 2005

FOR GIRISH MURTHY & KUMAR
Chartered Accountants
GIRISH RAO.B
Partner
Membership No.85745

BALANCE SHEET AS AT 31.03.2005

SOURCES OF FUNDS	SCH. #	Amount Rs.
SHAREHOLDER'S FUND		
Share Capital	I	200,000
Reserves & Surplus	II	17,054,756
Loan Funds :		
Unsecured Loans	III	10,349
TOTAL		17,265,105
APPLICATION OF FUNDS		
FIXED ASSETS	XIII	
Gross Block		17,739,545
Less : Depreciation		1,581,547
Net Block		16,157,998
Capital work in progress		1,739,945
INVESTMENTS	V	33,600
CURRENT ASSETS		
LOANS AND ADVANCES	VI	
Inventory		6,217,230
Sundry Debtors		1,390,918
Cash & Bank Balances		1,502,819
Other Current Assets		1,589,351
Loans & Advances		4,010,652
		14,710,970
CURRENT LIABILITIES		
AND PROVISIONS	IV	
(a) Liabilities		9,468,338
(b) Provisions		5,944,270
		15,412,607
Net Current Assets		(701,637)
Deferred Tax Asset		28,179
Preiliminary expenses		7,020
(To the extent not written off or adjusted)		
TOTAL		17,265,105
Significant Accounting Policies and notes on Accounts	XIV	

Schedules Referred to above form an integral part of the accounts.
This is the Balance Sheet mentioned in our Report of even date.

for Girish Murthy & Kumar
Chartered Accountants

B. Girish Rao
Partner
Membership No.85745

Place : Bangalore
Dated :17th June 2005

For Rajdin Apparels Pvt. Ltd.

Madanlal J Hinduja
Director

Rajendra J Hinduja
Director

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31.03.2005

PARTICULARS	SCH. #	Amount Rs.
INCOME		
Turnover	VII	62,009,355
Other Income	VIII	81,128
		62,090,482
EXPENDITURE		
Material, Manufacturing and Operating Exp.	IX	13,529,763
Personel Expenditure	X	39,891,231
Sales & Administrative Expenditure	XI	6,805,891
Financial Expenditure	XII	10,351
Depreciation	XIII	1,588,359
		61,825,595
Profit Before Taxation		264,888
Provision for Taxation		128,310
Provision for Deferred tax		(28,179)
Profit After Taxation		164,756
Amount Transferred to Balance Sheet		164,756

Schedules Referred to above form an integral part of the accounts. This is the Profit and Loss account mentioned in our Report of even date.

for Girish Murthy & Kumar
Chartered Accountants

B. Girish Rao
Partner
Membership No.85745

Place : Bangalore
Dated :17th June 2005

For Rajdin Apparels Pvt. Ltd.

Madanlal J Hinduja
Director

Rajendra J Hinduja
Director

Subsidiary

SCHEDULES TO ACCOUNTS FOR THE PERIOD ENDED 31st March 2005

	Amount Rs.	
SCHEDULE - I - SHARE CAPITAL		
AUTHORISED CAPITAL (20000 Equity shares of Rs.10/- each)		200,000
ISSUED, SUBSCRIBED & PAID UP 20000 Equity shares of Rs. 10/- each		200,000
SCHEDULE II		
Reserves & Surplus		
Balance in Profit & Loss account	164,756	
Share premium account	16,890,000	17,054,756
SCHEDULE III		
UNSECURED LOANS		
From Others	10,349	10,349
SCHEDULE - IV - CURRENT LIABILITIES AND PROVISIONS		
(A) CURRENT LIABILITIES :		
Sundry Creditors	2,300,399	
Staff Deposits	227,462	
Other Liabilities	2,056,637	
Balances with Parent company & Co-subsidiaries	4,622,433	
Bank Book overdraft	152,357	
Advance from Customers	109,050	9,468,338
(B) PROVISIONS :		
Provision for Expenses	5,815,959	
Provision for Taxation	128,310	5,944,270
		9,468,338
SCHEDULE - V - INVESTMENTS		
National Savings Certificate	33,000	
Indira Vikas Patras	600	
		33,600
SCHEDULE - VI - CURRENT ASSETS, LOANS AND ADVANCES		
(A) CURRENT ASSETS :		
(a) Inventory		
Yarn	1,941,816	
Machinery Spares	963,893	
Chemicals	3,311,521	6,217,230
(b) Sundry Debtors	718,942	
(I) Debts as per standing for a period of less than six months or considered good	-	
(ii) others	671,977	1,390,918
(e) Cash and Bank Balances :		
(i) Cash on Hand	831,094	
(ii) With Scheduled Banks		
- Current Accounts	671,725	1,502,819
(f) Other Current Assets		1,589,351

(B) LOANS AND ADVANCES :		
(A) Advances recoverable in cash or for value to be received.		
(i) for Supplies and Services	619,398	
(ii) Other advances	-	
(iii) To Staff	792,971	
(c) Other Deposits	2,598,283	4,010,652
		14,710,970
SCHEDULE - VII - TURNOVER		
Label Sales		2,064,255
Nylon Chords sales		952,500
Job Work Charges		58,992,600
		62,009,355
SCHEDULE - VIII - OTHER INCOME		
Insurance Re-imbursed		4,450
Scrap Sales		4,255
Profit On Sale of Plant & Machinery		65,787
Transfer of Past Performance Entitlement		6,636
		81,128
SCHEDULES - IX - MATERIAL, MANUFACTURING AND OPERATION EXPENSES :		
Consumption of Raw material		7,913,461
Consumption of Consumables		225,008
Job Work Charges		86,178
Power & fuel		3,860,076
Machinery Repairs & maintainance		1,256,561
Other Manufacturing Expenses		188,478
		13,529,763
SCHEDULE - X - PERSONNEL EXPENSES		
Salaries, Wages & Bonus		32,234,987
Contribution to PF & other funds		4,561,575
Welfare Expenses		3,094,670
		39,891,231
SCHEDULE - XI - SALES & ADMINISTRATION EXPENSES		
Rent		1,579,820
Insurance		133,674
Legal & Professional Charges		1,433,806
Printing & Stationery		54,200
Telephone, Postage & Telegrams		121,530
Travelling & Conveyance		171,617
Rates and Taxes		130,948
Repairs & Maintenance		1,990,657
Audit fee		44,080
Vehicle Maintenance		187,672
Sundry Expenses		55,648
Security Expenses		499,246
Turnover Tax and Entry Tax		3,359
Charity & Donation		2,500
Customs Duty		114,054
Water Charges		276,052
Prior Period Expenses		1,470
Preliminary Expenses written off		780
Goodwill written off		4,777
		6,805,891
SCHEDULE - XII - FINANCIAL CHARGES		
Bank Charges		10,351
		10,351

SCHEDULE - XIII - FIXED ASSETS

Particulars	Gross Block				Depreciation				Net Block	
	As on 01.07.2004	Additions	Deletions	Total 31.03.05	As on 01.07.2004	For the period	Deletions	Total 31.03.05	As on 31.03.2005	As on 01.07.2004
Buildings		3,836,986		3,836,986	-	286,218	-	286,218	3,550,768	-
Plant & Machinery		9,608,732	131,810	9,476,922	-	857,734	6,812	850,922	8,626,001	-
Office Equipments		138,751		138,751	-	12,601	-	12,601	126,150	-
Furniture & Fixtures		2,777,717		2,777,717	-	295,849	-	295,849	2,481,868	-
Vehicles		200,877		200,877	-	39,041	-	39,041	161,836	-
Airconditioners		96,169		96,169	-	10,042	-	10,042	86,127	-
Computers		27,576		27,576	-	8,280	-	8,280	19,295	-
Electrical Installations		1,184,548		1,184,548	-	78,594	-	78,594	1,105,953	-
		17,871,355	131,810	17,739,545	-	1,588,359	6,812	1,581,547	16,157,998	-

Subsidiary

Schedules annexed to and forming part of accounts for the period ended March 31, 2005

Schedule XIV

Notes to Account

1. Background

Rajdin Apparels Private Limited (herein after referred to as "the Company") was incorporated on 7th May 2004. The Company took over all the assets and liabilities of M/s Lucky Tex and Venkateshwara Clothing Company as a going concern on 1st July 2004. The Company became a subsidiary of Gokaldas Exports Limited (formerly known as Gokaldas India Private Limited) on 1st December 2004.

2. Significant accounting policies

a. Basis of preparation of financial statements and use of estimates

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

b. Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition/construction. Cost includes taxes, duties, freight and other incidental expenses related to acquisition/construction.

Depreciation on fixed assets is provided on written down value method at the rate and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

c. Inventories

Raw material, packing material, stores, spares and consumables are valued at cost. Finished goods are valued at lower of cost and net realisable value. Cost is ascertained on weighted average basis and in case of finished products includes appropriate production overheads. Duty liabilities, if any, in respect of uncleared finished goods are provided for and included in the carrying value of inventories.

d. Revenue recognition

I) Sale: Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer, which is generally on dispatch of goods from factory.

II) Contract Receipt: Contract receipts are recognized as per the complete service contract method, upon delivery of garments, in accordance with requirement of AS 9.

e. Export incentives

Export incentives principally comprise of duty drawback and premium on past performance entitlements. The benefit under these incentive schemes are available based on the guideline formulated for respective schemes by the government authorities. Duty drawback is recognized as revenue on accrual basis to the extent it is probable that realisation is certain. Premium on past performance entitlements are accounted on transfer of such entitlements.

f. Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rates prevailing on the dates of the transaction. Monetary foreign currency assets and liabilities are translated at forward cover rate or at the period end exchange rate, as applicable. Resultant gains or losses are recognised in the profit and loss account. Exchange differences arising on forward exchange contracts are recognized over the period of the contract.

g. Investments

Long term investments are valued at cost. Provision for diminution, if any, in the value of investments is made to recognise a decline, other than temporary. Current investments are valued at lower of cost and market value. Cost includes incidental charges incurred towards acquisition of such investments.

h. Retirement benefits

Company's contributions to defined contribution schemes such as provident fund and family pension funds are charged to the profit and loss account on accrual basis. Provision for leave encashment and gratuity, which is in the nature of defined benefit scheme, is based on actuarial valuation done as at the balance sheet date by independent actuaries.

i. Accounting for taxes on income

Provision for current tax is made based on the tax payable for the year under the Income-tax Act, 1961. Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets, other than on unabsorbed tax depreciation and unabsorbed tax losses, are recognised only to the extent that there is a reasonable certainty of their realisation. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognised only to the extent that there is virtual certainty of their realization supported by convincing evidence.

j. Preliminary expenses

Preliminary expenses are amortized over a period of ten years.

3. Contingent liabilities

Amount in Rupees

Particulars	As at March 31, 2005
Disputed income tax demand pending in appeal	Nil
Relating to Labour dispute	2,22,502
Guarantees given by banks	10,00,000
Outstanding letter of credit	Nil
Bills discounted with banks	Nil
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	19,14,849

4. During the period, the Company has not imported any capital goods.

5. No remuneration was paid to the Directors or their relatives during the period.

6. In the opinion of the Board, current assets, loans and advances have a value of at least equal to the amounts shown in the balance sheet, if realized in the ordinary course of the business. The provision for all the known liabilities including depreciation is adequate and not in excess of the amount reasonably necessary.

7. There were no dues to SSI units which are identified based on the information available with the management where dues are outstanding for a sum exceeding Rs.1,00,000.00 and outstanding for more than 30 days as at March 31, 2005:

Subsidiary

8. Segment information

a. Primary business segment

The Company is mainly engaged in the business segment of job work of garments.

b. Geographical distribution of revenue:

Amount in Rupees

Particulars	Revenue by geographical market	Carrying amount of segment assets	Additions to tangible and intangible fixed assets
European Union and Western Europe			
USA, Canada and North America			
India	6,20,09,354	3,26,42,514	1,94,79,490
Others			
Total	6,20,09,354	3,26,42,514	1,94,79,490

9. Related party disclosure

a. The following are the names of related parties and description of relationship:

Relationship	Name of the Party
Holding Company	Gokaldas Exports Limited
Other related parties with whom the Company had transactions	
Enterprises where significant influence exists	
NIL	NIL
Key management personnel	
Directors	1) Mr Madanlal J Hinduja 2) Mr Rajendra J Hinduja 3) Mr Dinesh J Hinduja
Relatives of key management personnel	
NIL	NIL
Enterprises over which key management personnel and their relatives exercise significant influence	
Fellow Subsidiaries	1) All Colour Garments Pvt. Ltd. 2) Deejay Trading Pvt. Ltd. 3) Madhin Trading Pvt. Ltd. 4) Magenta Trading Pvt. Ltd. 5) Rafter Trading Pvt. Ltd. 6) Glamourwear Apparels Pvt. Ltd. 7) Reflexion Trading Pvt. Ltd. 8) Rishikesh Apparels Pvt. Ltd. 9) Seven Hills Clothing Pvt. Ltd. 10) SNS Clothing Pvt. Ltd. 11) Vignesh Apparels Pvt. Ltd.
OTHER PROMOTER GROUP COMPANIES	1) Dazzle Trading Pvt. Ltd. 2) Dice Trading Pvt. Ltd. 3) Hinduja Exports Pvt. Ltd. 4) J.V.N. Exports Pvt. Ltd. 5) Maze Trading Pvt. Ltd. 6) Parichay Investments Limited 7) Polyproducts Pvt. Ltd. 8) Rapple Trading Pvt. Ltd. 9) VAG Exports Pvt. Ltd.

b. The following are the volume of transactions with related parties during the period and outstanding balances as at the period end disclosed in aggregate by type of related party:

Amount in Rupees

Transactions	Holding Company	Fellow Subsidiaries	Key Management Personnel	Other Promoter Group Companies	Enterprises over which key management personnel and their relatives exercise significant influence	Total
Job work charges	5,89,92,600					5,89,92,600
Rent paid				1,80,000		1,80,000
Equity contribution (including securities premium)	1,70,89,990					1,70,89,990
KST and CST				-5,784		-5,784
Balance outstanding as on March 31						
— Credit balances	45,96,996			5,784		
— Debit balances						

10. Earnings per share

Amount in Rupees

Particulars	2004 - 2005
Net profit for the period as per profit and loss accounts considered as numerator for calculating earnings per share	1,64,756
Weighted average number of equity shares	12,500
Nominal value per share	10
Earnings per share – Basic and diluted	13.18

Subsidiary

11. Deferred taxes

The deferred tax assets/(liabilities) arising out of timing differences comprise of the following major components:

Amount in Rupees

Particulars	Current period (charge)/credit	As at March 31, 2005
Difference between book and tax base of fixed assets	(6,16,436)	(6,16,436)
Retirement benefits allowed on payment basis accrued in books	6,44,615	6,44,615
Total	28,179	28,179

12. The aggregate amount of research and development expenditure recognized as an expense during the period was Rs. Nil.

13. Remuneration to directors

Amount in Rupees

Particulars	2004 – 2005
Salaries	Nil
Total	

14. Auditors remuneration includes:

Amount in Rupees

Particulars	2004 – 2005
Audit fees (inclusive of service tax)	44,080.00
Taxation matters	Nil
Out of pocket expenses	Nil
Total	44,080.00

15. Licensed and installed capacities and production

Particulars	Unit	2004-2005
<i>Licensed capacity</i>		
Readymade garments	Pcs	Not Applicable
<i>Installed capacity*</i>		
Readymade garments	Pcs	
<i>Production</i>		
Readymade garments	Pcs	
Labels	No.s	75,65,681

* The installed capacity is as certified by the management and accepted by the auditors, as it is a technical matter.

16. Sales by class of goods

Amount in Rupees

Products	Unit	2004-2005	Amount
Readymade garments	Pcs		Not Applicable
Labels	Nos	75,65,681	20,64,255
Total		75,65,681	20,64,255

17. Raw materials consumed

Amount in Rupees

Products	Unit	2004-2005	Amount
Yarn	Kgs	3,490.71	6,64,671
Screen Printing materials			24,57,850
Dyes, CHemicals & others			47,90,941
Total			79,13,462

The consumption figures shown above are after adjusting excesses and shortages ascertained on physical count, unserviceable items, etc.

18. CIF value of imports :

Current period : Nil

19. Expenditure in foreign currency :

Current period : Nil

20. Value and percentage of imported and indigenous raw materials, spare parts and components consumed

Amount in Rupees

Particulars	2004-2005	Amount	%
<i>Raw Materials : Imported</i>			
Indigenous			NOT APPLICABLE
Total			
<i>Tools, spare parts and components: Imported</i>			
Indigenous			NOT APPLICABLE
Total			

21. Earnings in foreign currency:

Current Year : Nil Previous Year : Nil

22. Since this is the first year of the Company disclosure of previous years figures is not applicable.

Signatures to schedules I to XIV

For and on behalf of the Board

For Girish Murthy & Kumar
Chartered Accountants

Madanlal J Hinduja
Director

Girish Rao.B
Partner
Membership No.85745

Rajendra J Hinduja
Director

Bangalore: June 17, 2005

Subsidiary

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31.03.2005

	Amount Rs.
A Cash flow from Operating Activities	
Profits before Tax & Extraordinary Items	264,888
Adjustments for:	
a) Depreciation	1,588,359
b) Interest Income	
c) Dividend Income	-
d) Preliminary Expenses & Preoperative Exps written off	780
e) Interest Expense	-
f) Prior Period Income	-
Operating Profit before Working Capital Changes	1,854,027
(Increase) / Decrease in Sundry Debtors	(1,390,918)
(Increase) / Decrease in Inventories	(6,217,230)
(Increase) / Decrease in Loan & Advances	(4,010,652)
(Increase) / Decrease in Other Current Assets	(1,589,351)
(Decrease) / Increase in Current Liabilities & Provisions	15,284,297
Cash Generated From Operations	3,930,173
B CASH FLOW FROM INVESTING ACTIVITIES	
(Purchase) / Sale of Fixed Assets	(19,486,302)
(Purchase) / Sale of Investments	(33,600)
Interest Income	-
Net Cash Flow from Investing Activities	(15,589,730)
C CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from Issue of shares	200,000
Share Premium Received	16,890,000
Capital Reserve on Business Purchase	-
Proceeds from Long Term Borrowings (Net)	-
Proceeds from Short Term Unsecured Borrowings (Net)	10,349
Preliminary & Preoperative Expenses	(7,800)
Interest Paid	-
	17,092,549
D Net Increase / (Decrease) in Cash & Cash Equivalents	1,502,819
E Opening Balance of Cash & Cash Equivalents	-
F Closing Balance of Cash & Cash Equivalents	1,502,819

for Girish Murthy & Kumar
Chartered Accountants

For Rajdin Apparels Pvt. Ltd.

B. Girish Rao
Partner
Membership No.85745

Madanlal J Hinduja
Director

Rajendra J Hinduja
Director

Place : Bangalore
Dated :17th June 2005

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration details

REGISTRATION NO 33904

BALANCE SHEET DATE 31.03.2005

STATE CODE

08

II Capital raised during the year (Amount in Rs. Thousands)

PUBLIC ISSUE

RIGHTS ISSUE

N I L

N I L

BONUS ISSUE

PRIVATE PLACEMENT

N I L

200

III. Position of mobilisation and deployment of funds (amount in Rs. Thousands)

TOTAL LIABILITIES

TOTAL ASSETS

17265

17265

Sources of funds

PAID UP CAPITAL

RESERVES & SURPLUS

200

17055

SECURED LOANS

UNSECURED LOANS

N I L

10

Deferred Tax Liability (Net)

N I L

Application of funds

NET FIXED ASSETS
including capital work in progress

INVESTMENTS

17898

34

NET CURRENT ASSETS

MISC EXPENDITURE

-702

7

ACCUMULATED LOSSES

DEFERRED TAX ASSET

N I L

28

IV. Performance of Company (Amount in Rs. Thousands)

TURNOVER (TOTAL INCOME)

TOTAL EXPENDITURE

62090

61826

+ - PROFIT / (LOSS) BEFORE TAX

+ - PROFIT AFTER TAX

265

165

(Please tick appropriate box + for profit, - for loss)

EARNING PER SHARE

DIVIDEND RATE %

(on profit after taxes)

13.18

N I L

V. Generic Names of three principal products/services of Company (as per monetary terms)

ITEM CODE NO (ITC CODE)

PRODUCT DESCRIPTION

NOT APPLICABLE

For and on behalf of the board

Madanlal J Hinduja
Director

Rajendra J Hinduja
Director

Bangalore: June 17, 2005

REFLEXION TRADING PRIVATE LIMITED

Board of Directors

Shri Madanlal J Hinduja Chairman
Shri Rajendra J Hinduja Director
Shri Dinesh J Hinduja Director

Registered Office:

70, Mission Road
Bangalore-560027.

Auditors

M/s V M Pal & Co.
Chartered Accountants
"Vasundhara", 127, 2nd Floor
10th Cross, Margosa Road, Malleswaram
Bangalore - 560003.

Bankers

Canara Bank
"Avenue Plaza"
Avenue Road Branch
Bangalore - 560002

2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956, as on that date.

In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, together with and subject to notes annexed thereto, give the information required, and give a true and fair view:

a. In the case of Balance Sheet of the state of affairs of the company as at 31st March, 2005,

and

b. in the case of Cash Flow Statement, of the cash flows of the company for the year ended on that date.

As required by the Companies (Auditors report) order, 2003 issued by the company law board, and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of our audit, we report that:-

The company has not commenced any operations as on the date of the Balance Sheet, hence clauses i to v, vii, x & xiv of Companies (Auditors report) order, 2003 do not apply. We report as follows on the remaining clauses:

- i) The company has not taken any loans secured or unsecured (except from Directors and the Holding Company) from companies, firm or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- ii) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase fixed Assets, inventory and with regard to sale of goods During the course of audit we have not noticed any evidence of continuing failures to correct major weaknesses in internal control.
- iii) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act.1956 have been entered.
- iv) The company has not accepted deposits from the public during the year to which the provisions of section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are applicable.
- v) In our opinion, the company's present Internal Audit System is commensurate with the size and nature of its business.
- vi) The central government has not prescribed the maintenance of cost records by the companies under section 209(i)(d) of the Companies Act, 1956.
- vii) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty, excise duty and cess were in arrears as at 31.03.2005 for a period of more than six months from the date they became payable.
- viii) According to the information and explanations given to us, there are no dues of income tax wealth tax, sales tax, custom duty, excise duty and cess which have not been deposited on account of any dispute
- ix) The company is not having any accumulated losses nor the company has incurred any cash loss for this year or the preceding financial year.
- x) The company has not taken any loan from financial institutions and from banks and as such question of default in repayment does not arise. The company has not issued any debentures at any point of time.
- xi) The company has not granted any loans/advances on the basis of security by way of shares, debenture etc. As such no records and documents have been maintained.
- xii) In our opinion, the company is not dealing or trading in shares, debentures and other investments and as such no records have been maintained. During the year company has not made any investments.
- xiii) We have been informed by the company that it has not given any guarantee for any loans taken by the others from banks and financial institutions.
- xiv) The company has not taken any term loans during this year and as such question of its application for the purpose for which it is taken does not arise.
- xv) According to the information and explanations given to us, and on an overall examination of the balance sheet of the company, we report that the company has not used any funds raised on short term basis for long term investment and long term funds for short term

DIRECTORS REPORT

Your Directors take great pleasure in presenting the Second Annual Report of your Company together with the audited accounts for the period ended 31st March 2005.

1. Commencement of Commercial Activities:

The Company is yet to commence commercial activities and expects to commence the same during the financial year 2005-2006.

2. Auditors:

M/s. V.M. Pal & Co, Chartered Accountants, will retire at the ensuing Annual General Meeting. However, being eligible, they offer themselves for re-appointment.

3. Directors:

During the period under review, Shri Madanlal J Hinduja and Shri Dinesh J Hinduja were appointed as additional directors and seek your approval for their appointment as directors in the ensuing Annual General Meeting

4. Conservation of energy, foreign exchange earnings and outgo:

Not applicable.

5. Particulars of Employees :

Nil

6. Directors Responsibility statement:

Since the company is yet to commence commercial activities, these disclosures are not applicable.

For and on behalf of the Board of Directors

Bangalore
June 17,2005

MADANLAL J HINDUJA
CHAIRMAN

AUDITORS' REPORT

TO THE MEMBERS OF REFLEXION TRADING PRIVATE LIMITED

We have audited the attached Balance Sheet of **REFLEXION TRADING PRIVATE LIMITED** as on 31st March 2005 and the Cash Flow statement for the year ended on that date annexed thereto. Since there were no operations during the year the company has not prepared the Profit and Loss Account statement. 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.

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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further, we report that,

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

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 the books.

The said Balance Sheet and the Cash Flow Statement dealt by this report are in agreement with books of account.

In our opinion, the Balance Sheet and the Cash Flow Statement dealt with by this report complies with the mandatory Accounting Standards referred in Section 211 (3C) of the Companies Act, 1956, and

On the basis of written representations received from the directors as at 31st March 2005 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March

Subsidiary

investment.

- xvi) According to the information and explanations given to us, the company has not made any preferential allotment of shares is made by the company to parties and companies covered in the registers maintained under section 301 of the act.
- xvii) According to the information and explanations given to us, during the period covered by our report, the company has not issued any debentures and therefore no securities have been created.
- xviii) The company has not raised any money by public issue and as such disclosure on the end use of money does not arise.
- xix) We have not noticed any fraud on or by the company during the year.

- xx) The company is not covered under special statutory provisions applicable to the chit fund, nidhi or mutual benefit societies.

PLACE : Bangalore
DATE: 17TH June, 2005

FOR V.M.PAL & CO
Chartered
Accountants
A.V.PAL
Partner.
Membership No : 37316

BALANCE SHEET AS AT 31.03.2005

Particulars	Sch.	Amount (Rs) 31/03/2005	Amount (Rs) 31/03/2004
SOURCES OF FUNDS			
A. Shareholders Funds			
Share Capital	A	100,000	100,000
Reserves & Surplus		-	-
B. Loan Funds			
Secured Loans		-	-
Unsecured Loans	B	35,133	16,920
		135,133	116,920
APPLICATION OF FUNDS			
a) Fixed Assets		-	-
b) Investments		-	-
c) Current Assets, Loans & Advances	C	119,777	107,787
Less: Current Liabilities & Provisions	D	-	5,400
Net Current Assets		119,777	102,387
d) Miscellaneous Expenditure (To the extent not written off or adjusted)	E	15,356	14,533
		135,133	116,920
NOTES TO ACCOUNTS	F		

Schedules referred to above form an integral part of this Balance Sheet.

for Reflexion Trading Pvt Ltd.

Madanlal J Hinduja Rajendra J Hinduja
Director Director

Place : Bangalore
Dated :17th June 2005

Vide our report of even date
For V.M Pal & Co.
Chartered Accountants
A.V. Pal
Partner
Membership No.37316

SCHEDULES TO BALANCE SHEET

Particulars	Amount (Rs) 31/03/2005	Amount (Rs) 31/03/2004
Schedule A : Share Capital		
Authorised Share Capital		
10,000 Equity Shares of Rs. 10 each	100,000	100,000
Issued, Subscribed & Paid Up capital		
10,000 Equity Shares of Rs.10 each	100,000	100,000
Schedule B: Unsecured Loans		
From Directors	9,133	16,920
From Holding Company	26,000	-
	35,133	16,920
Schedule C: Current Assets, Loans & Advances		
Cash on Hand	99,000	100,000
Cash at Bank- In Current Account	20,777	7,787
	119,777	107,787
Schedule D: Current Liabilities & Provisions		
Current liabilities	-	5,400
Provisions	-	-
	-	5,400
Schedule E: Miscellaneous Expenses		
(To the extent not written off or adjusted)		
Preoperative Expenses	6,398	5,575
Preliminary Expenses	8,958	8,958
	15,356	14,533

Schedules annexed to and forming part of accounts for the year ended March 31, 2005

Schedule F

Notes to Account

1. Background

Reflexion Trading Private Limited (herein after referred to as "the Company") was incorporated on 07th March 2003. The Company became a subsidiary of Gokaldas Exports Limited (formerly known as Gokaldas India Private limited) on 1st December 2004.

2. Significant accounting policies

a. Basis of preparation of financial statements and use of estimates

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

b. Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition/construction. Cost includes taxes, duties, freight and other incidental expenses related to acquisition/construction.

Depreciation on fixed assets is provided on written down value method at the rate and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

c. Inventories

Raw material, stores, spares and consumables are valued at cost. Finished goods are valued at lower of cost or net realisable value. Cost is ascertained on weighted average basis and in the case of finished products includes appropriate production overheads. Duty liabilities, if any, in respect of uncleared finished goods are provided for and included in the carrying value of inventories.

d. Revenue recognition

Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer, which is generally on dispatch of goods from factory.

Contract receipts are recognized as revenue as per the Completed Service Contract Method, upon delivery of finished goods.

e. Export incentives

Export incentives principally comprise of duty drawback and premium on past performance entitlements. Duty drawback is recognized as revenue on accrual basis to the extent the realisation is certain. Premium on past performance entitlements are accounted on transfer of such entitlements.

f. Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rates prevailing on the dates of the transaction. Monetary foreign currency assets and liabilities are translated at forward cover rate or at the period end exchange rate, as applicable. Resultant gains or losses are recognised in the profit and loss account. Exchange differences arising on forward exchange contracts are recognized over the period of the contract.

g. Investments

Long term investments are valued at cost. Provision for diminution, if any, in the value of investments is made to recognise a decline, other than temporary. Current investments are valued at lower of cost and market value. Cost includes incidental charges incurred towards acquisition of such investments.

h. Retirement benefits

Company's contributions to defined contribution schemes such as provident fund and family pension funds are charged to the profit and loss account on accrual basis. Provision for leave encashment and gratuity, which is in the nature of defined benefit scheme, is based on actuarial valuation done as at the balance sheet date by independent actuaries.

i. Accounting for taxes on income

Provision for current tax is based on the tax payable for the year under the Income-tax Act, 1961. Deferred tax on timing differences between taxable income and accounted income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets, other than on unabsorbed tax depreciation and unabsorbed tax losses, are recognised only to the extent that there is a reasonable certainty of their realisation. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognised only to the extent that there is virtual certainty of their realization supported by convincing evidence.

j. Preliminary expenses

Preliminary expenses are amortized over a period of ten years.

3. Contingent liabilities

Particulars	Amount in Rupees	
	As at March 31, 2005	As at March 31, 2004
Disputed income tax demand pending in appeal	Nil	Nil
Relating to Labour dispute	Nil	Nil
Guarantees given by banks	Nil	Nil
Outstanding letter of credit	Nil	Nil
Bills discounted with banks	Nil	Nil
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	Nil	Nil

4. During the year, the Company has not imported any capital goods.

5. No remuneration was paid to the Directors or their relatives during the year.

6. In the opinion of the Board, current assets, loans and advances have a value of at least equal to the amounts shown in the balance sheet, if realized in the ordinary course of the business. The provision for all the known liabilities including depreciation is adequate and not in excess of the amount reasonably necessary.

7. There were no dues to SSI units which are identified based on the information available with the management where dues are outstanding for a sum exceeding Rs 1,00,000.00 and outstanding for more than 30 days as at March 31, 2005:

Subsidiary

8. Segment information

a. Primary business segment

The primary business segment is manufacturing and sale of readymade garments and intermediates. However there were no operations during the year. Therefore, Profit and Loss Account has not been prepared and the expenses incurred till the date of the Balance Sheet have been transferred to Preoperative Expenses.

b. Geographical distribution of revenue:

Amount in Rupees

Particulars	Revenue by geographical market	Carrying amount of segment assets	Additions to tangible and intangible fixed assets
European Union and Western Europe			
USA, Canada and North America			
India	Nil (Nil)	Nil (Nil)	Nil (Nil)
Others			
Total	Nil	Nil	Nil

9. Related party disclosure

a. The following are the names of related parties and description of relationship:

Relationship	Name of the Party
Holding Company	Gokaldas Exports Limited
Other related parties with whom the Company had transactions	
Enterprises where significant influence exists	
NIL	NIL
Key management personnel	
Directors	1) Mr Madanlal J Hinduja 2) Mr Rajendra J Hinduja 3) Mr Dinesh J Hinduja
Relatives of key management personnel	
NIL	NIL
Enterprises over which key management personnel and their relatives exercise significant influence	
Fellow Subsidiaries	1) All Colour Garments Pvt. Ltd. 2) Deejay Trading Pvt. Ltd. 3) Madhin Trading Pvt. Ltd. 4) Rafter Trading Pvt. Ltd. 5) Seven Hills Clothing Pvt. Ltd. 6) Glamourwear Apparels Pvt. Ltd. 7) Magenta Trading Pvt. Ltd. 8) SNS Clothing Pvt. Ltd. 9) Rajdin Apparels Pvt. Ltd. 10) Rishikesh Apparels Pvt. Ltd. 11) Vignesh Apparels Pvt. Ltd.
OTHER PROMOTER GROUP COMPANIES	1) Dazzle Trading Pvt. Ltd. 2) Dice Trading Pvt. Ltd. 3) Hinduja Exports Pvt. Ltd. 4) J.V.N. Exports Pvt. Ltd. 5) Maze Trading Pvt. Ltd. 6) Parichay Investments Limited 7) Polyproducts Pvt. Ltd. 8) Rapple Trading Pvt. Ltd. 9) VAG Exports Pvt. Ltd.

a. The following are the volume of transactions with related parties during the year and outstanding balances as at the year end disclosed in aggregate by type of related party:

Amount in Rupees

Transactions	Holding Company	Fellow Subsidiaries	Key Management Personnel	Other Promoter Group Companies	Enterprises over which key management personnel and their relatives exercise significant influence	Total
Job work charges						
Polywadding purchases						
Rent received						
Rent paid						
Sale of garments						
Hire purchase paid						
Balances Transferred						
Equity contribution	99,990					99,990
(including securities premium)	(0)					(0)
Salary Advance Recovered						
Balance outstanding as on March 31						
— Credit balances	26,000		9,133			35,133
	(0)		(16,920)			(16,920)
— Debit balances						

Subsidiary

10. Earnings per share	<i>Amount in Rupees</i>	
Particulars	2004 - 2005	2003-2004
Net profit for the year as per profit and loss accounts considered as numerator for calculating earnings per share		Nil
Weighted average number of equity shares		10,000
Nominal value per share		10
Earnings per share – Basic and diluted		Nil

11. Deferred taxes		
The deferred tax assets/(liabilities) arising out of timing differences comprise of the following major components:		
		<i>Amount in Rupees</i>
Particulars	As at March 31, 2004	Current year (charge)/credit
		As at March 31, 2005
Difference between book and tax base of fixed assets	Nil	Nil
Retirement benefits allowed on payment basis accrued in books	Nil	Nil
Total	Nil	Nil

12. The aggregate amount of research and development expenditure recognized as an expense during the year was Rs. Nil (Previous year Rs. Nil).

13. Remuneration to directors	<i>Amount in Rupees</i>	
Particulars	2004 – 2005	2003-2004
Salaries	Nil	Nil
Total		

14. Auditors remuneration includes:	<i>Amount in Rupees</i>	
Particulars	2004 – 2005	2003-2004
Audit fees (inclusive of service tax)	Nil	5,400.00
Taxation matters	Nil	Nil
Out of pocket expenses	Nil	Nil
Total	Nil	5,400.00

15. Licensed and installed capacities and production			
Particulars	Unit	2004-2005	2003-2004
<i>Licensed capacity</i>			
Readymade garments	Pcs	Not Applicable	Not Applicable
<i>Installed capacity*</i>			
Readymade garments	Pcs		
<i>Production</i>			
Readymade garments	Pcs		

* The installed capacity is as certified by the management and accepted by the auditors, as it is a technical matter.

16. The Company has not yet started its commercial operations, hence the quantitative particulars is not applicable.

17. **CIF value of imports :**
Current Year : Nil Previous Year : Nil

18. **Expenditure in foreign currency :**
Current Year : Nil Previous Year : Nil

19. Value and percentage of imported and indigenous raw materials, spare parts and components consumed	<i>Amount in Rupees</i>	
Particulars	2004-2005	%
<i>Raw Materials : Imported</i>	Nil	
<i>Indigenous</i>		
Total		
<i>Tools, spare parts and components: Imported</i>	Nil	
<i>Indigenous</i>		
Total		

20. **Earnings in foreign currency:**
Current Year : Nil Previous Year : Nil

21. The previous years figures have been regrouped/rearranged/reclassified wherever necessary to confirm the current years presentation.

Signatures to schedules A to F
For and on behalf of the Board

Madanlal J Hinduja
Chairman

Rajendra J Hinduja
Director

Bangalore: June 17, 2005

For V.M. PAL & Co.
Chartered Accountants
A. V. PAL
Partner
Membership No. 37316

Subsidiary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2005

	Amount Rs.
A Cash flow from Operating Activities	
Profits before Tax & Extraordinary Items	-
Adjustments for:	
a) Depreciation	-
b) Interest Income	-
c) Dividend Income	-
d) Preliminary Expenses & Preoperative Exps written off	-
e) Interest Expense	-
f) Prior Period Income	-
Operating Profit before Working Capital Changes	-
(Increase) / Decrease in Sundry Debtors	-
(Increase) / Decrease in Inventories	-
(Increase) / Decrease in Loan & Advances	-
(Increase) / Decrease in Other Current Assets	-
(Decrease) / Increase in Current Liabilities & Provisions	(5,400)
Cash Generated From Operations	(5,400)
B CASH FLOW FROM INVESTING ACTIVITIES	
(Purchase) / Sale of Fixed Assets	-
(Purchase) / Sale of Investments	-
Interest Income	-
Net Cash Flow from Investing Activities	(5,400)
C CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from Issue of shares	-
Share Premium Received	-
Capital Reserve on Business Purchase	-
Proceeds from Long Term Borrowings (Net)	-
Proceeds from Short Term Unsecured Borrowings (Net)	18,213
Preliminary & Preoperative Expenses	(823)
Interest Paid	-
	17,390
D Net Increase / (Decrease) in Cash & Cash Equivalents	11,990
E Opening Balance of Cash & Cash Equivalents	107,787
F Closing Balance of Cash & Cash Equivalents	119,777

for Reflexion Trading (Pvt) Ltd.

Madanlal J Hinduja Rajendra J Hinduja
Director Director

Place : Bangalore
Dated :17th June 2005

For V.M Pal & Co.
Chartered Accountants
A.V. Pal
Partner
Membership No.37316

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration details

REGISTRATION NO 31680
BALANCE SHEET DATE 31.03.2005 STATE CODE 08

II Capital raised during the year (Amount in Rs. Thousands)

PUBLIC ISSUE RIGHTS ISSUE
NIL NIL
BONUS ISSUE PRIVATE PLACEMENT
NIL NIL

III. Position of mobilisation and deployment of funds (amount in Rs. Thousands)

TOTAL LIABILITIES TOTAL ASSETS
135 135

Sources of funds

PAID UP CAPITAL RESERVES & SURPLUS
100 NIL
SECURED LOANS UNSECURED LOANS
NIL 35

Application of funds

NET FIXED ASSETS INVESTMENTS
including capital work in progress NIL NIL
NET CURRENT ASSETS MISC EXPENDITURE
120 15
ACCUMULATED LOSSES DEFERRED TAX ASSET
NIL NIL

IV. Performance of Company (Amount in Rs. Thousands)

TURNOVER (TOTAL INCOME) TOTAL EXPENDITURE
NIL NIL
+ - PROFIT/(LOSS) BEFORE TAX + - PROFIT AFTER TAX
✓ NIL ✓ NIL

(Please tick appropriate box + for profit, - for loss)

EARNING PER SHARE DIVIDEND RATE %
(on profit after taxes)
 NIL

V. Generic Names of three principal products/services of Company (as per monetary terms)

ITEM CODE NO (ITC CODE) PRODUCT DESCRIPTION
 NOT APPLICABLE

For and on behalf of the board

for Reflexion Trading Pvt. Ltd

Madanlal J Hinduja Rajendra J Hinduja
Director Director

Place : Bangalore
Dated :17th June 2005

RISHIKESH APPARELS PRIVATE LIMITED

Board of Directors

Shri Madanlal J Hinduja Chairman
Shri Rajendra J Hinduja Director
Shri Dinesh J Hinduja Director

Registered Office:

70, Mission Road
Bangalore-560027.

Auditors

M/s Girish Murthy & Kumar.
Chartered Accountants
4502, High Point IV, 45, Palace Road
Bangalore - 560001.

Bankers

Canara Bank
"Avenue Plaza"
Avenue Road Branch
Bangalore - 560002

DIRECTORS REPORT

Your Directors take great pleasure in presenting the First Annual Report of your Company together with the audited accounts for the period ended 31st March 2005.

1. Financial Results:

The company primarily derives its income from the holding company, viz., Gokaldas Exports Limited by way of Job Work charges and the financial results for the period ended 31st March 2005 are furnished below :

	Rs.
Total Income	5,38,03,565
Less : Expenditure	<u>5,35,93,285</u>
Profit before tax	2,10,280
Provision for Taxation :	
Current Tax	93,431
Provision for Deferred Tax	<u>(16,483)</u>
Profit after tax	<u>1,33,332</u>

2. Auditors:

M/s. Girish Murthy & Kumar, Chartered Accountants, will retire at the ensuing Annual General Meeting. However, being eligible, they offer themselves for re-appointment.

3. Directors:

During the period under review, Shri Madanlal J Hinduja, Shri Rajendra J Hinduja and Shri Dinesh J Hinduja were appointed as additional directors and seek your approval for their appointment as directors in the ensuing Annual General Meeting.

4. Conservation of energy, foreign exchange earnings and outgo:

Not applicable

5. Particulars of Employees :

Nil

6. Directors Responsibility statement:

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Board of directors report that :

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- accounting policies have been selected and applied consistently and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the annual accounts have been prepared on a "going concern" basis.

7. ACKNOWLEDGEMENTS:

Your Directors express their thanks to Gokaldas Exports Ltd, the holding company, its bankers and employees for their support and look forward to their continued co-operation in the ensuing year.

For and on behalf of the Board of Directors

Bangalore
June 17, 2005

MADANLAL J HINDUJA
CHAIRMAN

AUDITORS' REPORT

TO THE MEMBERS OF RISHIKESH APPARELS PRIVATE LIMITED

We have audited the attached Balance Sheet of **RISHIKESH APPARELS PRIVATE LIMITED** as on 31st March 2005 & Profit and Loss Account and Cash Flow Statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further, we report that,

- We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit. 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 the books. The said Balance Sheet and Profit and Loss account and the Cash Flow Statement dealt by this report are in agreement with books of account. In our opinion, the Balance Sheet and the Profit and Loss Account and Cash Flow Statement dealt with by this report complies with the mandatory Accounting Standards referred in Section 211 (3C) of the Companies Act, 1956, and On the basis of written representations received from the directors as at 31st March 2005 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2005 from being appointed as a director in terms of clause(g) of sub-section(1) of section 274 of the Companies Act, 1956, as on that date. In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, together with and subject to notes annexed thereto, give the information required, and give a true and fair view:
 - In the case of Balance Sheet of the state of affairs of the company as at 31st March, 2005,
 - In the case of Profit and Loss account, of the profit of the company for the period ended on that date, and
 - In the case of Cash Flow Statement, of the cash flows of the company for the period ended on that date.

As required by the Companies (Auditors report) order, 2003 issued by the company law board, and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of our audit, we report that:-

- The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. During the period the fixed assets have been physically verified by the management and there were no discrepancies.
- No substantial part of the Fixed Assets have been disposed during the period.
- The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- The company has not taken any loans secured or unsecured from companies, firm or other parties listed in the register maintained under section 301 of the Companies Act 1956.
- The company has not granted any loans, secured or unsecured to the companies, firms or other parties listed in the register maintained under section 301 of the Companies' Act 1956.
- In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase fixed Assets, inventory and with regard to sale of goods during the course of audit we have not noticed any evidence of continuing failures to correct major weaknesses in internal control.
- According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been entered.
- In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contract or arrangements entered in the register maintained under section 301 of the companies Act 1956 and exceeding the value of rupees five lakhs in respect of any party during the period have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- The company has not accepted deposits from the public during the period to which the provisions of section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are applicable.

Subsidiary

- xii) In our opinion, the company's present Internal Audit system is commensurate with the size and nature of its business.
- xiii) The central government has not prescribed the maintenance of cost records by the companies under section 209(i)(d) of the Companies Act, 1956.
- xiv) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees state insurance, Income tax, sales tax, custom duty, excise duty, cess and other material statutory dues applicable to it..
- xv) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty, excise duty and cess were in arrears as at 31.03.2005 for a period of more than six months from the date they became payable.
- xvi) According to the information and explanations given to us, there are no dues of income tax wealth tax, sales tax, custom duty, excise duty and cess which have not been deposited on account of any dispute.
- xvii) The Company is not having any accumulated losses nor the company has incurred any cash loss for this period.
- xviii) The company has not taken any loan from financial institutions and from banks and as such question of default in repayment does not arise. The Company has not issued any debentures at any point of time.
- xix) The company has not granted any loans/advances on the basis of security by way of shares, debenture etc. As such no records and documents have been maintained.
- xx) In our opinion, the company is not dealing or trading in shares, debentures and other investments and as such no records have been maintained. During the period company has not made any investments.

- xxi) We have been informed by the company that it has not given any guarantee for any loan taken by the others from banks and financial institutions.
- xxii) The company has not taken any term loan during this period and as such question of its application for the purpose for which it is taken does not arise.
- xxiii) According to the information and explanations given to us, and on an overall examination of the balance sheet of the company, we report that the company has not used any funds raised on short term basis for long term investment and long term funds for short term investment.
- xxiv) According to the information and explanations given to us, the company has not made any preferential allotment of shares is made by the company to parties and companies covered in the registers maintained under section 301 of the act.
- xxv) According to the information and explanations given to us, during the period covered by our report, the company has not issued any debentures and therefore no securities have been created.
- xxvi) The company has not raised any money by public issue and as such disclosure on the end use of money does not arise.
- xxvii) We have not noticed any fraud on or by the company during the period.
- xxviii) The company is not covered under special statutory provisions applicable to the chit fund, nidhi or mutual benefit societies.

PLACE : BANGALORE
DATED : 17th June , 2005

F OR GIRISH MURTHY & KUMAR
Chartered Accountants

GIRISH RAO.B
Partner
Membership No.85745

BALANCE SHEET AS AT 31.03.2005

SOURCES OF FUNDS	SCH. #	Amount Rs.
SHAREHOLDERS FUNDS		
Share Capital	I	200,000
Reserves & Surplus	II	6,721,731
Unsecured loans from others		8,800
TOTAL		6,930,531
APPLICATION OF FUNDS		
FIXED ASSETS	XII	
Gross Block		12,632,956
Less- Depreciation		1,211,000
Net Block		11,421,956
Capital work in progress		6,444,313
INVESTMENTS	IV	400
CURRENT ASSETS, LOANS AND ADVANCES	V	
Inventories		2,492,542
Sundry Debtors		120,913
Cash & Bank Balances		868,554
Other Current Assets		5,452,584
Loans & Advances		33,610,289
	(A)	42,544,882
CURRENT LIABILITIES AND PROVISIONS	III	
(a) Liabilities		46,497,915
(b) Provisions		7,086,066
	(B)	53,583,981
Net Current Assets	(A-B)	(11,039,099)
Deferred Tax Asset		16,483
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Pre-operative Expenses		79,460
Preliminary Expenses		7,020
Significant Accounting Policies and notes on Accounts	XIII	6,930,531

Schedules Referred to above form an integral part of the accounts.
This is the Balance Sheet mentioned in our Report of even date.

for Girish Murthy & Kumar
Chartered Accountants

B. Girish Rao
Partner
Membership No.85745

Place : Bangalore
Dated :17th June 2005

For Rishikesh Apparels Pvt. Ltd.

Madanlal J Hinduja
Director

Rajendra J Hinduja
Director

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31.03.2005

PARTICULARS	SCH. #	Amount Rs.
INCOME		
Job Works	VI	53,594,279
Other Income	VII	209,286
Total A		53,803,565
EXPENDITURE		
Material, Manufacturing and Operating Expenditure	VIII	11,888,080
Personel Expenditure	IX	33,204,298
Sales & Administrative Expenditure	X	7,279,973
Financial Expenditure	XI	9,933
Depreciation	XII	1,211,000
Total B		53,593,285
Profit Before Taxation		210,280
Provision for Taxation		93,431
Provision for Deferred tax		(16,483)
Profit After Taxation		133,332
Profit Brought Forward from Previous Year		-
Profit After Taxation Carried to Balance Sheet		133,332

Schedules Referred to above form an integral part of the accounts. This is the Profit and Loss account mentioned in our Report of even date.

for Girish Murthy & Kumar
Chartered Accountants

B. Girish Rao
Partner
Membership No.85745

Place : Bangalore
Dated :17th June 2005

For Rishikesh Apparels Pvt. Ltd.

Madanlal J Hinduja
Director

Rajendra J Hinduja
Director

Subsidiary

SCHEDULES TO ACCOUNTS FOR THE PERIOD ENDED 31th March 2005

	Amount Rs.	
SCHEDULE - I - SHARE CAPITAL		
Authorised Share Capital		
20,000 Equity Shares of Rs 10 each	200,000	
Issued ,Subscribed & Paidup Capital :		
20,000 Equity Shares of Rs 10 each	200,000	
SCHEDULE - II - RESERVES AND SURPLUS		
Balance in Profit & loss account	133,332	
Share premium	6,583,000	
Capital Reserve	5,398	6,721,731
SCHEDULE III - CURRENT LIABILITIES AND PROVISIONS		
(A) CURRENT LIABILITIES :		
Sundry Creditors	3,140,772	
Other Liabilities	864,367	
Bank Over Draft	422,288	
Advance from Customers	1,554	
Balance with parent company & Co-subsidaries	42,068,933	
		46,497,915
(B) PROVISIONS :		
Provision for Expenses	6,992,635	
Provision for Taxation	93,431	7,086,066
		53,583,981
SCHEDULE IV- INVESTMENTS		
Indira Vikasa Pathra		400
SCHEDULE V - CURRENT ASSETS, LOANS AND ADVANCES		
(A) CURRENT ASSETS :		
(a) Stock of consumables	2,492,542	
(b) Sundry Debtors	120,913	
(c) Cash and Bank Balances :		
(i) Cash on Hand	553,278	
(ii) With Scheduled Banks		
- Current Accounts	315,276	
(d) Other Current Assets	5,452,584	6,442,051
(B) LOANS AND ADVANCES :		
(A) Advances recoverable in cash or for value to be received.		
(i) for Supplies and Services	833,619	
(ii) To Staff	189,944	
(iii) others	-	
(c) Other Deposits	32,586,726	33,610,289
		40,052,340

SCHEDULE VI - JOB WORK RECEIPTS

Tailoring Charges	22,039,336
Finishing Charges	3,430,730
Washing Charges	28,124,213
	53,594,279

SCHEDULE VII - OTHER INCOME

Interest on I.T Refund	52,918
Scrap sales	2,730
Transfer of Past Performance entitlement	3,436
ESI old Balance written off	110,353
Misc Income	39,849
	209,286

SCHEDULES VIII - MATERIAL, MANUFACTURING AND OPERATION EXPENSES :

Consumption of Consumables	135,090
Power & fuel	8,425,062
Machinery Repairs & maintainance	1,777,114
Other Manufacturing Expenses	1,550,815
	11,888,080

SCHEDULE IX - PERSONNEL EXPENSES

Salaries, Wages & Bonus	28,246,855
Contribution to P.F & other funds	3,888,217
Welfare Expenses	1,069,226
	33,204,298

SCHEDULE X - SALES & ADMINISTRATION EXPENSES

Rent	2,102,400
Insurance	140,754
Legal & Professional Charges	1,134,241
Printing & Stationery	41,032
Telephone, Postage & Telegrams	159,652
Travelling & Conveyance	171,349
Rates and Taxes	137,100
Repairs & Maintenance	2,003,855
Audit fee	33,060
Vehicle Maintenance	111,256
Sundry Expenses	750,119
Security Expenses	491,986
Clearing, Forwarding and Freight	2,390
Preliminary expenses	780
	7,279,973

SCHEDULE XI - FINANCIAL CHARGES

Bank Charges	9,933
	9,933

SCHEDULE - XII - FIXED ASSETS

Particulars	Gross Block				Depreciation				Net Block	
	As on 01.07.2004	Additions	Deletions	Total 31.03.05	As on 01.07.2004	For the Year	Deletions	Total 31.03.05	As on 31.03.2005	As on 01.07.2004
Buildinds		2,336,004	-	2,336,004	-	175,360	-	175,360	2,160,644	-
Plant & Machinery		7,350,524	-	7,350,524	-	706,041	-	706,041	6,644,483	-
Electricle Equipments		1,712,047	-	1,712,047	-	167,731	-	167,731	1,544,316	-
Office equipments		8,045	-	8,045	-	840	-	840	7,205	-
Furniture		1,226,293	-	1,226,293	-	161,019	-	161,019	1,065,274	-
Vehicles		43	-	43	-	9	-	9	35	-
		12,632,956	-	12,632,956	-	1,211,001	-	1,211,001	11,421,956	-

Subsidiary

Schedules annexed to and forming part of accounts for the period ended March 31, 2005

Schedule XIII

Notes to Accounts

1. Background

Rishikesh Apparels Private Limited (herein after referred to as “the Company”) was incorporated on 15th April 2004. The Company took over all the assets and liabilities of M/s Global Garments as a going concern on 1st July 2004. The Company became a subsidiary of Gokaldas Exports Limited (formerly known as Gokaldas India Private Limited) on 1st December 2004.

2. Significant accounting policies

a. Basis of preparation of financial statements and use of estimates

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (“GAAP”) under the historical cost convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

b. Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition/construction. Cost includes taxes, duties, freight and other incidental expenses related to acquisition/construction.

Depreciation on fixed assets is provided on written down value method at the rate and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

c. Inventories

Raw material, packing material, stores, spares and consumables are valued at cost. Finished goods are valued at lower of cost and net realisable value. Cost is ascertained on weighted average basis and in case of finished products includes appropriate production overheads. Duty liabilities, if any, in respect of uncleared finished goods are provided for and included in the carrying value of inventories.

d. Revenue recognition

I) Sale: Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer, which is generally on dispatch of goods from factory.

II) Contract Receipt: Contract receipts are recognized as per the complete service contract method, upon delivery of garments, in accordance with requirement of AS 9.

e. Export incentives

Export incentives principally comprise of duty drawback and premium on past performance entitlements. The benefit under these incentive schemes are available based on the guideline formulated for respective schemes by the government authorities. Duty drawback is recognized as revenue on accrual basis to the extent it is probable that realisation is certain. Premium on past performance entitlements are accounted on transfer of such entitlements.

f. Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rates prevailing on the dates of the transaction. Monetary foreign currency assets and liabilities are translated at forward cover rate or at the period end exchange rate, as applicable. Resultant gains or losses are recognised in the profit and loss account. Exchange differences arising on forward exchange contracts are recognized over the period of the contract.

g. Investments

Long term investments are valued at cost. Provision for diminution, if any, in the value of investments is made to recognise a decline, other than temporary. Current investments are valued at lower of cost and market value. Cost includes incidental charges incurred towards acquisition of such investments.

h. Retirement benefits

Company's contributions to defined contribution schemes such as provident fund and family pension funds are charged to the profit and loss account on accrual basis. Provision for leave encashment and gratuity, which is in the nature of defined benefit scheme, is based on actuarial valuation done as at the balance sheet date by independent actuaries.

i. Accounting for taxes on income

Provision for current tax is made based on the tax payable for the year under the Income-tax Act, 1961. Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets, other than on unabsorbed tax depreciation and unabsorbed tax losses, are recognised only to the extent that there is a reasonable certainty of their realisation. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognised only to the extent that there is virtual certainty of their realization supported by convincing evidence.

j. Preliminary expenses

Preliminary expenses are amortized over a period of ten years.

3. Contingent liabilities

Amount in Rupees

Particulars	As at March 31, 2005
Disputed income tax demand pending in appeal	Nil
Relating to Labour dispute	Nil
Guarantees given by banks	Nil
Outstanding letter of credit	Nil
Bills discounted with banks	Nil
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	11,00,000

4. During the period, the Company has not imported any capital goods.

5. No remuneration was paid to the Directors or their relatives during the period.

6. In the opinion of the Board, current assets, loans and advances have a value of at least equal to the amounts shown in the balance sheet, if realized in the ordinary course of the business. The provision for all the known liabilities including depreciation is adequate and not in excess of the amount reasonably necessary.

7. There were no dues to SSI units which are identified based on the information available with the management where dues are outstanding for a sum exceeding Rs 1,00,000.00 and outstanding for more than 30 days as at March 31, 2005:

Subsidiary

8. Segment information

a. Primary business segment

The Company is exclusively engaged in the business segment of job work of garments.

b. Geographical distribution of revenue:

Amount in Rupees

Particulars	Revenue by geographical market	Carrying amount of segment assets	Additions to tangible and intangible fixed assets
European Union and Western Europe			
USA, Canada and North America			
India	5,35,94,279	6,04,11,549	1,90,77,267
Others			
Total	5,35,94,279	6,04,11,549	1,90,77,267

9. Related party disclosure

a. The following are the names of related parties and description of relationship:

Relationship	Name of the Party
Holding Company	Gokaldas Exports Limited
Other related parties with whom the Company had transactions	
Enterprises where significant influence exists	
NIL	NIL
Key management personnel	
Directors	1) Mr Madanlal J Hinduja 2) Mr Rajendra J Hinduja 3) Mr Dinesh J Hinduja
Relatives of key management personnel	
NIL	NIL
Enterprises over which key management personnel and their relatives exercise significant influence	
Fellow Subsidiaries	1) All Colour Garments Pvt. Ltd. 2) Deejay Trading Pvt. Ltd. 3) Madhin Trading Pvt. Ltd. 4) Magenta Trading Pvt. Ltd. 5) Rafter Trading Pvt. Ltd. 6) Glamourwear Apparels Pvt. Ltd. 7) Reflexion Trading Pvt. Ltd. 8) SNS Clothing Pvt. Ltd. 9) Rajdin Apparels Pvt. Ltd. 10) Sevenhills Trading Pvt. Ltd. 11) Vignesh Apparels Pvt. Ltd.
OTHER PROMOTER GROUP COMPANIES	1) Dazzle Trading Pvt. Ltd. 2) Dice Trading Pvt. Ltd. 3) Hinduja Exports Pvt. Ltd. 4) J.V.N. Exports Pvt. Ltd. 5) Maze Trading Pvt. Ltd. 6) Parichay Investments Limited 7) Polyproducts Pvt. Ltd. 8) Rapple Trading Pvt. Ltd. 9) VAG Exports Pvt. Ltd.

b. The following are the volume of transactions with related parties during the year and outstanding balances as at the year end disclosed in aggregate by type of related party:

Amount in Rupees

Transactions	Holding Company	Fellow Subsidiaries	Key Management Personnel	Other Promoter Group Companies	Enterprises over which key management personnel and their relatives exercise significant influence	Total
Job work charges	5,35,94,279					5,35,94,279
Funds Transferred						
Equity contribution (including securities premium)	67,82,990					67,82,990
Quota Sales	3,436					3,436
Balance outstanding as on March 31						
— Credit balances	3,71,91,581					3,71,91,581
— Debit balances						

10. Earnings per share

Amount in Rupees

Particulars	2004 - 2005
Net profit for the period as per profit and loss accounts considered as numerator for calculating earnings per share	1,33,332
Weighted average number of equity shares	13,333
Nominal value per share	10
Earnings per share – Basic and diluted	10.00

Subsidiary

11. Deferred taxes

The deferred tax assets/(liabilities) arising out of timing differences comprise of the following major components:

Particulars	Current period (charge)/credit	Amount in Rupees As at
		March 31, 2005
Difference between book and tax base of fixed assets	(5,32,604)	(5,32,604)
Retirement benefits allowed on payment basis accrued in books	5,49,087	5,49,087
Total	16,483	16,483

12. The aggregate amount of research and development expenditure recognized as an expense during the period was Rs. Nil.

13. Remuneration to directors

Particulars	Amount in Rupees 2004 – 2005
Salaries	Nil
Total	

14. Auditors remuneration includes:

Particulars	Amount in Rupees 2004 – 2005
Audit fees (inclusive of service tax)	33,060.00
Taxation matters	Nil
Out of pocket expenses	Nil
Total	33,060.00

15. Licensed and installed capacities and production

Particulars	Unit	2004-2005
<i>Licensed capacity</i>		
Readymade garments	Pcs	Not Applicable
<i>Installed capacity*</i>		
Readymade garments	Pcs	
<i>Production</i>		
Readymade garments	Pcs	

* The installed capacity is as certified by the management and accepted by the auditors, as it is a technical matter.

16. The Company is engaged exclusively in Job Work and hence quantitative particulars cannot be given.

17. CIF value of imports :

Current period : Nil

18. Expenditure in foreign currency :

Current period : Nil

19. Value and percentage of imported and indigenous raw materials, spare parts and components consumed

Particulars	Amount in Rupees 2004-2005	
	Amount	%
<i>Raw Materials</i> : Imported	NOT APPLICABLE	
Indigenous		
Total		
<i>Tools, spare parts and components:</i> Imported	NOT APPLICABLE	
Indigenous		
Total		

20. Earnings in foreign currency:

Current Year : Nil Previous Year : Nil

21. Since this is the first year of the Company disclosure of previous years figures is not applicable.

Signatures to schedules I to XIII

For and on behalf of the Board

Madanlal J Hinduja
Director

Rajendra J Hinduja
Director

Bangalore: June 17, 2005

For Girish Murthy & Kumar
Chartered Accountants

Girish Rao.B
Partner
Membership No.85745

Subsidiary

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31.03.2005

		Amount Rs.
A Cash flow from Operating Activities		
Profits before Tax & Extraordinary Items		210,280
Adjustments for:		
a) Depreciation	1,211,000	
b) Interest Income	-	
c) Dividend Income	-	
d) Preliminary Expenses & Preoperative Exps written off	780	
e) Interest Expense	-	
f) Prior Period Income	-	1,211,780
Operating Profit before Working Capital Changes		1,422,060
(Increase) / Decrease in Sundry Debtors	(120,913)	
(Increase) / Decrease in Inventories	(2,492,542)	
(Increase) / Decrease in Loan & Advances	(33,610,289)	
(Increase) / Decrease in Other Current Assets	(5,452,584)	
(Decrease) / Increase in Current Liabilities & Provisions	53,490,550	11,814,222
Cash Generated From Operations		13,236,282
B CASH FLOW FROM INVESTING ACTIVITIES		
(Purchase) / Sale of Fixed Assets	(19,077,267)	
(Purchase) / Sale of Investments	(400)	
Interest Income	-	(19,077,667)
Net Cash Flow from Investing Activities		(5,841,385)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of shares	200,000	
Share Premium Received	6,583,000	
Capital Reserve on Business Purchase	5,398	
Proceeds from Long Term Borrowings (Net)	-	
Proceeds from Short Term Unsecured Borrowings (Net)	8,800	
Preliminary & Preoperative Expenses	(87,260)	
Interest Paid	-	
		6,709,938
D Net Increase / (Decrease) in Cash & Cash Equivalents		868,553
E Opening Balance of Cash & Cash Equivalents		-
F Closing Balance of Cash & Cash Equivalents		868,553

For Girish Murthy & Kumar
Chartered Accountants

B. Girish Rao
Partner
Membership No.85745

Place : Bangalore
Dated :17th June 2005

For Rishikesh Apparels Pvt. Ltd.

Madanlal J Hinduja
Director

Rajendra J Hinduja
Director

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration details

REGISTRATION NO 33760

BALANCE SHEET DATE 31.03.2005

STATE CODE 08

II Capital raised during the year (Amount in Rs. Thousands)

PUBLIC ISSUE

Nil

RIGHTS ISSUE

Nil

BONUS ISSUE

Nil

PRIVATE PLACEMENT

200

III. Position of mobilisation and deployment of funds (amount in Rs. Thousands)

TOTAL LIABILITIES

6931

TOTAL ASSETS

6931

Sources of funds

PAID UP CAPITAL

200

RESERVES & SURPLUS

6722

SECURED LOANS

Nil

UNSECURED LOANS

9

Deferred Tax Liability (Net)

Nil

Application of funds

NET FIXED ASSETS
including capital work in progress

17866

INVESTMENTS

Nil

NET CURRENT ASSETS

-11039

MISC EXPENDITURE

86

ACCUMULATED LOSSES

Nil

DEFERRED TAX ASSET

16

IV. Performance of Company (Amount in Rs. Thousands)

TURNOVER (TOTAL INCOME)

53804

TOTAL EXPENDITURE

53593

+ - PROFIT/(LOSS) BEFORE TAX

210

+ - PROFIT AFTER TAX

133

(Please tick appropriate box + for profit, - for loss)

EARNING PER SHARE
(on profit after taxes)

10

DIVIDEND RATE %

Nil

V. Generic Names of three principal products/services of Company (as per monetary terms)

ITEM CODE NO (ITC CODE)

PRODUCT DESCRIPTION

NOT APPLICABLE

For and on behalf of the board

Madanlal J Hinduja
Director

Rajendra J Hinduja
Director

Bangalore: June 17, 2005

SEVEN HILLS CLOTHING PRIVATE LIMITED

Board of Directors

Shri Madanlal J Hinduja Chairman
Shri Rajendra J Hinduja Director
Shri Dinesh J Hinduja Director

Registered Office:

70, Mission Road
Bangalore-560027.

Auditors

M/s Satish & Ravi Associates
Chartered Accountants
G-10, Naveen Apts., 13th Main
Vasanthnagar, Bangalore - 560001.

Bankers

Canara Bank
"Avenue Plaza"
Avenue Road Branch
Bangalore - 560002

DIRECTORS REPORT

Your Directors take great pleasure in presenting the First Annual Report of your Company together with the audited accounts for the period ended 31st March, 2005.

1. Financial Results:

The company primarily derives its income from the holding company, viz., Gokaldas Exports Limited by way of Job Work charges and the financial results for the period ended 31st March 2005 are furnished below:

	Rs.
Total Income	21,27,58,191
Less : Expenditure	<u>21,24,77,424</u>
Profit before tax	2,80,767
Provision for Taxation :	
Current Tax	8,58,172
Provision for Deferred Tax	<u>7,54,424</u>
Profit after tax	<u>1,77,019</u>

2. Auditors:

M/s. Satish & Ravi Associates, Chartered Accountants, will retire at the ensuing Annual General Meeting. However, being eligible, they offer themselves for re-appointment.

3. Directors:

During the period under review, Shri Madanlal J Hinduja, Shri Rajendra J Hinduja and Shri Dinesh J Hinduja were appointed as additional directors and seek your approval for their appointment as directors in the ensuing Annual General Meeting.

4. Conservation of energy, foreign exchange earnings and outgo:

Not applicable

5. Particulars of Employees :

Nil

6. Statement of Directors Responsibilities:

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Board of directors state that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- accounting policies have been selected and applied consistently and the judgments and estimates made 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.
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the annual accounts have been prepared on a "going concern" basis.

7. ACKNOWLEDGEMENTS:

Your Directors express their thanks to Gokaldas Exports Ltd, the holding company, its bankers and employees for their support and look forward to their continued co-operation in the ensuing year.

For and on behalf of the Board of Directors

Bangalore
June 17, 2005

MADANLAL J HINDUJA
CHAIRMAN

AUDITORS' REPORT

To the members of **Seven Hills Private Limited**,

We have audited the attached Balance Sheet as at 31st March 2005 of **SEVEN HILLS CLOTHING PRIVATE LIMITED**, Bangalore and the Profit and Loss Account and Cash Flow Statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have 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 from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) 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.

1. Further to our comments in Annexure referred to in Paragraph 1 above, we report that:

- We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- 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 the Books of Company.
- The Balance Sheet, Profit and Loss account & Cash Flow dealt with by this report are in agreement with the Books of Account of the Company.
- In our opinion, the Profit and Loss account and Balance Sheet referred above comply with the mandatory Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
- On basis of written representations received from the directors as on 31st March 2005, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on the date of Balance Sheet from being appointed as Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes and the accounting policies thereon, give the information required by the Companies Act, 1956 in the manner so required, subject to: **NIL**

Give a true and fair view:

- In the case of the Balance Sheet, of the State of affairs of the Company as at 31st March 2005;
- In case of the Profit and Loss Account, of the profits for the period ended on that date.
- In case of the Cash Flow Statement, of the Cash Flows for the period ended on that date

For Satish & Ravi Associates,
Chartered Accountants,

Place: Bangalore
Date: 17th June 2005

Satish Makhija
Partner
Membership No. 204203

ANNEXURE TO AUDITORS' REPORT

Statement referred to in Paragraph 1 of our Report of even date to the Members of **Seven Hills Clothing Private Limited** on the accounts for the period ended 31st March 2005.

- The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
 - The fixed assets have been physically verified by the management at reasonable intervals. No material discrepancies were noticed on such verification.
 - The Company has not disposed off substantial part of fixed assets during the year, and therefore do not affect the going concern assumption.
- The Company does not carry any inventory.
 - & (c) Not Applicable.
- The Company has not granted any loans to companies covered in the register maintained under section 301 of the Act. The Company has taken unsecured interest free loans from the holding company.
 - The terms of loan and conditions for the above mentioned interest free unsecured loans taken from the Holding Company covered in the register maintained under section 301 of the Act, are prima-facie not prejudicial to the interests of the Company.
 - There were no repayments of the principal amount during the period, as the same is not stipulated.
 - There are no loans on which Rs. 1.00 lacs or more is overdue.
- In our opinion and according to information and explanations given to us, there exists an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for the purchase of consumables and fixed assets and for job work charges received. There were no major weaknesses in internal control.

Subsidiary

5. (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register in pursuance of section 301 of the Act, have been entered in such register.
- (b) In our opinion, having regard to our comments in para 4 above and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and aggregating during the period to Rupees Five Lakh or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The Company has not accepted deposits from the public, hence the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Act and the rules framed there under, are not applicable to the Company.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have been informed that maintenance of cost records prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act are presently not applicable to the Company.
9. (a) The Company is regular in depositing undisputed statutory dues including Income-tax, Sales-tax, Custom Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities and as per information and explanations given to us there were no arrears of outstanding statutory dues as at the last day of the said period concerned for a period of more than six months from the date they became payable.
- (b) As per information and explanation given to us, there was no dispute

BALANCE SHEET AS AT 31.03.2005

Particulars	Sch.	Amount Rs.
SOURCES OF FUNDS:		
1) Shareholders Funds:		
(a) Share Capital	'A'	200,000
(b) Reserves & Surplus	'B'	30,767,019
2) Loan Funds :		
(a) Secured Loans		
(b) Unsecured Loans	'C'	10,008,800
		40,975,819
APPLICATION OF FUNDS:		
FIXED ASSETS	'D'	
(a) Gross Block		34,170,390
(b) Less: Depreciation Block		2,613,658
(c) Net Block		31,556,732
(d) Capital Work in Progress		0
INVESTMENTS	'E'	200
CURRENT ASSETS, LOANS AND ADVANCES:	'F'	
(a) Inventories		
(b) Sundry Debtors		6,196,578
(c) Cash & Bank Balances		6,346,120
(d) Other Current Assets		32,057,253
(e) Loans and Advances		4,523,505
		49,123,455
LESS: CURRENT LIABILITIES & PROVISIONS :	'G'	
(a) Liabilities		39,607,840
(b) Provisions		858,172
		40,466,011
Net Current Assets		8,657,444
Deferred Tax Asset		754,424
Miscellaneous Expenditure to the extent not written off or adjusted		7,020
Notes to Accounts	'P'	
		40,975,819

Schedules Referred to above form an integral part of this Balance Sheet.

Vide our report of even date
for Seven Hills Clothing Pvt. Ltd. For Satish & Ravi Associates
Chartered Accountants
Madanlal J Hinduja Rajendra J Hinduja Satish Makhija
Director Director Partner
Membership No. 204258

Place : Bangalore
Dated :17th June 2005

- in case dues of sales tax/income tax/custom tax/excise duty/cess.
10. The clause on accumulated losses and cash losses is not applicable since the Company is registered for less than five years.
11. The Company does not owe any debt to banks or financial institutions nor has it issued debentures.
12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debenture and other securities.
13. The Company is not a chit fund, nidhi /mutual benefit fund or a society.
14. The Company is neither dealing nor trading in shares, securities, debentures and other investments and thus the provisions of this clause are not applicable.
15. The Company has not given guarantee for loans taken by others from bank or financial institutions.
16. The Company has not taken any term loans during the period under review.
17. The Company has raised share capital during the period. The same is not applied to short term purposes.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
19. The Company has not issued any debentures, during the period. Hence the question of creation of securities does not arise.
20. The Company has not raised any monies during the period by way of public issue.
21. As per information and explanation given to us there was no fraud on or by the Company have been noticed or reported during the period.

For Satish & Ravi Associates,
Chartered Accountants

Place: Bangalore
Date: 17th June 2005

Satish Makhija
Partner

Membership No. 204258

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31.03.2005

Particulars	Sch.	Amount Rs.
INCOME:		
Contract Receipts	'H'	211,929,008
Other Income	'I'	829,183
		212,758,191
EXPENSES:		
Manufacturing Expenses	'J'	16,060,916
Personnel Expenses	'K'	174,393,092
Administrative Expenses	'L'	15,532,663
Other Overheads	'M'	3,848,350
Financial Expenses	'N'	28,150
Prior Period Expenses	'O'	595
		209,863,766
Profit before Depreciation, Tax & Deferred Tax		2,894,425
Less: Current Years Depreciation	'D'	2,613,658
Profit before Tax		280,767
Less: Provision for Tax		858,172
		(577,405)
Add: Deferred Tax Asset		754,424
Net Profit transferred to Balance Sheet		177,019

Schedules referred to above form integral part of this Profit & Loss Account.

Vide our report of even date
for Seven Hills Clothing Pvt. Ltd. For Satish & Ravi Associates
Chartered Accountants
Madanlal J Hinduja Rajendra J Hinduja Satish Makhija
Director Director Partner
Membership No. 204258

Place : Bangalore
Dated :17th June 2005

Subsidiary

SCHEDULES TO BALANCE SHEET

PARTICULARS	Amount Rs.
SCHEDULE - A : SHARE CAPITAL	
Authorised Share Capital:	
20,000 Eq. Shares of Rs.10 each	200,000
Issued, Subscribed, Called up & Paid Up:	
20,000 Eq. Shares of Rs.10 each	200,000
SCHEDULE - B : RESERVES & SURPLUS	
Profit and Loss Account	177,019
Share Premium A/c	30,590,000
	30,767,019
SCHEDULE C: UNSECURED LOANS	
From Holding Company	10,000,000
From others	8,800
	10,008,800
SCHEDULE D: INVESTMENTS	
Investment in NSC	200
	200
SCHEDULE F: CURRENT ASSETS, LOANS AND ADVANCES	
1) SUNDRY DEBTORS :	
(Considered Good)	
- Debts outstanding for a period exceeding 6 months	18,000
- Others	6,178,578
	6,196,578
2) CASH AND BANK BALANCES	
Cash in Hand	246,791
Cash at Bank	5,730,389
Imprest & Cash Balances	368,940
	6,346,120
3) OTHER CURRENT ASSETS	
AEPC - EMD	30,000
Prepaid Insurance	242,559
Prepaid Expenses	324,468
TDS - Interest	2,313
TDS - Interest 2001-2002	5,659
TDS Receivable - A.Y 2003 -2004	1,512,018
TDS Receivable - Sister Concern	4,516,295
Staff Advance	85,802
Festival Advance	1,250
KEB Deposit	1,256,366
Salary Advance	817,543
Rent Deposit	23,166,981
Rent Advance	7,000
Telephone Deposit	2,000
Quota Sales Receivable	81,999
Sales Tax Deposit	5,000
	32,057,253
4) LOANS AND ADVANCES	
Advance to Landlord	4,238,305
Advance towards Repairs	285,200
	4,523,505
SCHEDULE G: CURRENT LIABILITIES & PROVISIONS:	
1) SUNDRY CREDITORS	
Sundry Creditors	2,788,336
	2,788,336
2) OUTSTANDING LIABILITIES	
Bonus Payable	10,269,418
ESI Payable	1,075,081
Leave Encashment payable	2,703,102
Telephone Charges Payable	29,515
Electricity Charges Outstanding	1,154,681
Provident Fund Payable	3,765,190
Quality Incentive Payable	476,515
Audit Fee Payable	61,927
Salary & Wages Payable	14,516,355
Conveyance Provided	27,184
Water Charges	2,789

Factory Expenses	420
Printing & Stationery	220
Repair & Maintenance	20
Staff and Labour Welfare Exps.	75,175
Sundry Expenses	3,140
Legal & Professional Charges Payable	23,506
Gratuity Payable	1,536,406
Generator Maintenance	6,550
	35,727,194
3) STAFF VEHICLE LOAN RECOVERIES	
Daisy	130,000
M Rajendra	3,821
Nandeshiah	40,433
	174,254
4) OTHER LIABILITIES	
God Account	58
Sri Balaji Baghwan A/c	506
Tax Deducted at Source	155,465
Tax Deducted at Source on Rent	43,523
TCWH - Peenya Sale	673,424
Profession Tax Payable	45,080
	918,056
TOTAL OF 1 TO 4	39,607,840
5) PROVISIONS	
For Income Tax	858,172
	858,172

SCHEDULES TO PROFIT AND LOSS ACCOUNTS

PARTICULARS	Amount Rs.
SCHEDULE - H: CONTRACT RECEIPTS	
Finishing Charges	34,162,595
Embroidery Charges	1,165,840
Tailoring Charges	176,600,573
	211,929,008
SCHEDULE - I : OTHER INCOME	
Training Charges	759,600
Transfer of Past Performance Entitlement	49,640
Scrap Sales	19,943
	829,183
SCHEDULE - J : MANUFACTURING EXPENSES:	
Boiler Fuel	2,635,842
Boiler Maintenance	480,168
Consumable Purchased	85
Diesel Purchase	68,766
Dyes & Chemicals	624,246
Designing and Artwork	435
Electricity & Power	9,292,205
Factory Expenses	863,969
Generator Maintenance	302,348
Hire Charges	125,400
Label purchase - local	566,421
Machinery Maintenance	953,587
Packing Materials - Local	37,176
Pattern Development	65,750
Needle/Bobbin/Thread/Trimmer purchase/Hand Tags/Hooks	44,517
	16,060,916
SCHEDULE - K : PERSONNEL EXPENSES:	
Employers Contribution to PF	15,716,268
Employers Contribution to ESI	6,099,203
Bonus	7,813,113
Labour Welfare Fund	31,458
Labour Welfare Expenses	1,084,970
Deposit Linked Insurance	536,036
Quality Incentive	963,057
Gratuity	1,586,906
Salaries & Wages	140,562,080
	174,393,092

Subsidiary

SCHEDULES TO PROFIT AND LOSS ACCOUNTS (Contd.)

PARTICULARS	Amount Rs.
SCHEDULE - L : ADMINISTRATIVE EXPENSES	
Audit Fees	48,427
Consultancy Charges	1,067,304
Cleaning Charges	54,829
Conveyance Expenses	845,849
Computer Maintenance	18,920
Electrical Expenses	1,326,259
Insurance	356,355
Leave Encashment	4,778,547
Legal and Professional Charges	258,832
Licence Fees, Rates & Taxes	119,304
Medical Expenses	115,626
Pooja Expenses	23,628
Printing and Stationery	518,099
Registration & Renewal Fees	268,789
Rent	5,187,936
Service Charges	7,500
Turnover Tax on Sales	174
Telephone Expenses	341,317
Goodwill Written Off	194,969
	15,532,663

SCHEDULE - M : OTHER OVERHEADS

Building Maintenance	1,429,512
Garden Maintenance	122,859
Charity & Donations - Non 80 G	2,320
Lift Maintenance	38,631
Repairs & Maintenance	370,220
Security Expenses	1,395,090
Small Balances Written Off	67
Sundry Expenses	58,948
Vehicle Maintenance	289,575
Water Charges	140,348
Preliminary Expenses Written Off	780
	3,848,350

Schedule N: FINANCIAL EXPENSES:

Bank Charges & Interest	28,150
	28,150

SCHEDULE - O : PRIOR PERIOD EXPENSES:

Expenses Short Provided in Earlier years	595
	595

SCHEDULE - D - FIXED ASSETS

Particulars	Gross Block				Depreciation				Net Block	
	As on 01.07.2004	Additions	Deletions	Total 31.03.05	As on 01.07.2004	For the Year	Deletions	Total 31.03.05	As on 31.03.2005	As on 01.07.2004
Building		11,117,603		11,117,603		624,536	-	624,536	10,493,067	
Plant & Machinery		6,882,710		6,882,710		595,123	-	595,123	6,287,588	
Factory Equipments		867,670		867,670		83,690	-	83,690	783,980	
Iron Boxes		455,195		455,195		47,532	-	47,532	407,663	
Electrical Equipments		7,952,986		7,952,986		528,706	-	528,706	7,424,281	
Furniture & Fixtures		5,761,371		5,761,371		519,577	-	519,577	5,241,795	
Office Equipments		102,621		102,621		10,716	-	10,716	91,906	
Vehicles		996,699		996,699		193,711	-	193,711	802,988	
Computers		33,534		33,534		10,069	-	10,069	23,465	
	-	34,170,390	-	34,170,390	-	2,613,658	-	2,613,658	31,556,732	

Schedules annexed to and forming part of accounts for the period ended March 31, 2005

Schedule P:

Notes to Account

1. Background

Seven Hills Clothing Private Limited (herein after referred to as "the Company") was incorporated on 18th June 2004. The Company took over all the assets and liabilities of M/s Euro Clothing Company and M/s Triangle Apparels as a going concern on 1st July 2004. The Company became a subsidiary of Gokaldas Exports Limited (formerly known as Gokaldas India Private Limited) on 1st December 2004.

2. Significant accounting policies

a. Basis of preparation of financial statements and use of estimates

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

b. Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition/construction. Cost includes taxes, duties, freight and other incidental expenses related to acquisition/construction.

Depreciation on fixed assets is provided on written down value method at the rate and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

c. Inventories

Raw material, packing material, stores, spares and consumables are valued at cost. Finished goods are valued at lower of cost and net realisable value. Cost is ascertained on weighted average basis and in case of finished products includes appropriate production overheads. Duty liabilities, if any, in respect of uncleared finished goods are provided for and included in the carrying value of inventories.

Cost of finished goods is ascertained on average of all manufacturing expenditure..

d. Revenue recognition

I) Sale: Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer, which is generally on dispatch of goods from factory.

Subsidiary

II) Contract Receipt: Contract receipts are recognized as per the complete service contract method, upon delivery of garments, in accordance with requirement of AS 9.

e. Export incentives

Export incentives principally comprise of duty drawback and premium on past performance entitlements. The benefit under these incentive schemes are available based on the guideline formulated for respective schemes by the government authorities. Duty drawback is recognized as revenue on accrual basis to the extent it is probable that realisation is certain. Premium on past performance entitlements are accounted on transfer of such entitlements.

f. Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rates prevailing on the dates of the transaction. Monetary foreign currency assets and liabilities are translated at forward cover rate or at the period end exchange rate, as applicable. Resultant gains or losses are recognised in the profit and loss account. Exchange differences arising on forward exchange contracts are recognized over the period of the contract.

g. Investments

Long term investments are valued at cost. Provision for diminution, if any, in the value of investments is made to recognise a decline, other than temporary. Current investments are valued at lower of cost and market value. Cost includes incidental charges incurred towards acquisition of such investments.

h. Retirement benefits

Company's contributions to defined contribution schemes such as provident fund and family pension funds are charged to the profit and loss account on accrual basis. Provision for leave encashment and gratuity, which is in the nature of defined benefit scheme, is based on actuarial valuation done as at the balance sheet date by independent actuaries.

i. Accounting for taxes on income

Provision for current tax is made based on the tax payable for the year under the Income-tax Act, 1961. Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets, other than on unabsorbed tax depreciation and unabsorbed tax losses, are recognised only to the extent that there is a reasonable certainty of their realisation. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognised only to the extent that there is virtual certainty of their realization supported by convincing evidence.

j. Preliminary expenses

Preliminary expenses are amortized over a period of ten years.

k. Goodwill :

Goodwill arising on Business Purchase during the period has been treated as a current expense and written off during the year.

3. Contingent liabilities

Amount in Rupees

Particulars	As at March 31, 2005
Disputed income tax demand pending in appeal	Nil
Relating to Labour dispute	Nil
Guarantees given by banks	Nil
Outstanding letter of credit	Nil
Bills discounted with banks	Nil
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	Nil

4. During the year, the Company has not imported any capital goods.

5. No remuneration was paid to the Directors or their relatives during the year.

6. In the opinion of the Board, current assets, loans and advances have a value of at least equal to the amounts shown in the balance sheet, if realized in the ordinary course of the business. The provision for all the known liabilities including depreciation is adequate and not in excess of the amount reasonably necessary.

7. There were no dues to SSI units which are identified based on the information available with the management where dues are outstanding for a sum exceeding Rs 1,00,000.00 and outstanding for more than 30 days as at March 31, 2005:

8. Segment information

a. Primary business segment

The Company is exclusively engaged in the business segment of job work of garments.

b. Geographical distribution of revenue:

Amount in Rupees

Particulars	Revenue by geographical market	Carrying amount of segment assets	Additions to tangible and intangible fixed assets
European Union and Western Europe			
USA, Canada and North America			
India	21,19,29,008	8,06,80,387	3,41,70,390
Others			
Total	21,19,29,008	8,06,80,387	3,41,70,390

9. Related party disclosure

a. The following are the names of related parties and description of relationship:

Relationship	Name of the Party
Holding Company	Gokaldas Exports Limited
<i>Other related parties with whom the Company had transactions</i>	
Enterprises where significant influence exists	
NIL	NIL

Subsidiary

Key management personnel

Directors

- 1) Mr Madanlal J Hinduja
- 2) Mr Rajendra J Hinduja
- 3) Mr Dinesh J Hinduja

Relatives of key management personnel

NIL

NIL

Enterprises over which key management personnel and their relatives exercise significant influence

Fellow Subsidiaries

- 1) All Colour Garments Pvt. Ltd.
- 2) DeeJay Trading Pvt. Ltd.
- 3) Madhin Trading Pvt. Ltd.
- 4) Magenta Trading Pvt. Ltd.
- 5) Rafter Trading Pvt. Ltd.
- 6) Glamourwear Apparels Pvt. Ltd.
- 7) Reflexion Trading Pvt. Ltd.
- 8) SNS Clothing Pvt. Ltd.
- 9) Rajdin Apparels Pvt. Ltd.
- 10) Rishikesh Apparels Pvt. Ltd.
- 11) Vignesh Apparels Pvt. Ltd.

OTHER PROMOTER GROUP COMPANIES

- 1) Dazzle Trading Pvt. Ltd.
- 2) Dice Trading Pvt. Ltd.
- 3) Hinduja Exports Pvt. Ltd.
- 4) J.V.N. Exports Pvt. Ltd.
- 5) Maze Trading Pvt. Ltd.
- 6) Parichay Investments Limited
- 7) Polyproducts Pvt. Ltd.
- 8) Rapple Trading Pvt. Ltd.
- 9) VAG Exports Pvt. Ltd.

- a The following are the volume of transactions with related parties during the period and outstanding balances as at the period end disclosed in aggregate by type of related party:

						<i>Amount in Rupees</i>
Transactions	Holding Company	Fellow Subsidiaries	Key Management Personnel	Other Promoter Group Companies	Enterprises over which key management personnel and their relatives exercise significant influence	Total
Job work charges	21,19,29,008					21,19,29,008
Polywadding purchases						
Rent received						
Rent paid				4,50,000		4,50,000
Sale of garments						
Hire purchase paid						
Funds Transferred		1,13,018				1,13,018
Equity contribution (including securities premium)	3,07,89,990					3,07,89,990
Salary Advance						
Balance outstanding as on March 31						
— Credit balances	1,00,00,000					1,00,00,000
— Debit balances	60,65,559	1,13,018				61,78,577

10. Earnings per share *Amount in Rupees*

Particulars	2004 - 2005
Net profit for the period as per profit and loss accounts considered as numerator for calculating earnings per share	1,77,019
Weighted average number of equity shares	10,833
Nominal value per share	10
Earnings per share – Basic and diluted	16.34

11. Deferred taxes

The deferred tax assets/(liabilities) arising out of timing differences comprise of the following major components:

			<i>Amount in Rupees</i>
Particulars	Current period (charge)/credit	As at March 31, 2005	
Difference between book and tax base of fixed assets	(4,29,941)	(4,29,941)	
Retirement benefits allowed on payment basis accrued in books	11,84,365	11,84,365	
Total	7,54,424	7,54,424	

12. The aggregate amount of research and development expenditure recognized as an expense during the period was Rs. Nil.

13. Remuneration to directors

		<i>Amount in Rupees</i>
Particulars		2004 – 2005
Salaries		Nil
Total		

Subsidiary

14. Auditors remuneration includes: Amount in Rupees

Particulars	2004 – 2005
Audit fees (inclusive of service tax)	48,427.00
Taxation matters	Nil
Out of pocket expenses	Nil
Total	48,427.00

15. Licensed and installed capacities and production

Particulars	Unit	2004-2005
<i>Licensed capacity</i>		
Readymade garments	Pcs	Not Applicable
<i>Installed capacity*</i>		
Readymade garments	Pcs	
<i>Production</i>		
Readymade garments	Pcs	

* The installed capacity is as certified by the management and accepted by the auditors, as it is a technical matter.

16. The Company is engaged exclusively in Job Work and hence quantitative particulars cannot be given.

17. **CIF value of imports :**
Current period : Nil

18. **Expenditure in foreign currency :**
Current period : Nil

19. Value and percentage of imported and indigenous raw materials, spare parts and components consumed Amount in Rupees

Particulars	2004-2005	
	Amount	%
<i>Raw Materials : Imported</i>		
Indigenous		Not Applicable
Total		
<i>Tools, spare parts and components: Imported</i>		
Indigenous		
Total		

20. **Earnings in foreign currency:**
Current Year : Nil Previous Year : Nil

21. Since this is the first year of the Company, disclosure of previous years figures is not applicable.

Signatures to schedules A to P

For and on behalf of the Board

Madanlal J Hinduja
Chairman

Rajendra J Hinduja
Director

Bangalore: June 17, 2005

For Satish & Ravi Associates
Chartered Accountants

Satish Makhija
Partner
Membership No. 204258

Subsidiary

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31.03.2005

	Amount Rs.
A Cash flow from Operating Activities	
Profits before Tax & Extraordinary Items	280,767
Adjustments for:	
a) Depreciation	2,613,658
b) Interest Income	-
c) Dividend Income	-
d) Preliminary Expenses & Preoperative Exps written off	780
e) Interest Expense	-
f) Prior Period Income	-
Operating Profit before Working Capital Changes	2,895,205
(Increase) / Decrease in Sundry Debtors	(6,196,577)
(Increase) / Decrease in Inventories	-
(Increase) / Decrease in Loan & Advances	(32,057,253)
(Increase) / Decrease in Other Current Assets	(4,523,505)
(Decrease) / Increase in Current Liabilities & Provisions	39,607,840
Cash Generated From Operations	(274,290)
B CASH FLOW FROM INVESTING ACTIVITIES	
(Purchase) / Sale of Fixed Assets	(34,170,390)
(Purchase) / Sale of Investments	(200)
Interest Income	-
Net Cash Flow from Investing Activities	(34,170,590)
C CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from Issue of shares	200,000
Share Premium Received	30,590,000
Capital Reserve on Business Purchase	-
Proceeds from Long Term Borrowings (Net)	-
Proceeds from Short Term Unsecured Borrowings (Net)	10,008,800
Preliminary & Preoperative Expenses Interest Paid	(7,800)
	40,791,000
D Net Increase / (Decrease) in Cash & Cash Equivalents	6,346,120
E Opening Balance of Cash & Cash Equivalents	-
F Closing Balance of Cash & Cash Equivalents	6,346,120

for Seven Hills Clothing Pvt. Ltd.

Madanlal J Hinduja
Director

Place : Bangalore
Dated :17th June 2005

As per our report of even date
For Satish & Ravi Associates

Chartered Accountants

Satish Makhija
Partner
Membership No. 204258

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration details

REGISTRATION NO U18101KA2004PTC34162
BALANCE SHEET DATE STATE CODE
31.03.2005 08

II Capital raised during the year (Amount in Rs. Thousands)

PUBLIC ISSUE RIGHTS ISSUE
NIL NIL
BONUS ISSUE PRIVATE PLACEMENT
NIL 200

III. Position of mobilisation and deployment of funds (amount in Rs. Thousands)

TOTAL LIABILITIES TOTAL ASSETS
40975 40975

Sources of funds

PAID UP CAPITAL RESERVES & SURPLUS
200 30767
SECURED LOANS UNSECURED LOANS
NIL 10008

Application of funds

NET FIXED ASSETS INVESTMENTS
including capital work in progress 31556
NET CURRENT ASSETS MISC EXPENDITURE
8657
ACCUMULATED LOSSES DEFERRED TAX ASSET
NIL 754

IV. Performance of Company (Amount in Rs. Thousands)

TURNOVER (TOTAL INCOME) TOTAL EXPENDITURE
212758 212580
+ - PROFIT/(LOSS) BEFORE TAX + - PROFIT AFTER TAX
280 177

(Please tick appropriate box + for profit, - for loss)

EARNING PER SHARE DIVIDEND RATE %
(on profit after taxes)
16.34 NIL

V. Generic Names of three products/services of Company (as per monetary terms)

ITEM CODE NO (ITC CODE) PRODUCT DESCRIPTION
NOT APPLICABLE

For and on behalf of the board

for Seven Hills Clothing Pvt. Ltd.

Madanlal J Hinduja
Director

Place : Bangalore

Dated :17th June 2005

Rajendra J Hinduja
Director

SNS CLOTHING PRIVATE LIMITED

Board of Directors

Shri Madanlal J Hinduja Chairman
Shri Rajendra J Hinduja Director
Shri Dinesh J Hinduja Director

Auditors

M/s Girish Murthy & Kumar,
Chartered Accountants
4502, High Point IV, 45, Palace Road
Bangalore - 560001.

Registered Office:

70, Mission Road
Bangalore-560027.

Bankers

Canara Bank
"Avenue Plaza"
Avenue Road Branch
Bangalore - 560002

are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further, we report that,

1. We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit. 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 the books. The said Balance Sheet and Profit and Loss account and the Cash Flow Statement dealt by this report are in agreement with books of account. In our opinion, the Balance Sheet and the Profit and Loss Account and Cash Flow Statement dealt with by this report complies with the mandatory Accounting Standards referred in Section 211 (3C) of the Companies Act, 1956, and

On the basis of written representations received from the directors as at 31st March 2005 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2005 from being appointed as a director in terms of clause(g) of sub-section(1) of section 274 of the Companies Act, 1956, as on that date. In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, together with and subject to notes annexed thereto, give the information required, and give a true and fair view:

- a. In the case of Balance Sheet of the state of affairs of the company as at 31st March, 2005,
- b. In the case of Profit and Loss Account, of the profit of the company for the period ended on that date, and
- c. in the case of Cash Flow Statement, of the cash flows of the company for the period ended on that date.

As required by the Companies (Auditors Report) Order, 2003 issued by the Company Law Board, and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of our audit, we report that:-

- i) The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. During the period the fixed assets have been physically verified by the management and there were no discrepancies.
- ii) No substantial part of the the Fixed Assets have been disposed off during the period.
- iii) The inventory has been physically verified during the period by the management. In our opinion, the frequency of verification is reasonable.
- iv) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- v) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- vi) The company has not taken any loans secured or unsecured from companies, firm or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- vii) The company has not granted any loans, secured or unsecured to the companies, firms or other parties listed in the register maintained under section 301 of the Companies' Act 1956.
- viii) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase fixed Assets, inventory and with regard to sale of goods. During the course of audit, we have not noticed any evidence of continuing failures to correct major weaknesses in internal controls.
- ix) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act.1956 have been entered.
- x) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contract or arrangements entered in the register maintained under section 301 of the Companies Act 1956 and exceeding the value of rupees five lakhs in respect of any party during the period have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- xi) The company has not accepted deposits from the public during the period to which the provisions of section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are applicable.

DIRECTORS' REPORT

Your Directors take great pleasure in presenting the First Annual Report of your Company together with the audited accounts for the period ended 31st March, 2005.

1. Financial Results :

The company primarily derives its income from retail sale through its outlets "The Wearhouse" and Job Work charges, etc and the financial results for the period ended 31st March 2005 are furnished below :

	Rs.
Total Income	7,20,56,334
Less : Expenditure	<u>7,18,32,187</u>
Profit before tax	2,24,147
Provision for Taxation :	
Current Tax	6,33,537
Provision for Deferred Tax	<u>(5,51,516)</u>
Profit after tax	<u>1,42,126</u>

2. Auditors :

M/s. Girish Murthy & Kumar, Chartered Accountants, will retire at the ensuing Annual General Meeting. However, being eligible, they offer themselves for re-appointment.

3. Directors:

During the period under review, Shri Madanlal J Hinduja, Shri Rajendra J Hinduja and Shri Dinesh J Hinduja were appointed as additional directors and seek your approval for their appointment as directors in the ensuing Annual General Meeting.

4. Conservation of energy, foreign exchange earnings and outgo:

Not applicable

5. Particulars of Employees:

Nil

6. Directors Responsibility statement:

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Board of directors report that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- accounting policies have been selected and applied consistently and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the annual accounts have been prepared on a "going concern" basis.

7. ACKNOWLEDGEMENTS:

Your Directors express their thanks to Gokaldas Exports Ltd, the holding company, customers its bankers and employees for their support and look forward to their continued co-operation in the ensuing year.

For and on behalf of the Board of Directors

Bangalore
June 17,2005

MADANLAL J HINDUJA
CHAIRMAN

AUDITORS' REPORT

TO THE MEMBERS OF SNS CLOTHING PRIVATE LIMITED

We have audited the attached Balance Sheet of **SNS CLOTHING PRIVATE LIMITED** as on 31st March 2005 & Profit and Loss Account and Cash Flow Statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Subsidiary

- xii) In our opinion, the company's present Internal Audit System is commensurate with the size and nature of its business.
- xiii) The Central Government has not prescribed the maintenance of cost records by the companies under section 209(L)(d) of the Companies Act, 1956.
- xiv) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees state insurance, Income tax, sales tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- xv) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears as at 31.03.2005 for a period of more than six months from the date they became payable.
- xvi) According to the information and explanations given to us, there are no dues of income tax wealth tax, sales tax, custom duty, excise duty and cess which have not been deposited on account of any dispute.
- xvii) The Company is not having any accumulated losses nor the company has incurred any cash loss for this period.
- xviii) The company has not taken any loan from financial institutions and from banks and as such question of default in repayment does not arise. The Company has not issued any debentures at any point of time.
- xix) The company has not granted any loans/advances on the basis of security by way of shares, debenture etc. As such no records and documents have been maintained.
- xx) In our opinion, the company is not dealing or trading in shares, debentures and other investments and as such no records have been maintained. During the period company has not made any investments.
- xxi) We have been informed by the company that it has not given any guarantee for any loans taken by the others from banks and financial institutions.
- xxii) The company has not taken any term loans during this period and as such question of its application for the purpose for which it is taken does not arise.
- xxiii) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the company, we report that the company has not used any funds raised on short term basis for long term investment and long term funds for short term investment.
- xxiv) According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- xxv) According to the information and explanations given to us, during the period covered by our report, the company has not issued any debentures and therefore no securities have been created.
- xxvi) The company has not raised any money by public issue and as such disclosure on the end use of money does not arise.
- xxvii) We have not noticed any fraud on or by the company during the period.
- xxviii) The company is not covered under special statutory provisions applicable to the chit fund, nidhi or mutual benefit societies.
- PLACE : Bangalore
DATED : 17th June , 2005
- FOR GIRISH MURTHY & KUMAR**
Chartered Accountants
GIRISH RAO.B
Partner
Membership No. 85745

BALANCE SHEET AS AT 31.03.2005

SOURCES OF FUNDS	SCH. #	Amount Rs.
SHAREHOLDER'S FUND		
Share Capital	I	200,000
Reserves & Surplus	II	177,763,827
UNSECURED LOANS	III	10,349
		177,974,176
APPLICATION OF FUNDS		
FIXED ASSETS	XIV	
Gross Block		21,306,223
Less : Depreciation		1,653,828
Net Block		19,652,395
Capital work in progress		-
INVESTMENTS	V	2,000
CURRENT ASSETS LOANS AND ADVANCES	VI	
Inventory		81,939,171
Sundry Debtors		89,972,072
Cash & Bank Balances		2,629,568
Other Current Assets		2,839,805
Loans & Advances		11,792,975
	(A)	189,173,591
CURRENT LIABILITIES AND PROVISIONS	IV	
(a) Liabilities		22,146,413
(b) Provisions		9,267,327
	(B)	31,413,740
NET CURRENT ASSETS	(A-B)	157,759,851
Deferred Tax Asset		551,516
Miscellaneous Expenditure (To the extent not written off or adjusted)		8,414.00
TOTAL		177,974,176
Significant Accounting Policies and notes on Accounts	XV	

Schedules Referred to above form an integral part of the accounts.
This is the Balance Sheet mentioned in our Report of even date.

for Girish Murthy & Kumar
Chartered Accountants

B. Girish Rao
Partner
Membership No.85745

Madanlal J Hinduja
Director

For SNS Clothing Pvt. Ltd.

Rajendra J Hinduja
Director

Place : Bangalore
Dated :17th June 2005

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31.03.2005

PARTICULARS	SCH. #	Amount Rs.
INCOME		
Turnover	VII	73,479,145
Other Income	VIII	336,722
Variation in stock	XIII	(1,759,533)
		72,056,334
EXPENDITURE		
Garments Purchased		11,560,129
Material, Manufacturing and Operating Exp.	IX	12,594,695
Personel Expenditure	X	29,246,307
Sales & Administrative Expenditure	XI	16,036,245
Financial Expenditure	XII	740,985
Depreciation	XIV	1,653,828
		71,832,187
Profit Before Taxation		224,147
Provision for Taxation		633,537
Provision for Deferred tax		(551,516)
Profit After Taxation		142,126
Profit Brought Forward from Previous Year		-
Profit After Taxation Carried to Balance Sheet		142,126

Schedules Referred to above form an integral part of the accounts.

for Girish Murthy & Kumar
Chartered Accountants

B. Girish Rao
Partner
Membership No.85745

Place : Bangalore
Dated :17th June 2005

For SNS Clothing Pvt. Ltd.

Madanlal J Hinduja
Director

Rajendra J Hinduja
Director

Subsidiary

SCHEDULES TO ACCOUNTS FOR THE PERIOD ENDING 31th March 2005

	Amount Rs.	
SCHEDULE - I - SHARE CAPITAL		
Authorised Share Capital		
20,000 Equity Shares of Rs 10 each	200,000	
Issued ,Subscribed & Paidup Capital :		
20,000 Equity Shares of Rs 10 each	200,000	
SCHEDULE - II - RESERVES AND SURPLUS		
Balance in Profit & loss account	142,126	
Capital Reserve	221,701	
Share Premium	177,400,000	
	177,763,827	
SCHEDULE - III - UNSECURED LOANS		
From others	10,349	
SCHEDULE - IV - CURRENT LIABILITIES AND PROVISIONS		
(A) CURRENT LIABILITIES :		
Sundry Creditors	2,996,825	
Other Liabilities	1,928,133	
Bank Over Draft	6,898	
Advance from Customers	40,901	
Deposit Received	5,000,000	
Balance with parent company & co-subsidiaries	12,173,656	
	22,146,413	
(B) PROVISIONS :		
Provision for Expenses	8,633,791	
Provision for Taxation	633,537	
	9,267,327	
SCHEDULE - V - INVESTMENTS		
Indira Vikas Patras	2,000	
SCHEDULE - VI - CURRENT ASSETS, LOANS AND ADVANCES		
(A) CURRENT ASSETS :		
(a) Inventory		
Cloth	13,032,981	
Garments	61,417,543	
Consumables	7,488,647	81,939,171
(b) Sundry Debtors (considered Good)		
Less than Six Months	85,082,912	
More than Six Months	4,889,160	
	89,972,072	
(e) Cash and Bank Balances :		
(i) Cash on Hand	490,809	
(ii) With Scheduled Banks		
- Current Accounts	2,104,259	
- Fixed Deposit Account	34,500	
	2,629,568	
(f) Other Current Assets	2,839,805	
(B) LOANS AND ADVANCES :		
(A) Advances recoverable in cash or for value to be received.		
(i) for Supplies and Services	164,887	
(ii) Other advances	1,035,000	
(iii) To Staff	127,735	
(c) Other Deposits	10,465,353	
	11,792,975	
	189,173,591	

SCHEDULE - VII - TURNOVER

Sale of garments -local	49,074,564	
Job Work Charges	24,404,581	
		73,479,145

SCHEDULE - VIII - OTHER INCOME

Transfer of past performance	5,575	
Interest Earned	12,601	
Scrap sales	174,983	
Packing & forwarding	37,143	
Miscellaneous Income	1,055	
Interest on I.T Refund	105,365	
		336,722

SCHEDULES - IX - MATERIAL, MANUFACTURING AND OPERATION EXPENSES :

Consumption of Raw material	4,475,666	
Consumption of Consumables	3,921,875	
Job Work Charges Paid	1,680,918	
Power & fuel	1,916,170	
Machinery Repairs & maintainance	236,437	
Other Manufacturing Expenses	363,629	
		12,594,695

SCHEDULE - X - PERSONNEL EXPENSES

Salaries, Wages & Bonus	24,652,777	
Contribution to P.F & other funds	3,067,853	
Welfare Expenses	1,525,677	
		29,246,307

SCHEDULE - XI - SALES & ADMINISTRATION EXPENSES

Rent	4,608,842	
Insurance	(10,812)	
Legal & Professional Charges	210,957	
Printing & Stationery	168,198	
Telephone, Postage & Telegrams	184,453	
Travelling & Conveyance	352,042	
Rates and Taxes	324,715	
Repairs & Maintenance	980,437	
Audit fee	46,284	
Property Tax	7,889	
Membership & Subscription	7,700	
Vehicle Maintenance	360,968	
Sundry Expenses	88,658	
Security Expenses	630,233	
Commission Discount & Brokerage	3,244,328	
Clearing, Forwarding and Freight	63,853	
Turnover Tax	433,307	
Water Charges	44,747	
Electricity Charges	1,279,909	
Preliminary Expenses written off	935	
Advertisement & publicity	2,716,937	
Loss on sale of asset	253,657	
Business promotion expenses	38,007	
		16,036,245

SCHEDULE - XII - FINANCIAL CHARGES

Bank Charges & Interest	740,985	
		740,985

SCHEDULE -XIII -VARIATION IN STOCK OF FINISHED GOODS

Opening Stock	63,177,076	
Closing Stock	61,417,543	
		(1,759,533)

SCHEDULE - XIV - FIXED ASSETS

Particulars	Gross Block				Depreciation				Net Block	
	As on 01.10.2004	Additions	Deletions	Total 31.03.05	As on 01.10.2004	For the period	Deletions	Total 31.03.05	As on 31.03.2005	As on 01.10.2004
Buildings		4,945,596	-	4,945,596	-	246,602	(0)	246,602	4,698,994	-
Plant & machinery		2,483,578	985,742	1,497,836	-	102,757	1,387	104,144	1,393,691	-
Electrical Equipments		949,776	350,532	599,244	-	41,289	3,960	45,249	553,995	-
Office Equipments		247,472	53,169	194,303	-	13,471	86	13,556	180,747	-
Furnitures		11,586,986	131,078	11,455,908	-	1,033,713	2,289	1,036,001	10,419,907	-
Airconditioners		2,275,268	391,067	1,884,202	-	130,448	3,443	133,892	1,750,310	-
Computers		183,165	243	182,922	-	36,481	18	36,499	146,424	-
Vehicles		556,160	9,949	546,211	-	37,885	(0)	37,885	508,326	-
		23,228,002	19,21,780	21,306,223	-	1,642,646	11,182	1,653,828	19,652,395	-

Subsidiary

Schedules annexed to and forming part of accounts for the period ended March 31, 2005

Schedule XV

Notes to Account

1. Background

SNS Clothing Private Limited (herein after referred to as “the Company”) was incorporated on 9th August 2004. The Company took over all the assets and liabilities of M/s Central Wearhouse and Wearwell as a going concern on 1st October 2004. The Company became a subsidiary of Gokaldas Exports Limited (formerly known as Gokaldas India Private Limited) on 1st December 2004.

2. Significant accounting policies

a. Basis of preparation of financial statements and use of estimates

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (“GAAP”) under the historical cost convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

b. Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition/construction. Cost includes taxes, duties, freight and other incidental expenses related to acquisition/construction.

Depreciation on fixed assets is provided on written down value method at the rate and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

c. Inventories

Raw material, packing material, stores, spares and consumables are valued at cost. Finished goods are valued at lower of cost and net realisable value. Cost is ascertained on weighted average basis and in case of finished products includes appropriate production overheads. Duty liabilities, if any, in respect of uncleared finished goods are provided for and included in the carrying value of inventories.

d. Revenue recognition

I) Sale: Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer, which is generally on dispatch of goods from factory.

II) Contract Receipt: Contract receipts are recognized as per the complete service contract method, upon delivery of garments, in accordance with requirement of AS 9.

e. Export incentives

Export incentives principally comprise of duty drawback and premium on past performance entitlements. The benefit under these incentive schemes are available based on the guideline formulated for respective schemes by the government authorities. Duty drawback is recognized as revenue on accrual basis to the extent it is probable that realisation is certain. Premium on past performance entitlements are accounted on transfer of such entitlements.

f. Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rates prevailing on the dates of the transaction. Monetary foreign currency assets and liabilities are translated at forward cover rate or at the period end exchange rate, as applicable. Resultant gains or losses are recognised in the profit and loss account. Exchange differences arising on forward exchange contracts are recognized over the period of the contract.

g. Investments

Long term investments are valued at cost. Provision for diminution, if any, in the value of investments is made to recognise a decline, other than temporary. Current investments are valued at lower of cost and market value. Cost includes incidental charges incurred towards acquisition of such investments.

h. Retirement benefits

Company's contributions to defined contribution schemes such as provident fund and family pension funds are charged to the profit and loss account on accrual basis. Provision for leave encashment and gratuity, which is in the nature of defined benefit scheme, is based on actuarial valuation done as at the balance sheet date by independent actuaries.

i. Accounting for taxes on income

Provision for current tax is made based on the tax payable for the year under the Income-tax Act, 1961. Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets, other than on unabsorbed tax depreciation and unabsorbed tax losses, are recognised only to the extent that there is a reasonable certainty of their realisation. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognised only to the extent that there is virtual certainty of their realization supported by convincing evidence.

j. Preliminary expenses

Preliminary expenses are amortized over a period of ten years.

3. Contingent liabilities

Particulars	Amount in Rupees
	As at March 31, 2005
Disputed income tax demand pending in appeal	Nil
Relating to Labour dispute	1,01,840.00
Guarantees given by banks	10,10,000.00
Outstanding letter of credit	Nil
Bills discounted with banks	Nil
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	Nil

4. During the period, the Company has not imported any capital goods.

5. No remuneration was paid to the Directors or their relatives during the period.

6. In the opinion of the Board, current assets, loans and advances have a value of at least equal to the amounts shown in the balance sheet, if realized in the ordinary course of the business. The provision for all the known liabilities including depreciation is adequate and not in excess of the amount reasonably necessary.

7. There were no dues to SSI units which are identified based on the information available with the management where dues are outstanding for a sum exceeding Rs 1,00,000.00 and outstanding for more than 30 days as at March 31, 2005:

Subsidiary

8. Segment information

a. Primary business segment

The Company is mainly engaged in the business segment of job work and production of garments.

b. Geographical distribution of revenue:

Amount in Rupees

Particulars	Revenue by geographical market	Carrying amount of segment assets	Additions to tangible and intangible fixed assets
European Union and Western Europe			
USA, Canada and North America			
India	7,34,79,145	20,88,27,986	2,13,06,223
Others			
Total	7,34,79,145	20,88,27,986	2,13,06,223

9. Related party disclosure

a. The following are the names of related parties and description of relationship:

Relationship	Name of the Party
Holding Company	Gokaldas Exports Limited
Other related parties with whom the Company had transactions	
Enterprises where significant influence exists	
NIL	NIL
Key management personnel	
Directors	1) Mr Madanlal J Hinduja 2) Mr Rajendra J Hinduja 3) Mr Dinesh J Hinduja
Relatives of key management personnel	
NIL	NIL
Enterprises over which key management personnel and their relatives exercise significant influence	
Fellow Subsidiaries	1) All Colour Garments Pvt. Ltd. 2) DeeJay Trading Pvt. Ltd. 3) Madhin Trading Pvt. Ltd. 4) Magenta Trading Pvt. Ltd. 5) Rafter Trading Pvt. Ltd. 6) Glamourwear Apparels Pvt. Ltd. 7) Reflexion Trading Pvt. Ltd. 8) Rishikesh Apparels Pvt. Ltd. 9) Rajdin Apparels Pvt. Ltd. 10) Seven Hills Clothing Pvt. Ltd. 11) Vignesh Apparels Pvt. Ltd.
OTHER PROMOTER GROUP COMPANIES	1) Dazzle Trading Pvt. Ltd. 2) Dice Trading Pvt. Ltd. 3) Hinduja Exports Pvt. Ltd. 4) J.V.N. Exports Pvt. Ltd. 5) Maze Trading Pvt. Ltd. 6) Parichay Investments Limited 7) Polyproducts Pvt. Ltd. 8) Rapple Trading Pvt. Ltd. 9) VAG Exports Pvt. Ltd.

b. The following are the volume of transactions with related parties during the period and outstanding balances as at the period end disclosed in aggregate by type of related party:

Amount in Rupees

Transactions	Holding Company	Fellow Subsidiaries	Key Management Personnel	Other Promoter Group Companies	Enterprises over which key management personnel and their relatives exercise significant influence	Total
Job work charges	7,34,79,145					7,34,79,145
Equity contribution (including securities premium)	17,75,99,990					17,75,99,990
Balance outstanding as on March 31						
— Credit balances	50,00,000					50,00,000
— Debit balances	8,00,58,594					8,00,58,594

10. Earnings per share

Amount in Rupees

Particulars	2004 - 2005
Net profit for the period as per profit and loss accounts considered as numerator for calculating earnings per share	1,42,126
Weighted average number of equity shares	15,000
Nominal value per share	10
Earnings per share – Basic and diluted	9.48

Subsidiary

11. Deferred taxes

The deferred tax assets/(liabilities) arising out of timing differences comprise of the following major components:

Particulars	Amount in Rupees	
	Current period (charge)/credit	As at March 31, 2005
Difference between book and tax base of fixed assets	(21,057)	(21,057)
Retirement benefits allowed on payment basis accrued in books	5,72,573	5,72,573
Total	5,51,516	5,51,516

12. The aggregate amount of research and development expenditure recognized as an expense during the period was Rs. Nil.

13. Remuneration to directors

Amount in Rupees	
Particulars	2004 – 2005
Salaries	Nil
Total	

14. Auditors remuneration includes:

Amount in Rupees	
Particulars	2004 – 2005
Audit fees (inclusive of service tax)	46,284.00
Taxation matters	Nil
Out of pocket expenses	Nil
Total	46,284.00

15. Licensed and installed capacities and production

Particulars	Unit	2004-2005
<i>Licensed capacity</i>		
Readymade garments	Pcs	Not Applicable
<i>Installed capacity*</i>		
Readymade garments	Pcs	
<i>Production</i>		
Readymade garments	Pcs	75,881

* The installed capacity is as certified by the management and accepted by the auditors, as it is a technical matter.

16. Sales by class of goods

Amount in Rupees			
Products	Unit	2004-2005	
		Quantity	Amount
Readymade garments	Pcs	1,39,020	4,90,74,564
Total		1,39,020	4,90,74,564

17. Stock of finished goods

Amount in Rupees			
Products	Unit	2004-2005	
		Quantity	Amount
Manufactured: Readymade garments	Pcs	3,44,522	6,14,17,543
Total		3,44,522	6,14,17,543

18. Raw materials consumed

Amount in Rupees			
Products	Unit	2004-2005	
		Quantity	Amount
Cloth Mts.		82,572	44,75,666
Consumables			39,21,875
Total			83,97,541

The consumption figures shown above are after adjusting excesses and shortages ascertained on physical count, unserviceable items, etc.

19. CIF value of imports :

Current period : Nil

20. Expenditure in foreign currency :

Current period : Nil

21. Value and percentage of imported and indigenous raw materials, spare parts and components consumed

Amount in Rupees			
Particulars	2004-2005	Amount	%
<i>Raw Materials : Imported</i>			
Indigenous		44,75,666	100.00
Total		44,75,666	100.00
<i>Tools, spare parts and components: Imported</i>			
Indigenous			
<i>Accessories: Imported</i>			
Indigenous		39,21,875	100.00
Total		39,21,875	100.00

22. Earnings in foreign currency:

Current Year : Nil Previous Year : Nil

23. Since this is the first year of the Company disclosure of previous years figures is not applicable.

Signatures to schedules I to XV

For and on behalf of the Board

Madanlal J Hinduja
Director

Rajendra J Hinduja
Director

For Girish Murthy & Kumar
Chartered Accountants
Girish Rao.B
Partner
Membership No.85745

Bangalore: June 17, 2005

Subsidiary

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31.03.2005

		Amount Rs.
A Cash flow from Operating Activities		
Profits before Tax & Extraordinary Items		224,147
Adjustments for:		
a) Depreciation	1,653,828	
b) Interest Income	(12,601)	
c) Dividend Income	-	
d) Preliminary Expenses & Preoperative Exps written off	935	
e) Interest Expense	-	
f) Prior Period Income	-	1,642,162
Operating Profit before Working Capital Changes		1,866,309
(Increase) / Decrease in Sundry Debtors	(89,972,072)	
(Increase) / Decrease in Inventories	(81,939,171)	
(Increase) / Decrease in Loan & Advances	(11,792,975)	
(Increase) / Decrease in Other Current Assets	(2,839,805)	
(Decrease) / Increase in Current Liabilities & Provisions	30,780,204	(155,763,819)
Cash Generated From Operations		(153,897,510)
B CASH FLOW FROM INVESTING ACTIVITIES		
(Purchase) / Sale of Fixed Assets	(21,306,223)	
(Purchase) / Sale of Investments	(2,000)	
Interest Income	12,601	(21,295,622)
Net Cash Flow from Investing Activities		(175,193,132)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of shares	200,000	
Share Premium Received	177,400,000	
Capital Reserve on Business Purchase	221,701	
Proceeds from Long Term Borrowings (Net)	-	
Proceeds from Short Term Unsecured Borrowings (Net)	10,349	
Preliminary & Preoperative Expenses	(9,350)	
Interest Paid		177,822,700
D Net Increase / (Decrease) in Cash & Cash Equivalents		2,629,568
E Opening Balance of Cash & Cash Equivalents		-
F Closing Balance of Cash & Cash Equivalents		2,629,568

for Girish Murthy & Kumar
Chartered Accountants

B. Girish Rao
Partner
Membership No.85745

Madanlal J Hinduja
Director

For SNS Clothing Pvt. Ltd.

Rajendra J Hinduja
Director

Place : Bangalore
Dated :17th June 2005

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration details

REGISTRATION NO 34457

BALANCE SHEET DATE

31.03.2005

STATE CODE

08

II Capital raised during the year (Amount in Rs. Thousands)

PUBLIC ISSUE

Nil

RIGHTS ISSUE

Nil

BONUS ISSUE

Nil

PRIVATE PLACEMENT

200

III. Position of mobilisation and deployment of funds (amount in Rs. Thousands)

TOTAL LIABILITIES

177974

TOTAL ASSETS

177974

Sources of funds

PAID UP CAPITAL

200

RESERVES & SURPLUS

177764

SECURED LOANS

Nil

UNSECURED LOANS

100

Deferred Tax Liability (Net)

Nil

Application of funds

NET FIXED ASSETS
including capital work in progress

19652

INVESTMENTS

2

NET CURRENT ASSETS

157760

MISC EXPENDITURE

8

ACCUMULATED LOSSES

Nil

DEFERRED TAX ASSET

552

IV. Performance of Company (Amount in Rs. Thousands)

TURNOVER TOTAL INCOME

73816

TOTAL EXPENDITURE

71832

+ - PROFIT/(LOSS) BEFORE TAX

224

+ - PROFIT AFTER TAX

142

(Please tick appropriate box + for profit, - for loss)

EARNING PER SHARE

(on profit after taxes)

9.48

DIVIDEND RATE %

Nil

V. Generic Names of three principal products/services of Company (as per monetary terms)

ITEM CODE NO (ITC CODE)

PRODUCT DESCRIPTION

RE
ADY
MA
DE
GA
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ME
NT
S

RE
ADY
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DE
GA
R
ME
NT
S

For and on behalf of the board

Madanlal J Hinduja
Director

Bangalore: June 17, 2005

Rajendra J Hinduja
Director

VIGNESH APPARELS PRIVATE LIMITED

Board of Directors

Shri Madanlal J Hinduja Chairman
Shri Rajendra J Hinduja Director
Shri Dinesh J Hinduja Director

Registered Office:

70, Mission Road
Bangalore-560027.

Auditors

M/s P A Ghatage & Co.
Chartered Accountants
124, Margosa Road, Malleswaram
Bangalore - 560003.

Bankers

Canara Bank
"Avenue Plaza"
Avenue Road Branch
Bangalore - 560002

DIRECTORS REPORT

Your Directors take great pleasure in presenting the First Annual Report of your Company together with the audited accounts for the period ended 31st March 2005.

1. Financial Results:

The company primarily derives its income from the holding company, viz., Gokaldas Exports Limited by way of Job Work charges and the financial results for the period ended 31st March 2005 are furnished below :

	Rs.
Total Income	7,53,18,293
Less : Expenditure	7,51,36,454
Profit before tax	1,81,839
Provision for Taxation :	
Current Tax	2,63,137
Deferred Tax Asset	5,26,672
Profit for the year	4,45,375

2. Auditors :

M/s. P. A. Ghatage & Co., Chartered Accountants, will retire at the ensuing Annual General Meeting. However, being eligible, they offer themselves for re-appointment.

3. Directors:

During the period under review, Shri Madanlal J Hinduja, Shri Rajendra J Hinduja and Shri Dinesh J Hinduja were appointed as additional directors and seek your approval for their appointment as directors in the ensuing Annual General Meeting.

4. Conservation of energy, foreign exchange earnings and outgo:

Not applicable

5. Particulars of Employees :

Nil

6. Directors Responsibility statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Board of directors report that :

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- accounting policies have been selected and applied consistently and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit or Loss of the Company for that period.
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the annual accounts have been prepared on a "going concern" basis.

7. ACKNOWLEDGEMENTS:

Your Directors express their thanks to Gokaldas Exports Ltd, the holding company, its bankers and employees for their support and look forward to their continued co-operation in the ensuing year.

For and on behalf of the Board of Directors

Bangalore
June 17, 2005

MADANLAL J HINDUJA
CHAIRMAN

AUDITORS' REPORT

TO THE MEMBERS OF VIGNESH APPARELS PRIVATE LIMITED

We have audited the attached Balance Sheet of VIGNESH APPARELS PRIVATE LIMITED as on 31st March 2005 & Profit and Loss Account and Cash Flow Statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further, we report that,

- We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit. 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 the books. The said Balance Sheet and Profit and Loss account and the Cash Flow Statement dealt by this report are in agreement with books of account. In our opinion, the Balance Sheet and the Profit and Loss Account and Cash Flow Statement dealt with by this report complies with the mandatory Accounting Standards referred in Section 211 (3C) of the Companies Act, 1956, and On the basis of written representations received from the directors as at 31st March 2005 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2005 from being appointed as a director in terms of clause(g) of sub-section(1) of section 274 of the Companies Act, 1956, as on that date. In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, together with and subject to notes annexed thereto, give the information required, and give a true and fair view:
 - In the case of Balance Sheet of the state of affairs of the company as at 31st March, 2005,
 - In the case of Profit and Loss account, of the profit of the company for the period ended on that date, and
 - in the case of Cash Flow Statement, of the cash flows of the company for the period ended on that date.

As required by the Companies (Auditors report) order, 2003 issued by the company law board, and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of our audit, we report that:-

- The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. During the period the fixed assets have been physically verified by the management and there were no discrepancies.
- No substantial part of the the Fixed Assets have been disposed during the period.
- The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- The company has not taken any loans secured or unsecured from companies, firm or other parties listed in the register maintained under section 301 of the Companies Act 1956.
- The company has not granted any loans, secured or unsecured to the companies, firms or other parties listed in the register maintained under section 301 of the Companies' Act 1956.
- In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase fixed Assets, inventory and with regard to sale of goods During the course of audit we have not noticed any evidence of continuing failures to correct major weaknesses in internal control.
- According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act.1956 have been entered.
- In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contract or arrangements entered in the register maintained under section 301 of the Companies Act 1956 and exceeding the value of rupees five lakhs in respect of any party during the period have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- The company has not accepted deposits from the public during the period to which the provisions of section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are applicable.

Subsidiary

- xii) In our opinion, the company's present Internal Audit system is commensurate with the size and nature of its business.
- xiii) The central government has not prescribed the maintenance of cost records by the companies under section 209(i)(d) of the Companies Act, 1956.
- xiv) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees state insurance, Income tax, sales tax, custom duty, excise duty, cess and other material statutory dues applicable to it..
- xv) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty, excise duty and cess were in arrears as at 31.03.2005 for a period of more than six months from the date they became payable.
- xvi) According to the information and explanations given to us, there are no dues of income tax wealth tax, sales tax, custom duty, excise duty and cess which have not been deposited on account of any dispute
- xvii) The Company is not having any accumulated losses nor the company has incurred any cash loss for this period.
- xviii) The company has not taken any loan from financial institutions and from banks and as such question of default in repayment does not arise. The Company has not issued any debentures at any point of time.
- xix) The company has not granted any loans/advances on the basis of security by way of shares, debenture etc. As such no records and documents have been maintained.
- xx) In our opinion, the company is not dealing or trading in shares, debentures and other investments and as such no records have been maintained. During the period company has not made any investments.

- xxi) We have been informed by the company that it has not given any guarantee for any loans taken by the others from banks and financial institutions.
- xxii) The company has not taken any term loans during this period and as such question of its application for the purpose for which it is taken does not arise.
- xxiii) According to the information and explanations given to us, and on an overall examination of the balance sheet of the company, we report that the company has not used any funds raised on short term basis for long term investment and long term funds for short term investment.
- xxiv) According to the information and explanations given to us, the company has not made any preferential allotment of shares is made by the company to parties and companies covered in the registers maintained under section 301 of the act.
- xxv) According to the information and explanations given to us, during the period covered by our report, the company has not issued any debentures and therefore no securities have been created.
- xxvi) The company has not raised any money by public issue and as such disclosure on the end use of money does not arise.
- xxvii) We have not noticed any fraud on or by the company during the period.
- xxviii) The company is not covered under special statutory provisions applicable to the chit fund, nidhi or mutual benefit societies.

PLACE : Bangalore
DATED : 17th June , 2005

FOR P.A.GHATAGE & Co.
Chartered Accountants

P.A.Ghatage
Partner
Membership No. 12153

BALANCE SHEET AS AT 31.03.2005

Particulars	Sch.	Amount Rs.
SOURCES OF FUNDS:		
Shareholders Funds:		
(a) Share Capital	'A'	200,000
(b) Reserves & Surplus	'B'	8,334,375
2) Loan Funds :		
(a) Secured Loans		-
(b) Unsecured Loans	'C'	8,800
		8,543,175
APPLICATION OF FUNDS:		
FIXED ASSETS	'D'	
(a) Gross Block		9,269,314
(b) Less: Depreciation Block		677,249
(c) Net Block		8,592,065
(d) Capital Work in Progress		-
INVESTMENTS		-
CURRENT ASSETS, LOANS AND ADVANCES:	'E'	
(a) Inventories		
(b) Sundry Debtors		2,595,879
(c) Cash & Bank Balances		543,193
(d) Other Current Assets		7,431,516
(e) Loans and Advances		3,066,977
		13,637,565
LESS: CURRENT LIABILITIES & PROVISIONS :	'F'	
(a) Liabilities		13,957,011
(b) Provisions		263,137
		14,220,148
Net Current Assets		-582,582
Deferred Tax Asset		526,672
Miscellaneous Expenditure to the extent not written off or adjusted		7,020
Notes to Accounts	'G'	
		8,543,175

Schedules Referred to above form an integral part of this Balance Sheet.

Vide our report of even date
for Vignesh Apparels Pvt. Ltd.
For P. A. Ghatage & Co.
Chartered Accountants
Madanlal J Hinduja **Rajendra J Hinduja** **P.A. Ghatage**
Director Director Partner
Membership No. 12153

Place : Bangalore
Dated :17th June 2005

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31.03.2005

Particulars	Sch.	Amount Rs.
INCOME:		
Contract Receipts	H	75,175,391
Other Income	I	142,902
		75,318,293
EXPENSES:		
Manufacturing Expenses	J	5,194,274
Administrative Expenses	K	7,350,960
Personnel Expenses	L	59,925,958
Other Overheads	M	1,914,474
Financial Expenses	N	72,799
Prior Period Expenses	O	740
		74,459,205
Profit before Depreciation, Tax & Deferred Tax		859,088
Less:Current Years Depreciation	'D'	677,249
Profit before Tax		181,839
Less: Provision for Tax		263,137
Add:Provision for Deferred Tax Asset		526,672
Net Profit transferred to Balance Sheet		445,375

Schedules referred to above form integral part of this Profit & Loss Account.

Vide our report of even date
for Vignesh Apparels Pvt. Ltd.
For P. A. Ghatage & Co.
Chartered Accountants
Madanlal J Hinduja **Rajendra J Hinduja** **P.A. Ghatage**
Director Director Partner
Membership No. 12153

Place : Bangalore
Dated :17th June 2005

Subsidiary

SCHEDULES TO BALANCE SHEET

PARTICULARS	Amount Rs.
SCHEDULE - A : SHARE CAPITAL	
Authorised Share Capital:	
20,000 Eq. Shares of Rs.10 each	200,000
Issued, Subscribed, Called up and Paid Up:	
20,000 Eq. Shares of Rs.10 each	200,000
SCHEDULE - B : RESERVES & SURPLUS	
Profit and Loss Account	445,375
Share Premium A/c	7,889,000
	8,334,375
SCHEDULE C: UNSECURED LOANS	
From others	8,800
	8,800
SCHEDULE E: CURRENT ASSETS, LOANS AND ADVANCES	
1) SUNDRY DEBTORS :	
(Considered Good)	2,595,880
	2,595,880
2) CASH AND BANK BALANCES	
Cash in Hand	189,017
Cash at Bank with scheduled banks	354,176
	543,193
3) OTHER CURRENT ASSETS	
AEPC - EMD	60,000
Prepaid Insurance	150,875
Prepaid Expenses	93,263
TDS - Interest	20,179
TDS Receivable - Sister Concern	1,253,437
Staff Advance	116,324
KEB Deposit	365,508
Sales Tax deposit	9,000
Salary Advance	132,330
IVP	400
NSC	8,000
Rent Deposit	5,210,000
Telephone Deposit	12,200
	7,431,516
4) LOANS AND ADVANCES	
Advance to Landlord	1,301,866
Advance to Others	1,765,111
	3,066,977
SCHEDULE F: CURRENT LIABILITIES & PROVISIONS:	
1) SUNDRY CREDITORS	
Sundry Creditors	606,995
	606,995
2) OUTSTANDING LIABILITIES	
Bonus Payable	3,144,569
ESI Payable	443,600
Leave Encashment payable	870,772
Provident Fund Payable	1,575,029
Quality Incentive Payable	7,041
Salary & Wages Payable	4,835,242
Gratuity Payable	589,778
Electricity charges payable	329,960
Consultancy charges payable	23,506
Telephone expenses	13,489
Tempo charges payable	11,902
Other expenses payable	47,263
Audit fee payable	53,060
	11,945,210

3) STAFF VEHICLE LOAN RECOVERIES

Narayanappa	37,435
S.Nagaprasad	19,302
	56,737
5) OTHER LIABILITIES	
God Account	41
Sri Balaji Baghwan A/c	231
Tax Deducted at Source	87,966
TCWH - Peenya Sale	99,340
Canara Bank-Book Overdraft	998,760
Profession Tax Payable	16,730
wearwel	145,000
	1,348,068
TOTAL OF 1 TO 5	13,957,011
6) PROVISIONS	
For Income Tax	263,137
	263,137

SCHEDULES TO PROFIT AND LOSS ACCOUNT

PARTICULARS	Amount Rs.
SCHEDULE - H : CONTRACT RECEIPTS	
Finishing Charges	11,389,401
Tailoring Charges	63,785,990
	75,175,391
SCHEDULE - I : OTHER INCOME	
Transfer of Past Performance Entitlement	133,455
Interest earned	4,334
Miscellaneous income	178
Scrap Sales	4,935
	142,902
SCHEDULE - J : MANUFACTURING EXPENSES:	
Boiler Fuel	1,046,916
Boiler Maintenance	34,684
Diesel Purchase	22,744
Dyes & Chemicals	313,402
Electricity & Power	2,542,270
Factory Expenses	298,944
Freight expenses inward	6,485
Generator Maintenance	117,652
Label purchase - local	250,998
Machinery Maintenance	498,394
Packing Materials - Local	1,032
Tags & stickers	42,720
Needle/Bobbin/Thread/Trimmer purchase/	
Hand Tags/Hooks	18,034
	5,194,274
SCHEDULE - K : ADMINISTRATIVE EXPENSES	
Audit Fees	33,060
Consultancy Charges	109,520
Cleaning Charges	18,476
Conveyance Expenses	313,302
Electrical Expenses	412,163
Insurance	167,937
Legal and Professional Charges	167,349
Licence Fees, Rates & Taxes	170,706
Medical Expenses	40,788
Miscellaneous Expenses	200
Pooja Expenses	13,438
Printing and Stationery	68,149
Postage & Telegrams	714
Registration & Renewal Fees	95,920
Rent	5,355,499
Service Charges	270,445
Turnover Tax on Sales	51
Telephone Expenses	111,623
Goodwill Written Off	1,621
	7,350,960

Subsidiary

SCHEDULES TO PROFIT AND LOSS ACCOUNTS (Contd.)

PARTICULARS	Amount Rs.
SCHEDULE - L : PERSONNEL EXPENSES	
Bonus	2,949,427
Deposit Linked Insurance	123,727
Employers Contribution to ESI	1,964,411
Employers Contribution to PF	5,198,654
Labour Welfare Fund	11,526
Labour Welfare Expenses	495,331
Quality Incentive	50,138
Gratuity	852,942
Salaries & Wages	46,469,159
Leave Encashment	1,810,643
	<u>59,925,958</u>

SCHEDULE - M : OTHER OVERHEADS

Building Maintenance	1,075,399
Garden Maintenance	13,530
Charity & Donations - Non 80 G	250
Lift Maintenance	24,315
Repairs & Maintenance	149,179
Security Expenses	498,287
Sundry Expenses	32,931
Salary Round Off	251
Vehicle Maintenance	106,433
Water Charges	13,120
Preliminary Expenses Written Off	780
	<u>1,914,474</u>

SCHEDULE - N : FINANCIAL EXPENSES:

Bank Charges & Interest	72,799
	<u>72,799</u>

SCHEDULE - O : PRIOR PERIOD EXPENSES

Expenses short provided in earlier year	740
	<u>740</u>

SCHEDULE - D - FIXED ASSETS

Particulars	Gross Block				Depreciation			Net Block	
	As on 01.07.2004	Additions	Delections	As at 31.03.05	Upto 01.07.2004	For the Year	Total as on 31.03.05	As at 31.03.05	As at 01.07.04
Building		311,854		311,854		9,772	9,772	302,082	
Plant & Machinery		4,103,244		4,103,244		345,607	345,607	3,757,637	
Factory Equipments		283,751		283,751		19,274	19,274	264,477	
Electrical Equipments		1,894,570		1,894,570		97,971	97,971	1,796,598	
Furniture & Fixtures		2,482,062		2,482,062		168,240	168,240	2,313,823	
Office Equipments		45,853		45,853		4,788	4,788	41,065	
Vehicles		121,199		121,199		23,555	23,555	97,644	
Computers		26,780		26,780		8,041	8,041	18,739	
		9,269,314		9,269,314		677,249	677,249	8,592,065	

Schedules annexed to and forming part of accounts for the period ended March 31, 2005

Schedule G

Notes to Account

1. Background

Vignesh Apparels Private Limited (herein after referred to as “the Company”) was incorporated on 15th April 2004. The Company took over all the assets and liabilities of M/s Asiatic Exports and New Generation Apparels as a going concern on 1st July 2004. The Company became a subsidiary of Gokaldas Exports Limited (formerly known as Gokaldas India Private Limited) on 1st December 2004.

2. Significant accounting policies

a. Basis of preparation of financial statements and use of estimates

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (“GAAP”) under the historical cost convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

b. Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition/construction. Cost includes taxes, duties, freight and other incidental expenses related to acquisition/construction.

Depreciation on fixed assets is provided on written down value method at the rate and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

c. Inventories

Raw material, packing material, stores, spares and consumables are valued at cost. Finished goods are valued at lower of cost and net realisable value. Cost is ascertained on weighted average basis and in case of finished products includes appropriate production overheads. Duty liabilities, if any, in respect of uncleared finished goods are provided for and included in the carrying value of inventories.

d. Revenue recognition

I) Sale: Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer, which is generally on dispatch of goods from factory.

II) Contract Receipt: Contract receipts are recognized as per the complete service contract method, upon delivery of garments, in accordance with requirement of AS 9.

e. Export incentives

Export incentives principally comprise of duty drawback and premium on past performance entitlements. The benefit under these incentive schemes are available based on the guideline formulated for respective schemes by the government authorities. Duty drawback is recognized as revenue on accrual basis to the extent it is probable that realisation is certain. Premium on past performance entitlements are accounted on transfer of such entitlements.

f. Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rates prevailing on the dates of the transaction. Monetary foreign currency assets and liabilities are translated at forward cover rate or at the period end exchange rate, as applicable. Resultant gains or losses are recognised in the profit and loss account. Exchange differences arising on forward exchange contracts are recognized over the period of the contract.

Subsidiary

g. Investments

Long term investments are valued at cost. Provision for diminution, if any, in the value of investments is made to recognise a decline, other than temporary. Current investments are valued at lower of cost and market value. Cost includes incidental charges incurred towards acquisition of such investments.

h. Retirement benefits

Company's contributions to defined contribution schemes such as provident fund and family pension funds are charged to the profit and loss account on accrual basis. Provision for leave encashment and gratuity, which is in the nature of defined benefit scheme, is based on actuarial valuation done as at the balance sheet date by independent actuaries.

i. Accounting for taxes on income

Provision for current tax is made based on the tax payable for the year under the Income-tax Act, 1961. Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets, other than on unabsorbed tax depreciation and unabsorbed tax losses, are recognised only to the extent that there is a reasonable certainty of their realisation. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognised only to the extent that there is virtual certainty of their realization supported by convincing evidence.

j. Preliminary expenses

Preliminary expenses are amortized over a period of ten years.

3. Contingent liabilities

Amount in Rupees

Particulars	As at March 31, 2005
Disputed income tax demand pending in appeal	Nil
Guarantees given by banks	10,00,000
Outstanding letter of credit	Nil
Bills discounted with banks	Nil
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	Nil

4. During the period, the Company has not imported any capital goods.

5. No remuneration was paid to the Directors or their relatives during the period.

6. In the opinion of the Board, current assets, loans and advances have a value of at least equal to the amounts shown in the balance sheet, if realized in the ordinary course of the business. The provision for all the known liabilities including depreciation is adequate and not in excess of the amount reasonably necessary.

7. There were no dues to SSI units which are identified based on the information available with the management where dues are outstanding for a sum exceeding Rs 1,00,000.00 and outstanding for more than 30 days as at March 31, 2005:

8. Segment information

a. Primary business segment

The Company is exclusively engaged in the business segment of job work of garments.

b. Geographical distribution of revenue:

Amount in Rupees

Particulars	Revenue by geographical market	Carrying amount of segment assets	Additions to tangible and intangible fixed assets
European Union and Western Europe			
USA, Canada and North America			
India	7,51,75,391	2,22,29,630	92,69,313
Others			
Total	7,51,75,391	2,22,29,630	92,69,313

9. Related party disclosure

a. The following are the names of related parties and description of relationship:

Relationship	Name of the Party
Holding Company	Gokaldas Exports Limited
Other related parties with whom the Company had transactions	
Enterprises where significant influence exists	
NIL	NIL
Key management personnel	
Directors	1) Mr Madanlal J Hinduja 2) Mr Rajendra J Hinduja 3) Mr Dinesh J Hinduja
Relatives of key management personnel	
NIL	NIL
Enterprises over which key management personnel and their relatives exercise significant influence	
Fellow Subsidiaries	1) All Colour Garments Pvt. Ltd. 2) Deejay Trading Pvt. Ltd. 3) Madhin Trading Pvt. Ltd. 4) Magenta Trading Pvt. Ltd. 5) Rafter Trading Pvt. Ltd. 6) Glamourwear Apparels Pvt. Ltd. 7) Reflexion Trading Pvt. Ltd. 8) Rishikesh Apparels Pvt. Ltd. 9) Seven Hills Clothing Pvt. Ltd. 10) SNS Clothing Pvt. Ltd. 11) Rajdin Apparels Pvt. Ltd.

Subsidiary

OTHER PROMOTER GROUP COMPANIES

- 1) Dazzle Trading Pvt. Ltd.
- 2) Dice Trading Pvt. Ltd.
- 3) Hinduja Exports Pvt. Ltd.
- 4) J.V.N. Exports Pvt. Ltd.
- 5) Maze Trading Pvt. Ltd.
- 6) Parichay Investments Limited
- 7) Polyproducts Pvt. Ltd.
- 8) Rapple Trading Pvt. Ltd.
- 9) VAG Exports Pvt. Ltd.

- b. The following are the volume of transactions with related parties during the period and outstanding balances as at the period end disclosed in aggregate by type of related party:

						Amount in Rupees
Transactions	Holding Company	Fellow Subsidiaries	Key Management Personnel	Other Promoter Group Companies	Enterprises over which key management personnel and their relatives exercise significant influence	Total
Job work charges	7,51,75,391					7,51,75,391
Polywadding purchases						
Rent received						
Rent paid						
Sale of garments						
Hire charges paid						
Equity contribution (including securities premium)	80,88,990					80,88,990
Balance outstanding as on March 31						
— Credit balances						
— Debit balances	22,09,670					22,09,670

10. Earnings per share Amount in Rupees

Particulars	2004 - 2005
Net profit for the period as per profit and loss accounts considered as numerator for calculating earnings per share	4,45,375
Weighted average number of equity shares	13,333
Nominal value per share	10
Earnings per share – Basic and diluted	33.40

11. Deferred taxes

The deferred tax assets/(liabilities) arising out of timing differences comprise of the following major components:

			Amount in Rupees
Particulars	Current period (charge)/credit	As at March 31, 2005	
Difference between book and tax base of fixed assets	(2,25,106)	(2,25,106)	
Retirement benefits allowed on payment basis accrued in books	7,51,778	7,51,778	
Total	5,26,672	5,26,672	

12. The aggregate amount of research and development expenditure recognized as an expense during the period was Rs. Nil.

13. Remuneration to directors Amount in Rupees

Particulars	2004 - 2005
Salaries	Nil
Total	

14. Auditors remuneration includes: Amount in Rupees

Particulars	2004 - 2005
Audit fees (inclusive of service tax)	33,060.00
Taxation matters	Nil
Out of pocket expenses	Nil
Total	33,060.00

Subsidiary

15. Licensed and installed capacities and production

Particulars	Unit	2004-2005
<i>Licensed capacity</i>		
Readymade garments	Pcs	Not Applicable
<i>Installed capacity*</i>		
Readymade garments	Pcs	
<i>Production</i>		
Readymade garments	Pcs	

* The installed capacity is as certified by the management and accepted by the auditors, as it is a technical matter.

16. The Company is engaged exclusively in Job Work and hence quantitative particulars cannot be given.

17. CIF value of imports :

Current period : Nil

18. Expenditure in foreign currency :

Current period : Nil

19. Value and percentage of imported and indigenous raw materials, spare parts and components consumed

Amount in Rupees

Particulars	2004-2005	
	Amount	%
<i>Raw Materials : Imported</i>	NOT APPLICABLE	
Indigenous		
Total		
<i>Tools, spare parts and components: Imported</i>	NOT APPLICABLE	
Indigenous		
Total		

20. Earnings in foreign currency:

Current period : Nil

21. Since this is the first year of the company, disclosures of previous years figures is not applicable.

Signatures to schedules A to O

For and on behalf of the Board

Madanlal J Hinduja
Director

Rajendra J Hinduja
Director

Bangalore: June 17, 2005

For P. A. Ghatage & Co.
Chartered Accountants

P. A. Ghatage
Partner
Membership No.12153

Subsidiary

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31.03.2005

	Amount Rs.
A Cash flow from Operating Activities	
Profits before Tax & Extraordinary Items	181,059
Adjustments for:	
a) Depreciation	677,249
b) Interest Income	-
c) Dividend Income	-
d) Preliminary Expenses & Preoperative Exps written off	1,560
e) Interest Expense	-
f) Prior Period Income	678,809
Operating Profit before Working Capital Changes	859,868
(Increase) / Decrease in Sundry Debtors	(2,595,880)
(Increase) / Decrease in Inventories	-
(Increase) / Decrease in Loan & Advances	(7,431,516)
(Increase) / Decrease in Other Current Assets	(3,066,977)
(Decrease) / Increase in Current Liabilities & Provisions	12,958,250
Cash Generated From Operations	723,745
B CASH FLOW FROM INVESTING ACTIVITIES	
(Purchase) / Sale of Fixed Assets	(9,269,313)
(Purchase) / Sale of Investments	-
Interest Income	-
Net Cash Flow from Investing Activities	(8,545,568)
C CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from Issue of shares	200,000
Share Premium Received	7,889,000
Capital Reserve on Business Purchase	-
Proceeds from Long Term Borrowings (Net)	-
Proceeds from Short Term Unsecured Borrowings (Net)	8,800
Preliminary & Preoperative Expenses	(7,800)
Interest Paid	
	8,090,000
D Net Increase / (Decrease) in Cash & Cash Equivalents	(455,568)
E Opening Balance of Cash & Cash Equivalents	-
F Closing Balance of Cash & Cash Equivalents	455,568

for Vignesh Apparels Pvt. Ltd.

Vide our report of even date
For P. A. Ghatage & Co.
Chartered Accountants

Madanlal J Hinduja Director
Rajendra J Hinduja Director

P.A. Ghatage Partner
Membership No. 12153

Place : Bangalore
Dated : 17th June 2005

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration details

REGISTRATION NO 33759
BALANCE SHEET DATE 31.03.2005
STATE CODE 08

II. Capital raised during the year (Amount in Rs. Thousands)

PUBLIC ISSUE RIGHTS ISSUE
NIL NIL
BONUS ISSUE PRIVATE PLACEMENT
NIL 200

III. Position of mobilisation and deployment of funds (amount in Rs. Thousands)

TOTAL LIABILITIES TOTAL ASSETS
8543 8543
Sources of funds
PAID UP CAPITAL RESERVES & SURPLUS
200 8334
SECURED LOANS UNSECURED LOANS
NIL 9
Deferred Tax Liability (Net)
NIL

Application of funds

NET FIXED ASSETS INVESTMENTS
including capital work in progress
8592 NIL
NET CURRENT ASSETS MISC EXPENDITURE
-583 7
ACCUMULATED LOSSES DEFERRED TAX ASSET
NIL 527

IV. Performance of Company (Amount in Rs. Thousands)

TURNOVER (TOTAL INCOME) TOTAL EXPENDITURE
75318 75136
+ - PROFIT/(LOSS) BEFORE TAX + - PROFIT AFTER TAX
✓ 182 ✓ 445

(Please tick appropriate box + for profit, - for loss)

EARNING PER SHARE DIVIDEND RATE %
(on profit after taxes)
33.40 NIL

V. Generic Names of three principal products/services of Company (as per monetary terms)

ITEM CODE NO (ITC CODE) PRODUCT DESCRIPTION
NOT APPLICABLE

For and on behalf of the board

Madanlal J Hinduja Director

Rajendra J Hinduja Director

Bangalore: June 17, 2005

Auditors' Report

Auditors' report to the Board of Directors of Gokaldas Exports Limited on the consolidated financial statements of Gokaldas Exports Limited

We have examined the attached Consolidated Balance Sheet of **Gokaldas Exports Limited** and its subsidiaries, All Colour Garments Private Limited; DeeJay Trading Private Limited; Glamourwear Apparels Private Limited; Madhin Trading Private Limited; Magenta Trading Private Limited; Rafter Trading Private Limited ; Rajdin Apparels Private Limited ; Reflexion Trading Private Limited ; Rishikesh Apparels Private Limited; Seven Hills Clothing Private Limited; SNS Clothing Private Limited; Vignesh Apparels Private Limited; (together referred to as the Group) as at March 31, 2005, the consolidated profit and loss account and the consolidated cash flow statement for the year ended March 31, 2005 annexed thereto (all together referred to as 'the consolidated financial statements'). These consolidated financial statements are the responsibility of the **Gokaldas Exports Limited's** management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We have not audited the financial statements of 8 subsidiaries. The financial statements of 8 subsidiaries reflect total assets of Rs.203,194,993 at March 31, 2005 and total revenues of Rs.1,560,062 and cash flows (net inflow) amounting to Rs. 3,473,920 for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and in our opinion, insofar as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors. 4 subsidiaries have been audited by one of the joint auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of **Gokaldas Exports Limited** and its subsidiaries included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of **Gokaldas Exports Limited** and its subsidiaries and associate, we are of the opinion that:

- a. the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Group as at March 31, 2005; and
- b. the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of the Group for the year then ended on that date; and
- c. in the case of Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

For RSM & Co.
Chartered Accountants

Vijay N. Bhatt
Partner
Membership No.: F-36647

Bangalore: June 18, 2005

For Girish Murthy & Kumar
Chartered Accountants

A. V. Satish Kumar
Partner
Membership No.: F-26526

Bangalore: June 18, 2005

Consolidated Balance Sheet for the year ended 31.03.2005

Amount in Rupees

	SCH. #		31.03.2005
<u>SOURCES OF FUNDS</u>			
Shareholders' Fund			
Share Capital	I	140,630,000	
Reserves and Surplus	II	1,525,013,075	
			1,665,643,075
Minority Interest			15,605
Loan Funds			
Secured Loans	III	1,261,819,998	
Unsecured Loans	IV	643,692,792	
			1,905,512,790
Deferred Tax Liability (net)			34,561,656
[Refer Note No. C 13 to Schedule XVII]			
Total			3,605,733,126
<u>APPLICATION OF FUNDS</u>			
Fixed Assets			
	V		
Gross Block		1,448,045,838	
Less: Depreciation		409,632,720	
Net Block			1,038,413,118
Capital work-in-progress [including capital advances]			29,448,042
			1,067,861,160
Investments	VI		600,500
Current Assets, Loans and Advances			
	VII		
Inventories		1,870,073,885	
Sundry Debtors		589,631,001	
Cash and Bank Balances		224,761,645	
Other Current Assets		31,307,509	
Loans and Advances		419,335,902	
		3,135,109,942	
Less: Current Liabilities and Provisions	VIII		
Current Liabilities		509,287,647	
Provisions		89,079,629	
		598,367,276	
Net Current Assets			2,536,742,666
Miscellaneous Expenditure	IX		528,800
(to the extent not written off or adjusted)			
Total			3,605,733,126
Significant Accounting Policies and Notes to Account			
	XVII		

Schedules referred to above form an integral part of the accounts.

As per our report of even date

for GIRISH MURTHY AND KUMAR
Chartered Accountants

A.V.SATISH KUMAR
Partner
Membership No. F-26526

Place : Bangalore
Dated : 18th June 2005

for RSM & CO
Chartered Accountants
VIJAY N BHAT
Partner

Place : Bangalore
Dated : 18th June 2005

For and on behalf of the Board

Madanlal J Hinduja
Chairman and Managing Director
Rajendra J Hinduja
Executive Director - Fin. & Admn.

L. Nandalal
Company Secretary

Consolidated Profit and Loss account for the year ended 31.03.2005

		Amount in Rupees
PARTICULARS	SCH. #	31.03.2005
<u>INCOME</u>		
Sales	X	7,240,479,514
Other Income	XI	104,604,699
		7,345,084,213
<u>EXPENDITURE</u>		
Purchase of Finished Goods		5,732,006
(Increase)/Decrease in Stocks		(216,119,305)
Materials, Manufacturing and Operating Expenses	XIII	5,166,156,964
Personnel Expenses	XIV	1,133,672,601
Sales and Administrative Expenses	XV	568,042,445
Finance Charges	XVI	118,957,594
Depreciation	V	129,472,044
		6,905,914,349
Profit Before Tax		439,169,864
Provision for Taxes on Income		
— Current		16,997,931
— Deferred		22,610,301
Taxes of earlier years		1,794,108
Profit for the Year		397,767,524
Pre-acquisition profit		1,053,704
Minority Interest		15,485
		396,698,335
Profit Brought Forward from Previous Year		29,372,910
Amount available for Appropriation		426,071,245
Appropriations		
Proposed Dividend [not subject to deduction of income-tax]		34,376,000
Tax on Dividend		3,594,011
Transfer to General Reserve		39,600,000
Balance transferred to Balance Sheet		348,501,234
		426,071,245
Earnings per share (basic and diluted)		29.07
[Refer Note No. 12 to Schedule XVII]		
Significant Accounting Policies and Notes to Account	XVII	

Schedules referred to above form an integral part of the accounts.

As per our report of even date

for GIRISH MURTHY AND KUMAR

Chartered Accountants

A.V.SATISH KUMAR

Partner

Membership No. F-26526

Place : Bangalore

Dated : 18th June 2005

for RSM & CO

Chartered Accountants

VIJAY N BHAT

Partner

Place : Bangalore

Dated : 18th June 2005

For and on behalf of the Board

Madanlal J Hinduja

Chairman and Managing Director

Rajendra J Hinduja

Executive Director - Fin. & Admn.

L. Nandalal

Company Secretary

Schedules to Consolidated Accounts for the year ending 31.03.2005

<i>Amount in Rupees</i>	
PARTICULARS	31.03.2005
SCHEDULE I - SHARE CAPITAL	
Authorized	
20,000,000 (10,000,000) Equity Shares of Rs. 10 each	200,000,000
Issued, Subscribed and Paid-up	
14,063,000 (10,000,000) Equity Shares of Rs. 10 each fully paid up [out of the above shares, 3,563,000 shares have been allotted as fully paid up pursuant to a scheme of amalgamation without payment being received in cash]	140,630,000
	140,630,000
SCHEDULE II - RESERVES AND SURPLUS	
Capital Reserve - added during the year	
- On amalgamation [refer note No. C 4 (a) to Schedule XVII]	975,118,591
- Pre-acquisition profit [refer note No. C 4 (b) to Schedule XVII]	1,053,704
- On subsidiarisation [refer note No. C 4 (c) to Schedule XVII]	739,546
Share Premium - received during the year	160,000,000
General Reserve - transferred during the year	39,600,000
Balance in Profit and Loss Account	348,501,234
	1,525,013,075
SCHEDULE III - SECURED LOANS	
Packing Credit from Banks	1,199,422,010
[Secured by hypothecation of raw materials, finished goods, book debts and are also personally guaranteed by the directors of the Company]	
Term Loan from Banks (Under Technology Upgradation Fund Scheme)	62,397,988
[Secured by hyphothecation of specific fixed assets purchased under term loan]	
	1,261,819,998
SCHEDULE IV - UNSECURED LOANS	
From Directors [interest free]	446,141,578
Others	197,551,214
	643,692,792

Schedules to Consolidated Accounts for the year ending 31.03.2005

SCHEDULE - V - FIXED ASSETS (at cost less depreciation)

Particulars	Amount in Rupees									
	Gross Block					Depreciation				Net Block
	As at April 1, 2004	On Amalgamation	On Subsidiarisation	Others	Deletions/ Adjustments	As at March 31, 2005	Accumulated April 1, 2004	On Amalgamation	For the Year	
Free Hold Land	18,400,000	582,538	-	18,500,000	-	37,482,538	-	-	-	37,482,538
Building	53,465,305	40,480,182	21,857,183	12,580,783	-	128,383,453	9,029,709	17,320,322	8,914,724	93,116,686
Improvement on lease hold	572,973	-	-	6,004,634	-	6,577,607	36,906	-	302,781	6,237,920
Plant & Machinery	473,309,970	283,808,734	50,135,263	289,441,236	10,755,744	1,085,939,459	92,667,486	121,676,632	99,596,135	776,921,885
Electrical Equipment	3,074,965	5,404,414	13,039,697	21,520,601	741,599	42,298,078	1,099,549	3,053,111	3,331,902	34,813,516
Office Equipments	3,210,312	7,226,151	992,866	2,407,579	53,169	13,783,739	475,949	4,834,036	946,682	7,527,072
Furniture & Fixtures	6,856,915	10,764,736	34,300,120	11,870,433	137,607	63,654,597	1,638,731	7,410,472	6,038,682	48,566,712
Computers	10,799,755	16,365,869	280,222	9,779,438	243	37,225,041	4,121,948	13,358,299	5,643,578	14,101,215
Vehicles	11,176,966	13,028,846	2,107,441	10,773,951	4,385,877	32,701,327	4,192,759	7,168,728	4,697,559	19,643,561
Total	580,867,161	377,661,470	122,712,792	382,878,654	16,074,239	1,448,045,838	113,263,037	174,821,600	129,472,044	1,036,413,117
Capital work in progress [including capital advances]										
										29,440,42
Grand Total										1,067,861,159

Schedules to Consolidated Accounts for the year ending 31.03.2005

<i>Amount in Rupees</i>	
PARTICULARS	31.03.2005
SCHEDULE VI - INVESTMENTS	
[Long-term, Non-trade, at cost]	
In Government Securities [unquoted]	
National Savings Certificate	72,400
Indira Vikas Patra	12,000
In Mutual Funds [unquoted]	
2,700 (Previous Year Nil) US 64 Bonds of Rs. 100 each, fully paid-up	516,100
	600,500
Aggregate amount of un-quoted investments	600,500
SCHEDULE VII - CURRENT ASSETS, LOANS AND ADVANCES	
Inventories	
[Refer Note No. B(c) to Schedule XVII for mode of valuation of inventories]	
Raw Materials	1,372,206,096
Consumable Stores and Spares Parts	29,707,165
Finished Goods	328,828,726
Work in progress	139,331,898
	1,870,073,885
Sundry Debtors	
[Unsecured, considered good]	
Debts outstanding for a period exceeding six months	4,889,160
Others	584,741,841
	589,631,001
Cash and Bank Balances	
Cash Balance on hand	5,646,827
Bank Balances with Scheduled Banks:	
— in Current Accounts	170,733,848
— Fixed Deposit Account	48,284,500
— Margin for Bank Guarantees	96,470
	224,761,645
Other Current Assets	
Interest accrued on bank deposits	4,896,802
Others	26,410,707
	31,307,509
Loans and Advances	
Advances recoverable in cash or for value to be received	
— for Supplies and Services	89,034,204
— from Staff	9,655,826
— others	10,703,744
Taxes paid in Advance	75,823,660
Expenses relating to Public Issue [Refer Note No.C 5 to Schedule XVII]	57,396,510
Deposits	176,721,958
	419,335,902
	3,135,109,942

Schedules to Consolidated Accounts for the year ending 31.03.2005

	<i>Amount in Rupees</i>
PARTICULARS	31.03.2005
SCHEDULE VIII - CURRENT LIABILITIES AND PROVISIONS	
Current Liabilities	
Sundry Creditors	
— Due to Small Scale Industrial Undertakings [Refer Note No. 8 to Schedule XVII]	7,802,729
— Others	264,556,262
Advance received from Customers	3,598,748
Other Liabilities	221,355,537
Book Overdraft	11,974,371
	509,287,647
Provisions	
Provision for Taxation	18,882,206
Proposed Dividend	34,376,000
Tax on Proposed Dividend	3,594,011
Provision for Gratuity	16,099,029
Provision for Leave Encashment	16,128,383
	89,079,629
	598,367,276
SCHEDULE IX - MISCELLANEOUS EXPENDITURE	
[to the extent not written off or adjusted]	
Preliminary Expenses b/f	594,900
Less: Written off during the year	66,100
	528,800
SCHEDULE X - SALES	
Sale of Finished Goods	
— Export Sales	7,083,367,049
— Domestic Sales	133,970,123
Sale of other items	21,768,665
Job Work Charges	1,373,677
	7,240,479,514
SCHEDULE XI - OTHER INCOME	
Export Incentives	44,251,441
Foreign Exchange difference (net)	17,509,470
Other Operating Income	
Interest [Tax Deducted at Source Rs. 725,790]	3,885,692
Profit on sale of Investments	11,577
Miscellaneous Income	38,946,519
	104,604,699
Schedule XII - (INCREASE)/DECREASE IN STOCKS	
<u>Opening Stock</u>	
Finished Goods	252,041,319
Work-in-progress	-
	252,041,319
<u>Closing Stock</u>	
Finished Goods	328,828,726
Work-in-progress	139,331,898
	468,160,624
	(216,119,305)

Schedules to Consolidated Accounts for the year ending 31.03.2005

<i>Amount in Rupees</i>	
PARTICULARS	31.03.2005
SCHEDULES XIII - MATERIALS, MANUFACTURING AND OPERATING EXPENSES	
Consumption of Raw Materials	4,592,289,790
Consumption of Consumables, Stores and Spares	40,772,709
Job Work Charges	131,097,966
Power and Fuel	86,179,917
Repairs and Maintainance - Plant and Machinery	19,937,240
Other Manufacturing Expenses	295,879,341
	5,166,156,964
SCHEDULE XIV - PERSONNEL EXPENSES	
Salaries, Wages and Bonus	980,323,095
Contribution to Provident Fund and other Funds	132,675,910
Welfare Expenses	20,673,596
	1,133,672,601
SCHEDULE XV - SALES AND ADMINISTRATION EXPENSES	
Rent	56,130,868
Insurance	3,442,548
Legal and Professional Charges	33,340,641
Printing and Stationery	13,733,984
Communication Costs	22,529,996
Travelling and Conveyance	25,492,201
Rates and Taxes	9,847,137
Repairs and Maintenance	
— Buildings	8,479,729
— Others	30,798,535
Preliminary Expenses written off	66,100
Preliminary Expenses incurred	99,185
Pre-operative Expenses incurred	101,060
Auditors' Remuneration	2,216,315
Membership and Subscription	3,584,998
Commission, Discount and Brokerge	33,544,153
Clearing, Forwarding and Freight	179,479,088
Export Claims	6,349,925
Customs Duty	18,906,284
Quota Purchase	58,215,156
Charity and Donation	764,202
Directors Remuneration	14,430,000
Loss on Forward Contracts	7,829,740
Loss on sale of assets (net)	658,504
Advertisement, Publicity and Business Promotion	10,659,321
Goodwill written off	408,551
Sundry Expenses	16,934,224
	568,042,445
SCHEDULE XVI - FINANCE CHARGES	
Bank Interest	
— On Fixed Period Loans	3,421,197
— Others	43,501,188
Bank Charges	72,035,209
	118,957,594

Notes to Accounts

SCHEDULE XVII - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNT

A. Principles of Consolidation

1. The Consolidated Financial Statements relate to the Company [Gokaldas Exports Limited – formerly known as Gokaldas Exports Private Limited] and its subsidiaries. The consolidated Financial Statements have been prepared on the following basis:
 - (i) The Financial Statements of the Company and its subsidiary companies are combined 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 in accordance with Accounting Standard (AS) 21 – “Consolidated Financial Statements” issued by The Institute of Chartered Accountants of India.
 - (ii) The Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company’s separate Financial Statements except as otherwise stated in the Notes to Account.
 - (iii) The difference between the cost of investment in the subsidiaries over the net assets at the time of acquisition of shares in the subsidiaries is recognized in the Financial Statements as Goodwill or Capital Reserve as the case may be.
 - (iv) Minority Interest’s share of Net Profit/Loss of Consolidated Subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the Net Income attributable to the shareholders of the Company.
 - (v) Minority Interest’s share of Net Assets of Consolidated Subsidiaries is identified and presented in the Consolidated Balance Sheet separately from liabilities and the equity of the Company’s shareholders.
2. Investments other than in subsidiaries have been accounted for as per Accounting Standard (AS) – 13 on “Accounting for Investments” issued by The Institute of Chartered Accountants of India.

B. Significant Accounting Policies

Basis of preparation of financial statements and use of estimates

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (“Indian GAAP”) under the historical cost convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

Fixed assets and depreciation

Fixed assets are stated at cost of acquisition/construction. Cost includes taxes, duties, freight and other incidental expenses related to acquisition/construction.

Depreciation on fixed assets is provided on written down value method at the rate and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

Inventories

Raw material, packing material, stores, spares and consumables are valued at cost. Finished goods and work in progress are valued at lower of cost and net realisable value. Cost is ascertained on weighted average basis and in case of finished products and work in progress includes appropriate production overheads. Duty liabilities, if any, in respect of uncleared finished goods are provided for and included in the carrying value of inventories.

Revenue recognition

I) Sale: Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer, which is generally on dispatch of goods from factory/warehouse.

II) Contract Receipt: Contract receipts are recognized as per the complete service contract method, upon delivery of finished goods, in accordance with requirement of AS 9.

Notes to Accounts

Export incentives

Export incentives principally comprise of duty drawback and premium on past performance entitlements. The benefit under these incentive schemes are available based on the guideline formulated for respective schemes by the government authorities. Duty drawback is recognized as revenue on accrual basis to the extent it is probable that realisation is certain. Premium on past performance entitlements are accounted on transfer of such entitlements.

Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rates prevailing on the dates of the transaction. Monetary foreign currency assets and liabilities are translated at the period end exchange rate, as applicable. Resultant gains or losses are recognised in the profit and loss account.

Investments

Long term investments are valued at cost. Provision for diminution, if any, in the value of investments is made to recognise a decline, other than temporary. Current investments are valued at lower of cost and market value. Cost includes incidental charges incurred towards acquisition of such investments.

Retirement benefits

Company's contributions to defined contribution schemes such as provident fund and family pension funds are charged to the profit and loss account on accrual basis. Provision for leave encashment and gratuity, which is in the nature of defined benefit scheme, is based on actuarial valuation done as at the balance sheet date by independent actuaries.

Accounting for taxes on income

Provision for current tax is made based on the tax payable for the year under the Income-tax Act, 1961. Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets, other than on unabsorbed tax depreciation and unabsorbed tax losses, are recognised only to the extent that there is a reasonable certainty of their realisation. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognised only to the extent that there is virtual certainty of their realization supported by convincing evidence.

Preliminary expenses

Preliminary expenses are amortized over a period of ten years.

Share issue expenses

Share issue expenses are adjusted against the securities premium on issue of shares.

C. Notes to Account

The Consolidated Financial Statement relate to Gokaldas Exports Ltd and its subsidiaries. These Financial Statements have been prepared in accordance with Accounting Standard (AS) 21 – “Consolidated Financial Statements” issued by The Institute of Chartered Accountants of India.

The Companies considered in this Consolidated Financial Statements are

Name of the Company	Proportion of ownership interest	Year ending / whether Audited	Date of Acquisition
All Colour Garments Private Limited;	99.995 %	March 31, 2005 Audited	December 1, 2004
Deejay Trading Private Limited;	99.995 %	March 31, 2005 Audited	December 1, 2004
Glamourwear Apparels Private Limited	99.995 %	March 31, 2005 Audited	December 1, 2004
Madhin Trading Private Limited	99.995 %	March 31, 2005 Audited	December 1, 2004
Magenta Trading Private Limited	99.995 %	March 31, 2005 Audited	December 1, 2004
Rafter Trading Private Limited	99.995 %	March 31, 2005 Audited	December 1, 2004
Rajdin Apparels Private Limited	99.995 %	March 31, 2005 Audited	December 1, 2004
Reflexion Trading Private Limited	99.995 %	March 31, 2005 Audited	December 1, 2004
Rishikesh Apparels Private Limited	99.995 %	March 31, 2005 Audited	December 1, 2004
Seven Hills Clothing Private Limited	99.995 %	March 31, 2005 Audited	December 1, 2004
SNS Clothing Private Limited;	99.995 %	March 31, 2005 Audited	December 1, 2004
Vignesh Apparels Private Limited.	99.995 %	March 31, 2005 Audited	December 1, 2004

Notes to Accounts

1. **Contingent liabilities** Amount in Rupees

Particulars	As at March 31, 2005
Disputed income tax demand pending in appeal	34,229,239
Other claims against the Company not acknowledged as debts	1,041,438
Guarantees given by banks	98,988,388
Outstanding letter of credit	38,43,55,617
Bills discounted with banks	581,265,342
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	2,92,54,874
2. During the year, the Company has imported capital goods without payment of duty under the Export Promotion Capital Goods Scheme. Under the scheme the Company has export obligations of Rs. 7,31,21,418 which is required to be fulfilled before May 15, 2012.
3. **Changes in the basis of accounting**

The Company has performed actuarial valuation for measurement of its leave encashment liability as of March 31, 2005. Hitherto such liability was provided on an estimated basis. The basis of measurement of leave encashment liability has been changed to reasonably reflect the accuracy of such liability based on scientifically recognized basis of valuation. The difference on account of such change in the basis of measurement of leave encashment liability is adjusted in the statement of profit and loss for the year. However the difference between the actuarial valuation and the method adopted in the previous year is not significant.
4. **(a) Amalgamation of Gokaldas Exports Private Limited and The Unique Creations (Bangalore) Private Limited with the Company**

Pursuant to the scheme of amalgamation sanctioned by the Honorable High Court of Karnataka on November 20, 2004, Gokaldas Exports Private Limited and The Unique Creations (Bangalore) Private Limited have been amalgamated with the Company from April 1, 2004 being the appointed date.

The scheme has been accordingly been given effect in the accounts. Pursuant to the scheme of amalgamation sanctioned, the entire business and all assets and liabilities of erstwhile Gokaldas Exports Private Limited and The Unique Creations (Bangalore) Private Limited, vest with the Company. Accordingly the said assets and liabilities have been incorporated in the accounts.

Under the scheme, the Company has issued to the shareholders of erstwhile Gokaldas Exports Private Limited one fully paid up equity share of Rs.10 for every ten fully paid up equity shares of Gokaldas Exports Private Limited i.e. 1,600,000 equity shares representing 10% of shares exchanged, and thirteen fully paid up equity shares of Rs. 10 each for every ten equity shares to the shareholders of The Unique Creations (Bangalore) Private Limited i.e. 1,963,000 equity shares representing 130% of shares exchanged.

The difference between the value of the net assets taken over and the paid up value of shares of the Company issued, aggregating to Rs. 975,118,591 has been accounted as Capital Reserve. The immovable properties, vehicles and investments continues to be in the name of erstwhile Gokaldas Exports Private Limited and The Unique Creations (Bangalore) Private Limited.

4(b) Profit earned by subsidiaries prior to subsidiarisation aggregating to Rs. 1,053,704 have been disclosed as pre-acquisition profit.

4(c) Capital reserve added during the year includes Rs 793,546 on account of subsidiaries.
5. The Initial Public Offer (IPO) of the Company was open for subscription by public from March 30, 2005 and the closing date was April 6, 2005. As at the close of the financial year, subscription money received against IPO was kept in escrow account and was not available to the Company and the necessary accounting effect would be given on completion of IPO. Expenses incurred towards IPO amounting to Rs. 57,396,510 is classified as "Expenses in relation to Public Offer" under loans and advances in the financial statements. These expenses would be adjusted against the securities premium account on completion of Public Issue.
6. Provision for the proposed dividend is made on the enlarged equity share capital of the Company after considering the shares allotted pursuant to the Initial Public Offer.
7. In the opinion of the Board, current assets, loans and advances have a value of at least equal to the amounts shown in the balance sheet, if realised in the ordinary course of the business. The provision for all the known liabilities including depreciation is adequate and not in excess of the amount reasonably necessary.

Notes to Accounts

8. Sundry Creditors include Rs. 78,02,729 due to Small Scale Industrial (SSI) Undertakings, which are identified based on the information available with the management. Following are the names of SSI units where dues are outstanding for a period exceeding 30 days as at March 31, 2005:

Kengeri Packers Pvt. Ltd.
Kumar Elastic
State Traders
Sri Ram Packaging Co.
Wadpack Limited
Jay Jay Polymers

9. Segment information

- a. Primary business segment

The Company is exclusively engaged in the business segment of manufacture and sale of garments.

- b. Secondary business segment (by geographical area based on location of customers)

Amount in Lakhs

Particulars	Revenue by geographical market	Carrying amount of segment assets	Additions to tangible and intangible fixed assets
European Union and Western Europe	1,844,017,612	136,991,355	-
USA, Canada and North America	5,081,477,274	385,776,219	-
India	157,051,585	3,653,338,212	883,252,916 *
Others	157,933,043	27,465,817	-
Total	7,240,479,514	4,203,571,603	883,252,916

* includes fixed assets aggregating to Rs. 37,76,61,470 and Rs. 122,712,792 transferred to the company on amalgamation and subsidiarisation respectively.

10. Related party disclosure

- a. The following are the names of related parties and description of relationship:

Enterprises where control exists: NIL

Other Related Parties with whom the Company had transactions:

Key management personnel

1. Mr. Madanlal J Hinduja
2. Mr. Rajendra J Hinduja
3. Mr. Dinesh J Hinduja
4. Mr. Ashwin R Hinduja
5. Mr. Vivek M Hinduja
6. Mr. Gaurav D Hinduja

Enterprises over which key management personnel and their relatives exercise significant influence

1. Dazzle Trading Private Limited
2. Dice Trading Private Limited
3. Hinduja Exports Private Limited
4. J.V.N. Exports Private Limited
5. Maze Trading Private Limited
6. Parichay Investments Limited
7. Polyproducts Private Limited
8. Rapple Trading Private Limited

Notes to Accounts

9. Vag Exports Private Limited
10. Asiatic Exports
11. Carnival Clothing Company
12. Central Warehouse
13. Euro Clothing Company
14. Global Garments
15. Hinduja Fashions
16. Hinduja Sportswear
17. Hinduja Trading Company
18. International Clothing Company
19. J.D. Clothing Company
20. New Generation Apparels
21. Sunshine Enterprises
22. The Intex
23. Wear Craft Apparels
24. Indev Warehouse and Container Services Private Limited (upto 31.10.2004)

- b. The following are the volume of transactions with related parties during the year and outstanding balances as at the year end disclosed in aggregate by type of related party:

Amount in Rupees

Transactions	Key Management Personnel	Enterprises over which key management personnel and their relatives exercise significant influence	Total
Job work charges	-	389,990,548	389,990,548
Material purchases	-	2,263,050	2,263,050
Garment purchases	-	-	-
Rent received	-	102,000	408,000
Rent paid	-	540,000	540,000
Hire Charges received	-	190,000	190,000
Sale of garments	-	4,235,587	4,235,587
Sale of assets	-	2,117,180	2,117,180
Quota Purchase	-	-	-
Remuneration	14,430,000	-	14,430,000
Loans taken	260,241,969	-	260,241,969
Balance outstanding as on March 31			
— Credit balances	643,692,792	51,947,138	695,639,930
— Debit balances-		1,178,453	1,178,463

Notes to Accounts

11. Balances with companies under the same management under section 370(1B) of the Companies Act, 1956 included in Loans and Advances:

Amount in Rupees

Name of the company	As at March 31, 2005	Closing balance
	Maximum balance outstanding during the year	
Parichay Investments Limited	180,000	180,000
VAG Exports Private Limited	998,453	998,453
Total	1,178,453	1,178,453

12. Earnings per share

Amount in Rupees

Particulars	2004 - 2005
Net profit for the year as per profit and loss accounts considered as numerator for calculating earnings per share	396,698,335
Weighted average number of equity shares	13,646,333
Nominal value per share	10
Earnings per share – Basic and diluted	29.07

13. Deferred taxes

The deferred tax assets/(liabilities) arising out of timing differences comprise of the following major components:

Amount in Rupees

Particulars	As at March 31, 2005
Difference between book and tax base of fixed assets	(45,320,482)
Retirement benefits allowed on payment basis accrued in books	10,758,826
Total	(34,561,656)*

* includes Rs. 22,610,301 charged to profit and loss account during the year.

14. The aggregate amount of research and development expenditure recognised as an expense during the year was Rs. 2,68,90,849/-.

15. Remuneration to directors

Amount in Rupees

Particulars	2004 – 2005
Salaries	1,44,30,000
Total	1,44,30,000

16. Auditors remuneration includes:

Amount in Rupees

Particulars	2004 – 2005
Audit fees (inclusive of service tax)	21,16,315
Taxation matters	1,00,000
Total	22,16,315

17. The previous period's figures have not been presented as this is the first year for which the Company is presenting Consolidated Financial Statements.

Signatures to schedules I to XVII

For and on behalf of the Board

Madanlal J Hinduja

Chairman and Managing Director

Rajendra J Hinduja

Executive Director

L. Nandalal

Company Secretary

Bangalore: June 18, 2005

Consolidated Cash Flow Statement

Amount in Rupees

PARTICULARS	31.03.2005
A. CASH FLOW FROM OPERATING ACTIVITIES	
Profit before tax and extraordinary items	439,169,865
Adjusted for:	
Depreciation	129,472,044
Interest expense	118,957,594
Interest Earned	(3,885,692)
(Profit)/Loss on sale of assets	658,504
(Profit)/loss on sale of investments	(11,577)
(Profit)/Loss on forward contracts	7,829,740
Goodwill written off	408,551
Preliminary/Pre-operative expenses incurred	200,245
Preliminary expenses written off	66,100
Operating Profit/(Loss) before Working Capital Changes	692,865,374
Adjustments for:	
(Increase)/Decrease in Debtors	(340,865,651)
(Increase)/Decrease in Loans and Advances	656,102,859
(Increase)/Decrease in Inventories	(418,110,764)
(Increase)/Decrease in Other Current Assets	63,724,840
(Decrease)/Increase in Current Liabilities and Provisions	(652,602,625)
Cash Generated from Operations	1,114,032
Tax paid (net of refund)	(28,455,014)
Extraordinary Items	-
Net Cash Flow from Operating Activities	(27,340,982)
CASH FLOW FROM INVESTING ACTIVITIES	
Interest received	1,474,841
Purchase of Fixed Assets	(399,262,963)
Proceeds from sale of Fixed Assets	7,491,775
Purchase of Investments	(18,700)
Proceeds from sale of Investments	119,577
Investments in Subsidiaries (net of Good will)	(308,654,727)
Net Cash Flow from Investing Activities	(698,850,197)
CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from issue of Share Capital (Including Share Premium)	165,000,000
Proceeds from Packing Credit (net)	377,013,888
Proceeds from Term Loans	43,383,586
Repayment of Term Loans	(15,800,000)
Proceeds from Unsecured Loans	425,182,060
Repayment of Unsecured Loans	(182,559,972)
Profit/(Loss) on forward contracts	(7,829,740)
Advances paid towards Public Issue expenses	(57,396,510)
Preliminary expenses	(200,245)
Interest expense	(118,957,594)
	627,835,473

Consolidated Cash Flow Statement (Contd.)

	<i>Amount in Rupees</i>
PARTICULARS	31.03.2005
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	(98,355,706)
Opening Balance of Cash and Cash Equivalents (refer Note 2)	323,117,351
Closing Balance of Cash and Cash Equivalents	224,761,645
Cash and cash equivalents include:	
— Cash and bank balances	224,760,063
— Unrealized (loss)/gain on foreign currency Cash and Cash equivalents	1,582
Total Cash and Cash Equivalents	224,761,645

Note: 1. The amalgamation of Gokaldas Exports Private Limited and The Unique Creations (Bangalore) Private Limited with the Company is considered as a non cash transaction
2. Includes Rs. 83,340,339 of merged entities and subsidiaries.

As per our report of even date
for GIRISH MURTHY AND KUMAR
Chartered Accountants
A.V.SATISH KUMAR
Partner
Membership No. F-26526

Place : Bangalore
Dated : 18th June 2005

for RSM & CO
Chartered Accountants
VIJAY N BHAT
Partner

Place : Bangalore
Dated : 18th June 2005

For and on behalf of the Board

Madanlal J Hinduja
Chairman and Managing Director
Rajendra J Hinduja
Executive Director - Fin. & Admn.

L. Nandalal
Company Secretary

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.

			3	3	4	7	5
--	--	--	---	---	---	---	---

State code:

0	8
---	---

Balance Sheet Date

3	1
---	---

0	3
---	---

2	0	0	5
---	---	---	---

Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

					N	I	L
--	--	--	--	--	---	---	---

Bonus Issue

					N	I	L
--	--	--	--	--	---	---	---

Right Issue

					N	I	L
--	--	--	--	--	---	---	---

Private Placement

				5	0	0	0
--	--	--	--	---	---	---	---

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

	4	2	0	4	1	0	0
--	---	---	---	---	---	---	---

Total Assets

	4	2	0	4	1	0	0
--	---	---	---	---	---	---	---

Sources of Funds

Paid-up Capital

		1	4	0	6	3	0
--	--	---	---	---	---	---	---

Reserves & Surplus

	1	5	2	5	0	1	3
--	---	---	---	---	---	---	---

Secured Loans

	1	2	6	1	8	2	0
--	---	---	---	---	---	---	---

Unsecured Loans

		6	4	3	6	9	3
--	--	---	---	---	---	---	---

Deferred tax liability (Net)

			3	4	5	6	2
--	--	--	---	---	---	---	---

Application of Funds

Net Fixed Assets

including capital work in progress

	1	0	6	7	8	6	1
--	---	---	---	---	---	---	---

Investments

					6	0	1
--	--	--	--	--	---	---	---

Net Current Assets

	2	5	3	6	7	4	3
--	---	---	---	---	---	---	---

Miscellaneous Expenditure

					5	2	9
--	--	--	--	--	---	---	---

Accumulated Losses

					N	I	L
--	--	--	--	--	---	---	---

IV. Performance of Company (Amount in Rs. Thousands)

Turnover

	7	3	4	5	0	8	4
--	---	---	---	---	---	---	---

Total Expenditure

	6	9	0	5	9	1	4
--	---	---	---	---	---	---	---

+ -

Profit/Loss before tax

✓	
---	--

		4	3	9	1	7	0
--	--	---	---	---	---	---	---

+ -

Profit/Loss after tax

✓	
---	--

		3	9	7	7	6	8
--	--	---	---	---	---	---	---

(Please tick appropriate box + for Profit - for Loss)

Earnings per share in Rs.

Basic

			2	9	.	0	7
--	--	--	---	---	---	---	---

Dividend rate %

						2	0
--	--	--	--	--	--	---	---

V. Generic Names of Principal Products / Services of Company (as per monetary terms)

Item Code No. (ITC Code)

x	x	6	2	0	1	1	2
---	---	---	---	---	---	---	---

Product Description

			J	A	C	K	E	T	S
--	--	--	---	---	---	---	---	---	---

x	x	6	2	0	5	2	0
---	---	---	---	---	---	---	---

			S	H	I	R	T	S
--	--	--	---	---	---	---	---	---

x	x	6	2	0	6	3	0
---	---	---	---	---	---	---	---

			B	L	O	U	S	E	S
--	--	--	---	---	---	---	---	---	---

For and on behalf of the board

Madanlal J Hinduja

Chairman and Managing Director

Rajendra J Hinduja

Executive Director

L. Nandalal

Company Secretary

Bangalore : June 18, 2005



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