

# **KIFS FINANCIAL SERVICES LIMITED**

## **17<sup>TH</sup> ANNUAL REPORT - 2011-12**

### **BOARD OF DIRECTORS:**

1. Late Shri Parmanand G. Khandwala – *(Chairman & Director upto 19/05/2012)*
2. Shri Rajesh P. Khandwala – Chairman & Director w.e.f. 19/05/2012
3. Shri Atul N. Parikh – Independent Director
4. Shri Devang M. Shah – Independent Director
5. Shri Dharmendra N. Soni – Independent Director

### **AUDITORS:**

M/s. Shailesh C. Parikh & Co.,  
Chartered Accountants,  
Ahmedabad

### **BANKERS:**

1. HDFC Bank – Ahmedabad
2. Central Bank of India – Ahmedabad
3. Bank of Maharashtra – Ahmedabad

### **REGISTERED & CORPORATE OFFICE:**

B-81, Pariseema Complex,  
C. G. Road, Ellisbridge,  
Ahmedabad – 380 006



## NOTICE

**NOTICE** is hereby given that the **17<sup>th</sup>** Annual General Meeting of the members of **KIFS Financial Services Limited (Previously known as Khandwala Capital Services Ltd.)** will be held on Saturday, 29<sup>th</sup> day of September, 2012 at 12:00 noon at the Registered Office of the Company at B-81, Pariseema Complex, C. G. Road, Ellisbridge, Ahmedabad – 380 006 for transacting the following business:

### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2012 and Profit and Loss Account for the year ended on that date together with the Report of Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a director in place of Mr. Devang M. Shah, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

### **FOR AND ON BEHALF OF THE BOARD**

**Place: Ahmedabad**  
**Date: 23/05/2012**  
**Regd. Office:**  
**B-81, Pariseema Complex,**  
**C.G. Road, Ellisbridge,**  
**Ahmedabad-380006**

**Sd**  
**Rajesh P. Khandwala**  
**Chairman**

### **NOTES:**

1. MEMBERS ARE ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE AT THE AGM INSTEAD OF HIM / HER AND PROXIES IN ORDER TO BE EFFECTIVE HAS TO BE LODGED WITH THE COMPANY AT THE REGISTERED OFFICE OF THE COMPANY ATLEAST BEFORE 48 HOURS FROM THE TIME APPOINTED FOR THE ANNUAL GENERAL MEETING.
2. MEMBERS' REGISTER AND SHARE TRANSFER BOOKS SHALL REMAIN CLOSED FROM TUESDAY THE 25/09/2012 TO SATURDAY THE 29/09/2012 (BOTH DAYS INCLUSIVE) FOR PURPOSE OF PAYMENT OF DIVIDEND TO THOSE MEMBERS WHOSE NAMES STAND ON THE REGISTER OF MEMBERS AS ON 29/09/2012 (AGM DATE). THE DIVIDEND IN RESPECT OF THE SHARES HELD IN ELECTRONIC FORM WILL BE PAYABLE TO THOSE BENEFICIAL OWNERS OF THE SHARES AT THE END OF BUSINESS HOURS ON 29/09/2012 (AGM DATE) AS PER THE DETAILS FURNISHED BY THE DEPOSITORIES FOR THIS PURPOSE.
3. ANY QUERY RELATED TO THE ACCOUNTS MAY BE SENT AT THE REGISTERED OFFICE OF THE COMPANY AT LEAST 10 DAYS BEFORE THE DATE OF THE MEETING.

4. MEMBERS ARE REQUESTED TO NOTIFY IMMEDIATELY THE CHANGE, IF ANY, IN THEIR REGISTERED ADDRESS.
5. MEMBERS ARE REQUESTED TO NOTE THAT THE MINISTRY OF CORPORATE AFFAIRS (MCA) HAS TAKEN A "GREEN INITIATIVE IN THE CORPORATE GOVERNANCE" BY ALLOWING THE PAPERLESS COMPLIANCES BY THE COMPANIES VIDE ITS CIRCULARS NO.17/2011 DATED 21<sup>ST</sup> APRIL, 2011 AND 18/2011 DATED 29<sup>TH</sup> APRIL, 2011, AFTER CONSIDERING CERTAIN PROVISIONS OF THE INFORMATION TECHNOLOGY ACT, 2000, PERMITTING THE COMPANIES TO SENT THE NOTICES/ ANNUAL REPORTS ETC. THROUGH E-MAIL TO ITS MEMBERS. MEMBERS INTERESTED TO RECEIVE THE NOTICES/ ANNUAL REPORTS ETC THROUGH ELECTRONIC MODE ARE REQUESTED TO PROVIDE THEIR E-MAIL IDS TO THE COMPLIANCE OFFICER OF THE COMPANY.

**DETAILS OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT  
AT THE FORTHCOMING ANNUAL GENERAL MEETING  
(Pursuant to Clause 49 of the Listing Agreement)**

<b>Name</b>	<b>Devang M. Shah (Re-appointment)</b>
<b>Date of Birth</b>	30/07/1963
<b>Date of Appointment</b>	28/12/2002
<b>Qualification</b>	B.Com
<b>Experience</b>	More than 15 years in the field of Capital and Financial markets.
<b>List of other companies in which he holds Directorship as on 31/03/2012</b>	None
<b>Chairman / member of committee of the board of the other public companies as on 31/03/2012</b>	None
<b>Relationships between Directors inter-se</b>	N.A.
<b>Equity shares held in the Company</b>	Nil

## DIRECTORS' REPORT

To,  
The Members,  
**KIFS Financial Services Limited**  
Ahmedabad

Your Directors have pleasure in presenting their 17<sup>th</sup> Annual Report of the Company together with Audited Statement of Accounts for the financial year ended on 31<sup>st</sup> March, 2012.

### FINANCIAL RESULTS

Particulars	(Rs. in Lacs)	
	2011-12	2010-11
Business and Other Income	242.44	402.54
Total Expenditure	80.58	29.33
Profit/ Loss before Exceptional Items and provision for Tax	161.86	373.21
Exceptional Items (Mat Credit entitlement net of Current Year's utilization)	34.24	0.00
Profit before Tax	196.10	373.21
Provision for Taxation	33.67	74.57
<b>Net Profit</b>	<b>162.43</b>	<b>298.64</b>

### REVIEW OF OPERATIONS

During the year under review, total income of the Company has reduced to Rs. 242.44 Lacs as compared to Rs. 402.54 Lacs earned during the previous year because of exceptional income of Rs. 317.64 lacs towards profit from sale of Investment in previous year. However, the Company's income from operations which mainly comprises of Interest from Margin Funding, IPO Funding and Loans against Securities has shown a significant rise of Rs. 238.75 lacs as compared to Rs. 82.98 lacs during the previous financial year.

Amount of total expenditure has increased to Rs. 80.58 Lacs compared to Rs. 29.33 Lacs in previous year due to higher interest charges on borrowings. The other expenses largely remained flat during the year. The Net profit of the company after providing for all expenditure, necessary provisions and prior period adjustments was Rs. 162.43/- lacs compared to Rs. 298.64/- lacs of previous year showing a decline of about 46%.

The detailed results of operations of the Company are given in the Management Discussion & Analysis forming part of this report.

## **DIVIDEND**

Keeping in view the overall performance during the year, your Directors recommend a dividend of Rs. 1.25/- (One Rupee and Twenty five paise only, i.e. 12.50 %) per Equity Share on the face value of Rs. 10/- each on the total paid up capital as on 31<sup>st</sup> March, 2012. The dividend, if approved by the members at ensuing Annual General Meeting, will be paid to those shareholders whose names appear in the Register of Members as on the Book closure date. The dividend and dividend distribution tax will absorb a sum of Rs. 43.66 lacs.

## **DIRECTORS**

Pursuant to provisions of Section-256 of the Companies Act, 1956 Mr. Devang M. Shah, retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

The Ex-Chairman and Director, Mr. Parmanand G. Khandwala has resigned from the Board of the Company w.e.f. 19<sup>th</sup> May, 2012. The Board of Directors place their appreciation for the valuable services and guidance provided by him during his tenure as the Chairman & Director of the Company.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

As per Clause – 49 of the Listing Agreement, the Management Discussion and Analysis should form part of Director's Report. Hence a detailed chapter on Management Discussion and Analysis forms part of this Annual Report.

## **CORPORATE GOVERNANCE**

A report on Corporate Governance along with a certificate from the Auditors of the Company (enclosed with this Report as Annexure – 1) regarding the compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed to this Report.

## **PUBLIC DEPOSITS**

During the year ended March 31, 2012, the Company has not accepted any deposits from the public within the meaning of the provisions of the Non-Banking Financial Companies (Reserve Bank) Directions, 1977 and RBI's notification no.DFC .118DG/(SPT)-98 dated 31<sup>st</sup> January, 1998.

## **AUDITORS**

The statutory Auditors of the Company M/s. Shailesh C. Parikh & Co., Chartered Accountants, Ahmedabad retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The Auditors have furnished a certificate to the effect that if re-appointed, their appointment shall be within the limits prescribed under Section 224 (1-B) of the Companies Act, 1956.

The Board of Directors recommends their re-appointment.

## **PARTICULARS OF EMPLOYEES**

No employee, employed throughout the financial year was in receipt of remuneration not less than Rs. 24,00,000/- p.a. or if employed for a part of the financial year, was in receipt of remuneration not less than Rs. 2,00,000/- p.m. therefore the Company is not required to submit the details as required under Section 217(2-A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

## **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

The Company is a non banking financial company. It is neither involved in any manufacturing, processing activities nor any of its transactions involve foreign exchange earnings and outgo. In view of the same, the particulars in terms of section 217(1)(e) of the Companies Act, 1956 and the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988, regarding conservation of energy and technology absorption and foreign exchange earnings and outgo, are not applicable to the Company.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

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

- i) That in the preparation of the Annual Accounts, all the applicable Accounting Standards have been followed
- ii) That the accounting policies are adopted and consistently followed 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 of the Company for the Financial Year

- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/detecting fraud and irregularities
- iv) That the Directors have prepared the Annual Accounts on Going Concern Basis.

### **ACKNOWLEDGEMENT**

Your Company would like to take this opportunity to express its sincere thanks to its clients and customers for their continued patronage. Your Directors wish to place on record their deep sense of appreciation for the co-operation and assistance extended to the company by its Promoters, Bankers, Government Authorities, Shareholders and Employees of the Company at all levels.

### **FOR AND ON BEHALF OF THE BOARD**

**Place: Ahmedabad**  
**Date: 23/05/2012**  
**Regd. Office:**  
**B-81, Pariseema Complex,**  
**C.G. Road, Ellisbridge,**  
**Ahmedabad-380006**

**Sd**  
**Rajesh P. Khandwala**  
**Chairman**

## **MANAGEMENT DISCUSSION AND ANALYSIS ON OUTLOOK AND FUTURE PLANS**

The Company is a Non deposit taking Non Banking Financial Company (“NBFC –ND”) registered as such with Reserve Bank of India. It is the Financial Services arm of the Khandwala group. This is Company’s 17<sup>th</sup> Annual Report to its shareholders.

The Company operates in the business of Loans against securities, IPO funding and Margin Funding. Before detailing on each of these businesses and their rationale, it is useful to give a brief overview of the Indian Economy during FY 2011-12 and the prospects for FY 2012-13.

### **INDIAN ECONOMY DURING FY 2011-12 AND THE PROSPECTS FOR FY 2012-13**

The economic conditions in the country during FY 2011-12 have been challenging with inflation being the major factor driving economic policy. It had a major impact on other economic variables as well with official projections being modified downwards along the year. The figures show that India’s growth rate during the 2011-2012 fiscal year crashed to a nine year low of 6.5 per cent. The situation has been particularly dire in the past quarter that ended in March and registered a measly 5.3 per cent growth rate. Policy formulation has become even more difficult with the volatility witnessed in the forex market, where the rupee has tended to move downwards. Clearly, it is not just the Indian rupee that is on a downward spiral, but that the entire economy is in free fall. The rout has found reflection in almost every sector of the Indian economy.

The Reserve Bank of India has hiked interest rates 13 times since March 2010 to rein in the prices but that has not helped much. Inflation today hovers around seven per cent (7%) while the threat of stagflation is real and imminent. If anything, it has only crippled the economy further. The overall picture at the end of 2011-2012 is not only grim but also a worrying portrayal of what lies ahead: Falling growth, falling rupee, rising prices, rising inflation. Expectations for FY 2012-13 are largely based on the state of the global economy, the expected policy of domestic authorities as well as RBI’s economic policy.



## **INDUSTRY STRUCTURE AND DEVELOPMENT**

NBFCs have been playing a complimentary role to the banking sector, catering to the financial needs of unbanked sectors and promoting financial inclusions. NBFCs have been vital to the growth of the economy by providing financial support to some of the important segments of the economy. NBFCs account for 12.3% of assets of the total financial system. Due to the global economic slowdown and its impact on the domestic economy, NBFC sector faced significant stresses on asset quality, liquidity and funding costs.

With earlier three categories of NBFCs – loan companies, asset finance companies and investment companies, RBI during the recent times has introduced further new categories of NBFCs as Infrastructure Finance Companies, Core Investment Companies and the most recent addition being NBFC-MFIs catering to Microfinance sector.

## **STRATEGY & OUTLOOK**

The Company operates in the business of providing Loans against securities, IPO retail funding and Margin Funding. There is a clearly defined set of procedures for evaluating the creditworthiness of customers that extends from initial evaluation to loan approval. Funds are advanced after due process of evaluation and upon providing the necessary documentation. A lot of emphasis is placed on tailoring funding to customer needs. The Company's objective is to ensure appraisal and disbursement within the shortest possible time, without compromising on asset quality.

The Company expects to deliver sound performance in FY 2012-13 with expectation of improvements in the markets as well as anticipating momentum in its lines of businesses. Further, with the RBI's projection of the country's economic growth to be slightly better at 7.3 per cent in this financial year and the inflation rate to rule at around 6.5 per cent by end-March 2013 as well as anticipation of encouraging government policies for Foreign Portfolio inflows (FPI), as FPIs are key factors for success of Indian stock markets, the Company also expects to perform good in the coming fiscal. However, as mentioned earlier, the steadily rising interest rates may dampen company's performance to the extent of its borrowings and varying customer demands may lead to slower growth during FY 2012-13.

## FINANCIAL REVIEW

	(Rs. in Lacs)	
Particulars	2011-12	2010-11
<b>Income</b>		
Income from Operations	238.75	82.98
Other Income	3.69	319.56
<b>Total Income</b>	<b>242.44</b>	<b>402.54</b>
<b>Expenditure</b>		
Employee Cost	10.56	11.50
Interest Expenses	62.49	7.60
Depreciation & Other Expenses	7.53	10.23
<b>Total Expenditure</b>	<b>80.58</b>	<b>29.33</b>
Profit/ Loss before Tax	161.86	373.21
Provision for Taxation	33.67	74.91
Profit after Tax	128.19	298.30
Add/ (Less) Prior Period Adjustments	34.24	0.34
<b>Net Profit</b>	<b>162.43</b>	<b>298.64</b>

Though the economy has shown a downturn trend during the FY 2011-12, your company has performed quite well. The company's income from operations showed significant rise of Rs. 238.75/- lacs as compared to that of Rs. 82.98/- lacs earned during the previous year. However, the total income of the Company for the year under review fell by 40% leading to Rs. 242.44/- lacs as compared to 402.54/- lacs of previous year because of exceptional income of Rs. 317.64/- lacs earned towards profit from sale of Investment in the previous year.

The Company's total expenses other than Interest charges largely remained flat during the year under review. Due to rise in the interest rates by RBI, the interest charges have significantly rose to Rs. 62.49/- lacs as compared to Rs. 7.60/- lacs. The Net profit of the company after providing for all expenditures, necessary provisions and prior period adjustments was Rs. 162.43/- lacs compared to Rs. 298.64/- lacs of previous year showing a decline of about 46%.

## RISKS & CONCERNS

While risk is an inherent aspect of any business, the Company being an NBFC, is primarily exposed to credit risk, liquidity risk, interest rate risk as well as operational risks. KFSL has invested in people, processes and technology to effectively mitigate risks posed by external environment and by its borrowers. It maintains a conservative approach and manages the credit risk through prudent selection of clients, delegation of appropriate lending

powers and by stipulating various prudential limits. It has in place a proper risk management team and an effective credit operations structure.

The company has also framed a Risk Management Policy and while giving loan to its customers, it duly follows the criteria and procedure laid in its policy.

#### **INTERNAL CONTROL SYSTEM:**

The Company's internal control systems are commensurate with the nature of its business and size and complexity of its operations. These systems are designed to ensure that all the assets of the Company are safeguarded and protected against any loss and that all transactions are properly authorized. Amongst other things, the internal control system of the Company also provides for reasonable assurance of recording and reporting the transactions of operations in all material aspects and of providing protection against significant misuse or loss of funds.

The Audit committee of the Company reviews the internal control measures at appropriate intervals.

#### **HUMAN RESOURCES**

The Company firmly believes that the success of any organization largely depends upon the quality and competence of its human resource i.e. employees, who built a strong alignment between the customers and the organization's vision & value framework. Attracting and retaining talented professionals is therefore a key element of your Company's strategy and a significant source of competitive advantage. Management firmly believes in developing and nurturing its human resources and improving their talents which subsequently help in the growth of the Company. While, the Company has continued to equip employees with the necessary skills and attitude to deliver on their current job responsibilities, the prime focus has been to identify, assess, groom and build leadership potential for future. Proper care and measures are taken for satisfaction, safety, health and welfare of the employees. The employee relationship with the company remained harmonious through the year.

## **COMPLIANCE REPORT ON CORPORATE GOVERNANCE**

(Annexure to Directors' Report)

Pursuant to clause 49 of Listing Agreement your directors present below a complete report on Corporate Governance:

### **1. CORPORATE GOVERNANCE**

The corporate governance is an important tool for shareholder protection and maximization of their long term values. The objective of Corporate Governance is to achieve excellence in business thereby increasing shareholders' worth in the long term which can be achieved keeping the interest of shareholders' and comply with all rules, regulations and laws. The principal characteristics of Corporate Governance are Transparency, Independence, Accountability, Responsibility, Fairness, and Social Responsibility alongwith efficient performance and respecting interests of the stakeholders and the society as a whole.

### **2. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

The Company's philosophy on corporate governance is founded on the fundamental ideologies of the group viz., Trust, Value and Service. Obeying the law, both in letter and in spirit, is the foundation on which the Company's ethical standards are built. It has been a constant endeavour on the part of the Company to achieve excellence in Corporate Governance by following the principles of transparency, accountability and integrity in functioning, so as to constantly striving to enhance value for all stakeholders and the society in general. As a good corporate citizen, the Company is committed to sound corporate practices based on conscience, openness, fairness, professionalism and accountability in building confidence of its various stakeholders in it thereby paving the way for its long term success. We are making continuous efforts to adopt the best practices in corporate governance and we believe that the practices we are putting into place for the company shall go beyond adherence to regulatory framework. The Company's corporate governance philosophy has been further strengthened by adopting a Code of Fair Practice in accordance with the guidelines issued by Reserve Bank of India from time to time.

### 3. BOARD OF DIRECTORS

As on 31<sup>st</sup> March, 2012, the Board of the Company consisted of five Directors, out of which three Directors were independent. The Chairman of the Company is Non- executive. According to clause 49, if the Non-executive Chairman is a Promoter, at least one half of the Board of the company should consist of independent directors. As such the Company has duly complied with the requirements of clause 49 of the listing agreement as the Company has three Independent Directors.

However, as on the date of this report, there are four Directors in the Company, of which three are Independent Directors as Mr. Parmanand G. Khandwala, Ex- Chairman & Director, has resigned.

The names and categories of Directors, their attendance at the Board Meetings held during the year and at the last Annual General Meeting (AGM) of the Company held on 30<sup>th</sup> July, 2011 and also the number of Directorships and Committee positions held by them in other Companies are given herein below :-

#### **Details of the composition of the Board, number of Board Meetings held and the attendance of the Directors thereat and number of Directorships etc. held:**

Name of Director	Category	No. of Board Meetings during 2011-12		Attendance at previous AGM	No. of Directorships and Committee Membership/ Chairmanship in other public Companies***		
		Held	Attended		Directorships in Unlisted Public Cos.	Committee Membership	Committee Chairmanship
Mr. Parmanand G. Khandwala	*Chairman & Director	4	4	Yes	---	---	---
Mr. Rajesh P. Khandwala	**Chairman & Director	4	4	Yes	1	3	0
Mr. Atul N. Parikh	Independent	4	4	Yes	1	0	1
Mr. Devang M. Shah	Independent	4	4	Yes	---	---	---
Mr. Dharmendra N. Soni	Independent	4	4	Yes	---	---	---

\* Mr. Parmanand G. Khandwala was Chairman & Director of the Company upto 19/05/2012

\*\* Mr. Rajesh P. Khandwala was elected as Chairman of the Company upon resignation of Mr. Parmanand G. Khandwala

#### **\*\*\*Notes:**

Private Limited Companies, Foreign Companies and Companies under section 25 of the Companies Act, 1956 are excluded for the above purposes. Only Audit Committee, Shareholders' Transfer Committee and Investor grievance Committee are considered for the purpose of Committee positions as per listing agreement.

**Number of Board Meetings held during the financial year 2011-12 and  
dates of Board meetings**

<b>No. of Board Meeting</b>	<b>Date of Board Meeting</b>
1	04/06/2011
2	29/07/2011
3	22/10/2011
4	30/01/2012

**AUDIT COMMITTEE**

Pursuant to the provisions of Section 292A of the Companies Act, 1956 and the provisions of Clause 49 of the listing Agreement, Audit Committee has been constituted by the Board of Directors. All the members of the Audit Committee including the Chairman are the Non – executive Directors of the Company and possess sound financial and accounting knowledge. Members are regularly present at the meetings.

The terms of reference of Audit Committee are very wide. Besides having access to all the required information from within the Company, the Committee can obtain external professional advice whenever required. The Committee acts as a link between the Statutory Auditors and the Board of Directors of the Company. It is authorised to select and establish accounting policies, review reports of the Statutory Auditors, meet with them to discuss their findings, suggestions and other related matters. The Committee is empowered to review, inter alia, the remuneration payable to the Statutory Auditors and to recommend a change in Auditors, if felt necessary. It is also empowered to Management Discussion & Analysis, Material individual transactions with related parties not in normal course of business or which are not on an arm's length basis. Generally all items listed in Clause 49 II (D) and (E) of the Listing Agreement are covered in the terms of reference and review. The Audit Committee has been granted powers as prescribed under Clause 49 II (C) of the Listing Agreement. Members of the Audit Committee were present at the previous Annual General Meeting of the Company held on 30<sup>th</sup> July, 2011.

The Audit Committee met four times during the year on 18/05/2011, 27/07/2011, 22/10/2011 and 30/01/2012 and that the time gap between any two meetings was less than four months. The details of the Composition of the Committee including the category and Designation of the members,

number of meetings held and the attendance of the Directors thereat is given herein below:-

### **Composition of the Audit Committee**

Name	Designation	Category	No. of Meetings	
			Held	Attended
Mr. Atul N. Parikh	Chairman	Non-Executive-Independent	4	4
Mr. Rajesh P. Khandwala	Member	Non-Executive-Non Independent	4	4
Mr. Dharmendra N. Soni	Member	Non-Executive-Independent	4	4

### **SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE**

The Board of Directors of the Company has constituted Shareholders'/ Investors' Grievance Committee to specifically look into the shareholders'/ investors' complaints on matters relating to non-receipt of annual report, non-receipt of dividend etc. In addition, the committee also looks into matters that can facilitate better investor services and relations. The Committee meets as and when required, to deal with the investor related matters and takes due care that all the complaints are disposed off timely and upto the satisfaction of the shareholders. The details of the Composition of the Committee including the category and Designation of the members, number of meetings held and the attendance of the Directors thereat is given herein below:-

### **Composition of the Shareholders'/ Investors' Grievance Committee**

Name	Designation	Category	Committee meeting attended
Mr. Dharmendra N. Soni	Chairman	Non-Executive-Independent	4
Mr. Devang M. Shah	Member	Non-Executive-Independent	4
Mr. Rajesh P. Khandwala	Member	Non-Executive Non-Independent	4

### **REMUNERATION COMMITTEE**

Being a non-mandatory requirement of the listing agreement, the Company has not constituted the remuneration committee.

## **CODE OF CONDUCT**

The Board has laid down the Code of Conduct for all Board members and Senior Management Personnel. The code is a comprehensive code applicable to all Directors and Members of Senior Management of the Company. It is in alignment with Company's vision and values to achieve the Mission and Objectives and aims at enhancing ethical and transparent process in managing the affairs of the Company. All Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct. A copy of the code has been posted on the Holding Company's website [www.khandwalagroup.com](http://www.khandwalagroup.com). A declaration signed by Chairman towards the compliance of Code of Conduct is enclosed with this Report as Annexure - 2.

## **CEO / CFO CERTIFICATION**

As required under Clause 49 of the Listing Agreement with the Stock Exchanges, Mr. Rajesh P. Khandwala, Chairman and Director of the Company has certified to the Board regarding the Financial Statements of the Company for the financial year ended 31<sup>st</sup> March, 2012. The said certificate is annexed to this Report as Annexure - 3.

## **GENERAL BODY MEETINGS**

The details of the Annual General Meetings held during past three years are as under:

<b>Year</b>	<b>Date</b>	<b>Time</b>	<b>Venue</b>
2008-09	30/09/2009	11.00 A.M.	At Registered Office of the Company at B-81, Pariseema Complex, C. G. Road, Ellisbridge, Ahmedabad – 380 006
2009-10	31/07/2010	11.00 A.M.	'do'
2010-11	30/07/2011	11.00 A.M.	'do'

None of the resolutions have been passed by Postal Ballot since the date of last Annual General Meeting.

## **NOTE ON DIRECTORS' APPOINTMENT/RE-APPOINTMENT**

Mr. Devang M. Shah, Director of the Company is retiring by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.



The Ex-Chairman and Director, Mr. Parmanand G. Khandwala has resigned from the Board of the Company w.e.f. 19<sup>th</sup> May, 2012. The Board of Directors places their appreciation for the valuable services and guidance provided by him during his tenure as the Chairman & Director of the Company.

### **CODE FOR PREVENTION OF INSIDER TRADING PRACTICES**

In compliance with the provisions of the Securities and Exchange Board of India, the Company has framed a comprehensive Code of Conduct for prevention of Insider Trading for its designated employees. The Code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of the Company, and cautioning them of the consequences of violations.

### **ANTI MONEY LAUNDERING AND KNOW YOUR CUSTOMER POLICY**

In keeping with specific requirements of RBI for NBFCs, the company has also formulated Prevention of Anti Money Laundering & Know your customer Policies.

### **MEANS OF COMMUNICATIONS**

The Company regularly publishes its Quarterly, Half yearly & Annual results in newspapers & submits to stock exchange in accordance with the Listing Agreement requirements.

### **GENERAL SHAREHOLDER'S INFORMATION**

- 1. Date of Annual General Meeting** : 29<sup>th</sup> September, 2012
- 2. Time and Venue** : 12:00 noon at the Registered office of the Company at B-81, Pariseema Complex, C. G. Road, Ellisbridge, Ahmedabad – 380 006.”
- 3. Listing on Stock Exchanges** : (1)Ahmedabad Stock Exchange Ltd., (ASE) Ahmedabad.  
(2) Vadodara Stock Exchange Ltd., (VSE) Vadodara.

4. **Financial Calendar** : 1<sup>st</sup> April to 31<sup>st</sup> March

Calendar for Financial Year ending 31<sup>st</sup> March, 2013

<b>Financial Reporting for the</b>	<b>Tentative dates of the Board Meeting</b>
First quarter ending 30/06/2012	: End of July, 2012
Half year ending 30/09/2012	: End of October, 2012
Third quarter ending 31/12/2012	: End of January, 2013
Fourth quarter ending 31/03/2013	: End of April, 2013

5. **Date of Book Closure** : 25/09/2012 to 29/09/2012  
(Both Days inclusive)
6. **Dividend Payment Date** : The Dividend if declared at the AGM will be credited/ dispatched by 28/10/2012.
7. **Name of Compliance Officer** Mr. Bhavik Shah
8. **Market Price Data** Information as to Market Price cannot be given as trading on both ASE and VSE are not happening due to their dormancy. Also Company's shares are not listed on any Exchanges other than ASE & VSE.
9. **Stock Code** : ASE – 30644  
ISIN – INE902D01013
10. **Registrars & Transfer Agents** Link Intime India Pvt. Ltd.  
Unit No. 303, 3<sup>rd</sup> Floor,  
Shoppers Plaza V, Opp.  
Municipal Market, B/h.  
Shoppers Plaza II, Off C. G.  
Road, Ahmedabad – 380 009  
Phone No.: 079-26465179  
Fax No.: 079-26465179  
Email:  
ahmedabad@linkintime.co.in

**LISTING AND TRANSFER OF SHARES AND LIQUIDITY:**

The Company's Shares are listed at Ahmedabad Stock Exchange Ltd. and Vadodara Stock Exchange Ltd.

For expediting physical transfer, the Board has delegated share transfer formalities to the Share Transfer Committee. Mr. Bhavik Shah is designated as Compliance Officer for the same.

**DISTRIBUTION OF SHAREHOLDING (SHARES) as on 31<sup>st</sup> March, 2012**

<b>SHAREHOLDING OF SHARES</b>	<b>SHAREHOLDERS NUMBER</b>	<b>% OF TOTAL</b>	<b>SHARES ALLOTTED</b>	<b>%OF TOTAL</b>
1 to 500	1723	94.2045	190400	6.3361
501 to 1000	13	0.7108	10300	0.3428
1001 to 2000	9	0.4921	15900	0.5291
2001 to 3000	10	0.5467	25100	0.8353
3001 to 4000	40	2.1870	152200	5.0649
4001 to 5000	1	0.0547	4900	0.1631
5001 to 10000	12	0.6561	94100	3.1314
10001 to 9999999999	21	1.1482	2512100	83.5973
<b>TOTAL</b>	<b>1829</b>	<b>100.0000</b>	<b>3005000</b>	<b>100.0000</b>

**DEMATERIALIZATION OF SHARES**

As on 31<sup>st</sup> March, 2012, 82.66% of the total equity share capital was held in dematerialized form with National Securities Depository Limited and Central Depository Services (India) Limited.

**ADDRESS FOR CORRESPONDENCE**

Shareholders may correspond with the Registrars and Transfer Agents, at the address mentioned hereinabove on all matters relating to non-receipt of transferred share certificates, non-credit of shares in demat account or any other query relating to shares/ dividend of the Company.

For all investor related matters, Compliance Officer, Mr. Bhavik Shah can be contacted at the Registered Office of the Company at: -

**KIFS FINANCIAL SERVICES LIMITED**

B – 81, Pariseema Complex,  
C. G. Road, Ellisbridge,  
Ahmedabad – 380 006  
Tel.: +91-79-30000320/21/22  
Fax: +91-79-26403717

## **DISCLOSURES**

- a) Disclosures on materially significant related party transactions i.e. transaction of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interests of the company at large and disclosure required under listing agreement as amended: The details of this disclosure are mentioned in Notes on Accounts and covered by accounts.
- b) Details of non-compliance by the Company, penalties, strictures imposed on the company by Stock Exchanges or SEBI, or any statutory authority, on any matter related to capital markets, during the last three years: No instance of levy of penalty by the stock exchange or SEBI due to non-compliance by the company except that the trading of the Company's shares were suspended by Ahmedabad Stock Exchange from 15/05/2009 To 18/08/2009 due to nonpayment of the listing fees by the Company:
- c) There is no pecuniary relationship or transaction of the non executive Director. Further no remuneration, benefits, incentives and stock options are provided to directors.
- d) All the mandatory requirements of clause 49 of the Listing agreement are complied with

**FOR AND ON BEHALF OF THE BOARD**

**Place: Ahmedabad**  
**Date: 23/05/2012**

**Sd**  
**Rajesh P. Khandwala**  
**Chairman**

**KIFS FINANCIAL SERVICES LTD.**

**Reg. Office: B-81, Pariseema Complex, Ellisbridge, C.G. Road,  
Ahmedabad-380006.**

**ATTENDANCE SLIP**

Please fill attendance slip and hand it over at the entrance of the meeting venue. Joint shareholders may obtain additional Attendance slip at the venue of the meeting.

<b>*DP ID.</b>		<b>**REG. FOLIO NO.</b>	
<b>*CLIENT ID</b>		<b>NO. OF SHARES HELD</b>	

**NAME AND ADDRESS OF REGISTERED SHAREHOLDERS:**

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I hereby record my presence at the Annual General Meeting of the company held on Saturday, 29<sup>th</sup> day of September, 2012 at 12:00 noon at the Registered Office of the Company at B-81, Pariseema Complex, C. G. Road, Ellisbridge, Ahmedabad – 380 006.

Signature of shareholder or proxy: \_\_\_\_\_

\*Applicable for investors holding shares in electronic form.

\*\*Applicable for investors holding shares in physical form.

**PROXY FORM**

**KIFS FINANCIAL SERVICES LTD.**

**Reg. Office: B-81, Pariseema Complex, Ellisbridge, C.G. Road,  
Ahmedabad-380006.**

<b>*DP ID.</b>		<b>**REG. FOLIO NO.</b>	
<b>*CLIENT ID</b>		<b>NO. OF SHARES HELD</b>	

I/We \_\_\_\_\_ being a  
member / members of KIFS Financial Services Ltd hereby appoint

\_\_\_\_\_ of \_\_\_\_\_

Or failing him

\_\_\_\_\_

Of

\_\_\_\_\_

as my/ our Proxy in my/ our absence to attend and vote for me/ us on  
my/ our behalf at the 17<sup>th</sup> Annual General Meeting of the Company to be  
held on Saturday, 29<sup>th</sup> day of September, 2012 at 12:00 noon at the  
Registered Office of the Company at B-81, Pariseema Complex, C. G.  
Road, Ellisbridge, Ahmedabad – 380 006 or at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2012

Affix One Rupee  
Revenue Stamp

\*Applicable for investors holding shares in electronic form.

\*\*Applicable for investors holding shares in physical form.

**ANNEXURE – 1**

**Certificate by Auditors on Corporate Governance**

To  
**The Members of  
KIFS FINANCIAL SERVICES LIMITED**

We have reviewed the records concerning the Company's compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered into, by the Company, with the Stock Exchanges of India, for the financial year ended 31<sup>st</sup> March 2012.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We have conducted our review on the basis of the relevant records and documents maintained by the Company and furnished to us for the review, and the information and explanations given to us by the Company. Based on such a review, and to the best of our information and according to the explanations given to us, in our opinion, the Company has complied with the conditions of Corporate Governance, as stipulated in Clause 49 of the Listing Agreements.

We further state that, such compliance is neither an assurance as to the future viability of the Company, nor as to the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

**For and on behalf of Shailesh C. Parikh & Co.  
Chartered Accountants  
(FRN No: 109858W)**

**Sd  
Shailesh Parikh  
Proprietor  
Membership Number: 039254**

Place: Ahmedabad  
Date: 23/05/2012

**ANNEXURE – 2**

**As required by Clause 49 of the Listing Agreement, the declaration for  
Code of Conduct is given below:**

To  
**The Members of  
KIFS FINANCIAL SERVICES LIMITED**

I Rajesh P. Khandwala, Chairman and Director of KIFS Financial Services Limited hereby declare that all the Senior Managerial Personnel have affirmed for the year ended 31<sup>st</sup> March, 2012 compliance with the code of conduct of the Company laid down for them.

**Sd  
Rajesh P. Khandwala  
Chairman**

Place: Ahmedabad  
Date: 23/05/2012



### ANNEXURE – 3

#### **Chief Executive Officer (CEO) & Chief Financial Officer (CFO) Certification**

To  
**The Board of Directors**  
**KIFS FINANCIAL SERVICES LIMITED**

Dear Sirs,

I have reviewed the financial statements and the cash flow statement of KIFS Financial Services Limited for the year ended 31<sup>st</sup> March, 2012 and that to the best of my knowledge and belief:

- ⇐ these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- ⇐ these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- ⇐ there are, to the best of my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- ⇐ I accept responsibility for establishing and maintaining internal controls for financial reporting and I have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which I am aware and the steps I have taken or propose to take to rectify these deficiencies.
- ⇐ I have indicated to the Auditors and the Audit Committee:
  - i) significant changes in internal control over financial reporting during the year;
  - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii) instances of significant fraud of which I might be aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Thanking you

Yours faithfully,

**Sd**  
**Rajesh P. Khandwala**  
**Chairman & Director**

Date: 23/05/2012

## COMPLIANCE CERTIFICATE

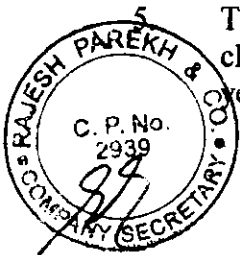
Registration No. : L67990GJ1995PLC025234  
Authorised Share Capital : Rs. 3,30,00000/-

To,  
The Members,  
**KIFS FINANCIAL SERVICES LTD.**  
B-81, Pariseema Complex,  
C.G. Road, Ellisbridge,  
Ahmedabad-380006.

I have examined the registers, records, books and papers of **KIFS FINANCIAL SERVICES LIMITED** (Previously known as Khandwala Capital Services Ltd.) required to be maintained under the Companies Act, 1956, and the rules made there under and also as per the provisions contained in the Memorandum and Articles of Association of the Company, for the financial year ended on **31<sup>st</sup> March, 2012**. In my opinion and to the best of information provided to me and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as required under the provisions of the Companies Act, 1956 and rules made there under and all entries therein have been duly recorded.
2. The Company has filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Gujarat on the date as mentioned in the respective forms at said Annexure 'B'.
3. The Company being Public Limited Company, the provisions of Section 3(i)(iii) of the Companies Act, 1956 are not applicable.
4. The Board of Directors duly met 4 times on 04/06/11, 29/07/11, 22/10/11 and 30/01/12 in respect of which proper notices were given and proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.

The Share Transfer Register and Register of Members of the Company were closed on 25/07/11 to 30/07/11 (both days inclusive) during the said financial year.



6. The Annual General Meeting for the financial year ended on 31/03/2011 was held on 30/07/2011 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. No Extra Ordinary General Meeting was held during the said financial year.
8. During the year under review, the Company has advanced loan to the company in contravention of provisions of section 295 of the Companies Act, 1956.
9. The Company has duly complied with the provisions of Section 297 of the Act in respect of contracts specified in that section.
10. The Company has made necessary entries in the Register maintained under Section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, members or Central Government.
12. The Company has not issued any duplicate share certificates during the year under review.
13. The Company has:
  - (i) duly complied with the provisions of Companies Act, 1956, in respect of transfer of shares. However, there was no allotment or transmission of securities during the year under review.
  - (ii) The Company has deposited the amount of dividend declared in a separate Bank Account within the prescribed time limit.
  - (iii) The Company has issued demand drafts towards dividend to members who are entitled to receive the same.
  - (iv) The Company was not required to comply with the provisions of Section 205C of the Companies Act, 1956 as there was no amount outstanding for the period of seven years to the Investors of the Company.
  - (v) The Company has duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted. There was no appointment of Additional Director or Alternate Director or Director to fill casual vacancy during the year under review.

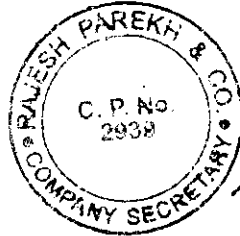


15. There was no appointment of Managing Director, Whole time Director / Manager of the company which attracts the provisions of Section 269 read with Schedule XIII of the Companies Act, 1956.
16. No appointment of sole selling agent has been made during the year under review.
17. The Company was not required to obtain any approvals of the Company Law Board, Regional Director, Registrar or such other authorities as may be prescribed under the various provisions of the Act. However, the Company did not obtained the prior approval of Central Government in respect of loan granted by the Company to a body corporate in contravention of section 295 of the companies Act, 1956.
18. The Directors have disclosed their interest in other firms/ companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. The Company has not issued any Equity Shares/ any debentures/ other securities during the financial year.
20. The Company has not bought back any securities during the financial year under review.
21. The Company has not redeemed any preference shares/ debentures during the year.
22. There were no transactions necessitating the Company to keep in abeyance right to dividend, right shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited/ accepted any deposit including any unsecured loans falling within the purview of Section 58A during the financial year.
24. During the year under review the company has not borrowed any funds from banks, necessitating thereby to obtain the approval of members u/s. 293(1)(d) of the Act.
25. The Company being Non-Banking Finance Company registered with RBI, the provisions of Section 372A of the Companies Act, 1956 are not applicable to the Company.
26. The Company has not altered the provisions of the Memorandum of Association with respect to the situation of the Company's registered office.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under review.




28. The Company has not altered the provisions of the Memorandum with respect to the name of the Company.
29. The Company has not altered the provisions of the Memorandum with respect to Share Capital of the company.
30. The Company has not altered its Articles of Association during the year under review.
31. During the financial year no prosecution has been initiated nor has any show cause notice been received by the Company under the Act.
32. The Company has not received any security deposit from its employees during the year under certification.
33. As informed to us the provisions of Section 418 of Provident Fund Act, 1971, are not applicable to the Company.

**PLACE: AHMEDABAD**  
**DATE: 03/09/2012**



**FOR RAJESH PAREKH & CO.**  
**Company Secretary**

  
**RAJESH PAREKH**  
**Proprietor**  
**CP. NO.: 2939**  
**Mem. NO.: 8073**

## ANNEXURE 'A'

### Registers maintained as Company's Statutory Registers:

1. Register of Directors u/s. 303
2. Register of Members u/s. 154
3. Register of Share Transfer.
4. Minutes Book of the Meeting of the Board of Directors, Management Committee Meeting and of the General meeting of the members of the Company.
5. Books of accounts
6. Register of Directors
7. Register of Directors' shareholding u/s.307
8. Register of fixed assets.
9. Register of Contracts, Companies and Firms in which directors etc. are interested u/s. 301.
10. Dividend Register

## ANNEXURE 'B'

### Forms and Return as filed by the Company with the Registrar of Companies, Gujarat, Dadra and Nagar Haveli during the financial year ended on 31/03/2012.

Sr. No.	Form No./ Return	Filed Under Section	For	Date Of Filing	Whether Filed Within Prescribed Time	If Delay In Filing Whether Requisite Additional Fees Paid
1.	Form 66	383	Compliance Certificate as on 31/03/2010	09/12/2011	No	Yes
2.	Form-23AC & Form-23ACA	220	Balance Sheet as on 31/03/11	27/08/2011	Yes	N.A.
3.	Form 20B	159	Annual Return as on 30/07/11	21/09/2011	Yes	N.A.
4.	Form 66	383	Compliance Certificate As On 31/03/2011	27/08/2011	Yes	N.A.





**SHAILESH C. PARIKH & CO.**  
CHARTERED ACCOUNTANTS

412, 4th Floor, Ashwamegh Avenue,  
Mayur Colony, Nr. Mithakhali Circle,  
Navrangpura, Ahmedabad - 380 009.  
Ph.: (O) 2640 8930  
Tele Fax : 91 - 079 - 2642 1975  
M.: 98250 35883  
email : parikhshah412@yahoo.com

**Auditors' Report**

To  
**The Members,**  
**KIFS Financial Services Limited**

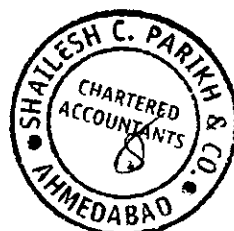
We have audited the attached Balance Sheet of **KIFS Financial Services Ltd** ("the Company") as at 31<sup>st</sup> March, 2012, the statement of Profit and Loss and Cash Flow Statement for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's 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.

As required by the Companies (Auditor's Report) Order, 2003 (CARO) 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 the Annexure referred to above, we report that:

- (i) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of accounts as required by law have been kept by the company so far it appears from our examination of those books
- (iii) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account of the Company;
- (iv) In our opinion, the Balance Sheet, the Statement of Profit & Loss and the Cash Flow Statement dealt with by this report comply with the accounting standard referred to in section 211(3C) of the Companies Act, 1956 to the extent applicable.



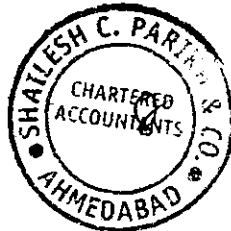
- (v) On the basis of written representation received from directors, as on 31<sup>st</sup> March, 2012 and taken on record by the Board of Directors, we report that none of the directors are disqualified from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956,
- (vi) In our opinion and to the best of our information and according to the explanations given to us the said accounts 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 :
- (a) in the case of the Balance Sheet, of the state of affairs of the company as at 31<sup>st</sup> March, 2012 and,
- (b) in the case of the Statement of Profit and Loss, of the **Profit** of the Company for the year ended on that date and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For, Shailesh C. Parikh & Co.  
Chartered Accountants  
(Registration No. 109858W)



(Shailesh Parikh)  
Proprietor  
Mem No. 039254

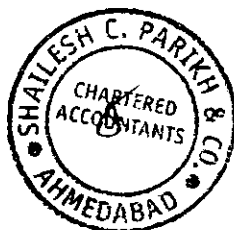
Place : Ahmedabad  
Date : 23-05-2012



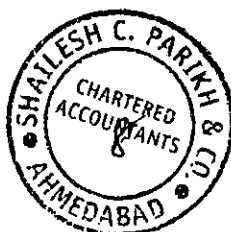


**ANNEXURE TO THE AUDITOR'S REPORT**  
**(Referred to in paragraph 3 of our report of even date)**

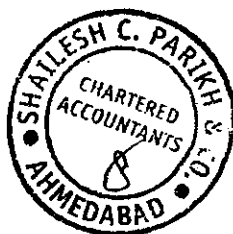
- 01 a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) The assets have been physically verified by the management during the year. According to the information and explanations given to us, no discrepancy was noticed on such physical verification as compared to the book records.
- c) In our opinion and according to the information and explanations given to us, no substantial part of fixed assets has been disposed off by the Company during the year.
- 02 a) There are no inventories, so question of its physical verification does not arise.
- b) This clause is not applicable to the company.
- c) This clause is not applicable to the company.
- 03 a) The company has taken loans from Companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956. There were three such parties and maximum amount involved during the year was Rs. 3509.50 Lacs and year-end balance is Rs. Nil. The company has given loans to the one party covered in the register maintained under section 301 of the Companies Act, 1956. The Maximum amount involved and year-end balance of said loan was Rs. 754.49 Lacs.
- b) The rate of interest and other terms and conditions of loans taken/given by the company are prima facie not prejudicial to the interest of the company.
- c) The loans granted are re-payable on demand. The payment of interest has been regular on such loans. The Company is regular in repaying the principal amounts, wherever stipulated and has been regular in the payment of interest.
- d) There are no overdue amounts to the parties covered in the register maintained under section 301 of the Act.
- 04 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 the nature of its business for the purchase of fixed assets and for sale of goods and services. Further on the basis of our examination of the books and records of the company and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weakness in the aforesaid internal control procedures.



- 05 a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered into the register in pursuance to section 301 of the Companies Act, 1961 have been so entered.
- b) In our opinion and according to the information and explanations given to us, these transactions in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act 1956 and exceeding the value of Rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit within the meaning of the provisions of section 58A and 58AA of the companies Act, 1956 and the rules made there under.
- 07 In our opinion and as per the information and explanations given to us there is reasonable internal control procedure commensurate with the size and nature of its business.
- 08 The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub section (1) of section 209 of the Act for any of the activities of the Company.
09. a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Income-Tax and other statutory dues applicable to it with the appropriate authorities. The provisions of provident fund are not applicable to the Company.
- b) According to the information and explanations given to us and the records of the Company examined by us we are of the opinion that there are no disputed dues of Income-Tax, Wealth-Tax, Custom Duty, Excise Duty and cess as at 31st March, 2012 which have not been deposited on account of such a dispute.
10. The Company has no accumulated losses as at 31st March, 2012 and has not incurred any cash losses during the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanations given by the management, the Company has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date.
12. The company has granted loans and advances on the basis of security of shares, debentures and other securities given by the borrowers and adequate documents and records are maintained for the same.



13. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/ societies are not applicable to the Company.
14. In our opinion, the Company has maintained proper records pertaining to its shares & securities trading transactions and contracts and timely entries have been made therein. The Company has held its investments in shares and securities in its own name.
15. As per the information and explanations given to us the provident fund scheme is not applicable so the question of reporting on deduction and payment thereof does not arise.
16. According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks or financial institution.
17. The company has taken unsecured loans and has applied it for the purpose for which it was taken. The company has taken over draft on its fixed deposit.
18. Based on information and explanations given to us and on an overall examination of Balance Sheet of the company, in our opinion, funds raised on a short-term basis have not been used for long-term investments.
19. 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.
20. The company has not issued any debenture, so question of creation of security for the same does not arise.
21. The company has not raised any money by public issues during the year.
22. During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company has been noticed or reported during the year, nor have we been informed of such case by the management.




23. For NBFC (Not accepting public deposits)

- a. The company is registered u/s 45 IA of the RBI Act, 1934 and obtained certificate.
- b. The Board of Directors has passed a resolutions for the non – acceptance of any public deposit.
- c. During the year company has not accepted any public deposit
- d. The company has complied with the prudential norms relating to Income Recognition, Accounting Standards, Assets classification and Provisioning for Bad & Doubtful debts as applicable to it.

For, Shailesh C. Parikh & Co.  
Chartered Accountants  
(Registration No. 109858W)

Place : Ahmedabad  
Date : 23-05-2012



  
(Shailesh Parikh)  
Proprietor  
Mem No. 039254

**KIFS FINANCIAL SERVICES LTD**  
**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2012**

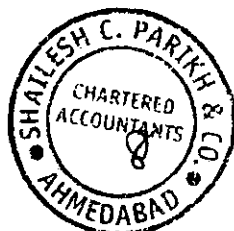
		Note No.	As at 31.03.2012	As at 31.03.2011
			₹	₹
<b>A</b>	<b>EQUITY AND LIABILITIES</b>			
<b>1</b>	<b>SHAREHOLDERS' FUNDS:</b>			
	(a) Share Capital	2	30050000	30050000
	(b) Reserves & Surplus	3	54231592	42354510
			84281592	72404510
<b>2</b>	<b>NON CURRENT LIABILITIES</b>			
	(a) Long Term Borrowings		0	0
	(b) Deferred Tax Liabilities (Net)	16.8	7060	(7899)
	(c) Long Term Provisions		0	0
			7060	(7899)
<b>3</b>	<b>CURRENT LIABILITIES</b>			
	(a) Short Term Borrowings	4	70723028	16184694
	(b) Trade Payables		0	0
	(c) Other Current Liabilities	5	1185714	674105
	(d) Short Term Provisions	6	7717604	10992500
			79626346	27851299
	<b>TOTAL</b>		163914998	100247910
<b>B</b>	<b>ASSETS</b>			
<b>1</b>	<b>NON CURRENT ASSETS</b>			
	(a) Fixed Assets			
	(i) Tangible Assets	7	46824	55206
	(ii) Capital Work-In-Progress		0	0
			46824	55206
	(b) Non Current Investments		0	0
	(c) Long Term Loans and Advances	8	3540122	116300
			3586946	171506
<b>2</b>	<b>CURRENT ASSETS</b>			
	(a) Inventories		0	0
	(b) Trade Receivables		0	0
	(c) Cash and Cash Equivalents	9	29938302	41259531
	(d) Short Term Loans and Advances	10	130389750	58816873
			160328052	100076404
	<b>TOTAL</b>		163914998	100247910
Notes Forming Part of the Financial Statements		1 to 16		

As per our attached report of even date

For Shailesh C. Parikh & Co.  
Chartered Accountants  
FRN: 109858W

*Shailesh C. Parikh*  
Shailesh C. Parikh  
Proprietor - Mem No. F 039254

Place: Ahmedabad  
Date: 23-05-2012



**KIFS Financial Services Ltd.**

*Shilpa*  
Director

*Dhanu*  
Director

Director

Place: Ahmedabad  
Date: 23-05-2012

**KIFS FINANCIAL SERVICES LTD**

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012**

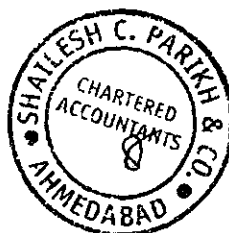
		Note No.	For the year 2011-12	For the year 2010-11
			₹	₹
<b>INCOME</b>				
1	Revenue from Operations	11	23874914	40061793
2	Other Income	12	369102	192088
3	<b>Total Revenue</b>		<b>24244016</b>	<b>40253881</b>
<b>EXPENDITURE</b>				
	(a) Employee Benefits Expense	13	1056318	1150587
	(b) Finance Costs	14	6248910	759801
	(c) Depreciation	7	8382	15160
	(d) Other Expenses	15	744583	1007494
	<b>Total Expenses</b>		<b>8058193</b>	<b>2933042</b>
5	<b>Profit Before Exceptional and Extraordinary Items and Tax</b>		<b>16185823</b>	<b>37320839</b>
6	Exceptional Items (MAT Credit Entitlement net of Current Year's utilisation)		3423822	0
7	<b>Profit Before Extraordinary Items and Tax</b>		<b>19609645</b>	<b>37320839</b>
8	Extraordinary Items		0	0
9	<b>Profit Before Tax</b>		<b>19609645</b>	<b>37320839</b>
<b>Tax Expense:</b>				
	(a) Current Tax (Net of Current Year's Mat Credit)		3352000	7500000
	(b) Excess Provision of Earlier Years		0	(33839)
	(c) Net Tax Expense		3352000	7466161
	(d) Deferred Tax		14959	(9465)
			3366959	7456696
11	<b>Profit After Tax</b>		<b>16242686</b>	<b>29864143</b>
12	<b>Earnings Per Share (of ₹ 10/- each):</b>	16.7		
	(a) Basic		5.41	9.94
	(b) Diluted		5.41	9.94
Notes Forming Part of the Financial Statements		1 to 16		

As per our attached report of even date

For Shailesh C. Parikh & Co  
Chartered Accountants  
FRN: 109858W

Shailesh Parikh  
Proprietor - Mem No. F 039254

Place: Ahmedabad  
Date: 23-05-2012



**KIFS Financial Services Ltd.**

*[Signature]*  
Director

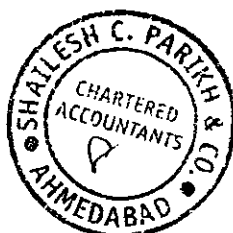
*[Signature]*  
Director

Director

Place: Ahmedabad  
Date: 23-05-2012

**KIFS FINANCIAL SERVICES LTD**

<b>Cash Flow Statement for the Year Ended on</b>		<b>31-03-2012</b>		<b>31-03-2011</b>	
<b>A</b>	<b>Cash Flow from the operating Activities</b>	<b>RS.</b>	<b>RS.</b>	<b>RS.</b>	<b>RS.</b>
	Net Profit After Tax and without Deffered Tax		16257645		29854678
	Add : Adjustments For :				
	Depreciation	8382		15160	
	Misc. Expenses Written Off	0		0	
		8382		15160	
	Less:				
	Excess Provision w/back	0		0	
	Profit on Sale of Fixed Assets	0		28111	
			8382		-12951
	<b>Operating Profit Before working Capital Changes</b>		16266027		29841727
	Add: Decrease in Working Capital				
	Short Term Borrowings	0		0	
	Other Current Liabilities Increased	511609		1010662	
	Loans & Advances Reduced	0		0	
	Inventories decreased	0		0	
	Less: Increase in Working Capital				
	Long Term Loans & Advances Given	3423822		0	
	Short Term Loans & Advances Increased	71572877		21375597	
	Inventories Increased	0		0	
	Short Term Provision Decreased	3274896		0	
			-77759986		-20364935
	Cash Generated From Operations		-61493959		9476792
	Less : Misc. Expenses Incurred		0		0
	<b>Net Cash Flow From Operating Activities</b>	<b>(A)</b>	<b>-61493959</b>		<b>9476792</b>
<b>B</b>	<b>Cash Flow From Investing Activities</b>				
	<b>Inflows</b>				
	Sale of Fixed Assets	0		45000	
	Sale of Investments	0		0	
	Interest Received	0		0	
			0		45000
	<b>Out Flows</b>				
	Puechase of Fixed Assets	0		0	
	Purchase of Investments	0		0	
	Interest paid	0		0	
			0		0
	<b>Net Cash used in Investing Activities</b>	<b>(B)</b>	<b>0</b>		<b>45000</b>



<b>C</b>	<b>Cash Flow From Financing Activities</b>				
	Increase in Unsecured Loans		0		0
	Increase in Secured Loans	54538334		9914308	
			54538334		9914308
	Less:				
	Payment of Interim Dividend & Dividend Tax		4365604		3519066
	Repayment of Secured Loan		0		0
	<b>Net Cash Used in Financing Activities</b>	(C)	<b>50172730</b>		<b>6395242</b>
	Net Decrease / Increase in Cash & Cash Equivalents		-11321229		15917034
	Cash & Cash Equivalents (Opening Balance)		41259531		25342497
	Cash & Cash Equivalents (Closing Balance)		29938302		41259531

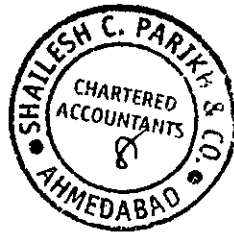
As per our report of even date  
Attached herewith

For, KIFS Financial Services Ltd.

For, Shailesh C. Parikh and Co.  
Chartered Accountants

  
Director

Shailesh C. Parikh   
Proprietor



  
Director

\_\_\_\_\_  
Director

Place : Ahmedabad  
Date : 23-05-2012

Place : Ahmedabad  
Date : 23-05-2012



## **KIFS FINANCIAL SERVICES LIMITED**

### **NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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#### **NOTE 1: SIGNIFICANT ACCOUNTING POLICIES**

##### **a) Basis of Preparation of Financial Statements:**

The financial statements have been prepared on an accrual basis, on a historical cost convention and are materially in compliance with the requirements of the Companies Act, 1956 as well as the mandatory accounting standards issued by the Institute of Chartered Accountants of India.

##### **b) Use of Estimates:**

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the data of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognized in the period in which the results are known/materialised.

##### **c) Income from Operations:**

Income from operations which comprises interest income, brokerage income, dividend income and other income are all accounted for on accrual basis.

##### **d) Expenses:**

The Company provides for all expenses comprising of Salary to Employees, Financial Expenses and Administrative Expenses on accrual basis.

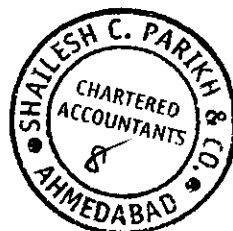
##### **e) Fixed Assets:**

Fixed assets are stated at cost of acquisition. Cost includes attributable cost incurred for bringing the assets to its working condition for its intended use. They are stated at historical cost less accumulated depreciation.

Depreciation on assets is provided on written down value basis (WDV) at the rates and in the manner prescribed in schedule XIV of the Companies Act, 1956.

##### **f) Investment:**

The investments made by the Company are categorised as long term investment and are stated at cost.



**g) Borrowing Cost:**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. All other borrowing costs are charged to revenue.

**h) Taxes on Income:**

Tax on income for the current period is determined on the basis of the Income Tax Act 1961.

Deferred tax is recognised on timing differences between the accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the balance sheet date.

Deferred tax assets are recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

**i) Contingent Liabilities and Contingent Assets:**

Provision is made for all known liabilities. Contingent Liabilities, if any are disclosed in the account by way of a note. Contingent assets are neither recognized nor disclosed in the financial statements.

**j) Impairment of Assets:**

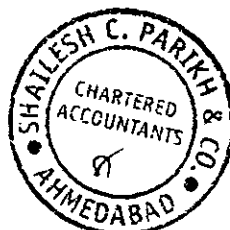
Impairment of assets is recognized when there is an indication of impairment. On such indication the recoverable amount of assets is estimated and if such estimation is less than its carrying amount, the carrying amount is adjusted to its recoverable amount.

**k) Retirement Benefits:**

No provision for gratuity has been made as no employees has put the qualifying period of service for the entitlement of this benefit.

**l) Earning Per Shares:**

The Company reports basic and diluted earnings per share (EPS) in accordance with accounting standard – 20 on earning per share. Basic EPS is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year.



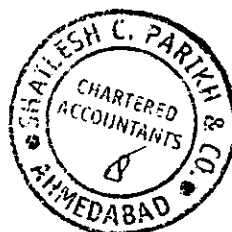
# KIFS FINANCIAL SERVICES LTD

## Notes Forming Part of the Financial Statements

### Note 2: SHARE CAPITAL

	As at 31.03.2012		As at 31.03.2011	
	Number of shares	₹	Number of shares	₹
(a) Authorised				
Equity shares of ₹10 each with voting rights	3300000	33000000	3300000	33000000
(b) Issued, Subscribed and fully paid up				
Equity shares of ₹10 each with voting rights	3005000	30050000	3005000	30050000
<b>Total</b>		<b>30050000</b>		<b>30050000</b>
(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:				
		<b>Opening Balance</b>	<b>Fresh issue</b>	<b>Closing Balance</b>
Equity shares with voting rights				
Year ended 31 March, 2012				
- Number of shares		3005000	0	3005000
- Amount (₹)		30050000	0	30050000
Year ended 31 March, 2011				
- Number of shares		3005000	0	3005000
- Amount (₹)		30050000	0	30050000
(ii) Details of Shareholders holding more than 5% shares:				
Class of shares / Name of shareholder	As at 31.03.2012		As at 31.03.2011	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
Equity shares with voting rights KIFS Securities Ltd (Holding Company)*	2149900	71.54	2149900	71.54
* Apart this there are no shares of company is held by ultimate holding company or subsidiary & associates of holding company or ultimate holding company				

(iii) The Company has issued only one class of shares referred to as Equity Shares having a par value of Rs 10/-. All Equity Shares carry one vote per share without restrictions and are entitled to Dividend, as and when declared. All shares rank equally with regard to the Company's residual assets.



**KIFS FINANCIAL SERVICES LTD.****Notes Forming Part of the Financial Statements****NOTE 3: RESERVES AND SURPLUS**

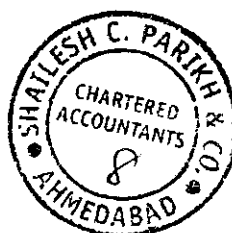
	As at 31.03.2012	As at 31.03.2011
	₹	₹
<b>(a) Special General Reserve</b>		
Opening Balance	17989000	5489000
Add: Transferred from Surplus in Statement of Profit & Loss	3000000	12500000
Closing Balance	20989000	17989000
<b>(b) Surplus in Statement of Profit and Loss</b>		
Opening Balance	24365510	14012933
Add: Profit for the Year	16242686	29864143
	40608196	43877076
Less: Transferred to/Appropriations:		
Special General Reserve	(3000000)	(12500000)
Interim Dividend	0	(3005000)
Tax on Interim Dividend	0	(514066)
Proposed Final Dividend	(3756250)	(3005000)
Tax on Final Dividend	(609354)	(487500)
Closing Balance	33242592	24365510
<b>Total</b>	<b>54231592</b>	<b>42354510</b>

**NOTE 4: SHORT TERM BORROWINGS**

	As at 31.03.2012	As at 31.03.2011
	₹	₹
<b>(a) Working Capital Loans ( Over Draft against Fixed Deposits)</b>		
From Banks		
Secured	70723028	16184694
Unsecured	0	0
<b>Total</b>	<b>70723028</b>	<b>16184694</b>

Notes:-

(i) Over Draft is primarily secured by way of first charge over the Fixed Deposit in the name of the company.



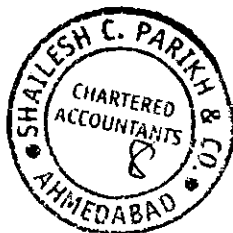
**KIFS FINANCIAL SERVICES LTD**  
**Notes Forming Part of the Financial Statements**

**NOTE 5: OTHER CURRENT LIABILITIES**

	As at 31.03.2012	As at 31.03.2011
	₹	₹
(a) Current Maturities of Long Term Debt	0	0
(b) Interest Accrued & Due	73012	0
(c) Other payables		
(i) Statutory Remittances	322531	7465
(ii) Payables on Purchase of Fixed Assets	0	0
(iii) Advances from Customers	0	0
(iv) Others		
a. Creditors for Expenses	34571	22940
b. Unclaimed Dividend *	755600	643700
<b>Total</b>	<b>1185714</b>	<b>674105</b>
[*] There are no amounts due and outstanding to be credited to Investor Education and Protection Fund		

**NOTE 6: SHORT TERM PROVISIONS**

	As at 31.03.2012	As at 31.03.2011
	₹	₹
(a) Provision - Others		
(i) Proposed Equity Final Dividend	3756250	3005000
(ii) Tax on Proposed Equity Dividend	609354	487500
(iii) Provision for Current Tax (Net of Current Year's Mat Credit Utilised)	3352000	7500000
<b>Total</b>	<b>7717604</b>	<b>10992500</b>



# KIFS FINANCIAL SERVICES LTD

Notes Forming Part of the Financial Statements

## NOTE 7: FIXED ASSETS

Tangible Assets	Gross block (At Cost)				Accumulated Depreciation				Net Block	
	Balance as at 01.04.2011	Additions during the year	Disposals during the year	Balance as at 31.03.2012	Balance as at 01.04. 2011	Depreciation for the year	Eliminated on disposal of assets	Balance as at 31.03.2012	Balance as at 31 March, 2012	Balance as at 31 March, 2011
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
a. Xerox Machine	93600	0	-	93600	54468	5443	-	59911	33689	39132
b. Telephone	60386	0	-	60386	53138	1008	-	54146	6240	7248
c. Airconditioner	56000	0	-	56000	49870	853	-	50723	5277	6130
d. Computers	40000	0	-	40000	37304	1078	-	38382	1618	2696
<b>Total</b>	<b>249986</b>	<b>0</b>	<b>0</b>	<b>249986</b>	<b>194780</b>	<b>8382</b>	<b>0</b>	<b>203162</b>	<b>46824</b>	<b>55206</b>
Previous year	456582	0	206596	249986	369327	15160	189707	194780	55206	87255



**KIFS FINANCIAL SERVICES LTD**  
**Notes Forming Part of the Financial Statements**

**NOTE 8: LONG TERM LOANS AND ADVANCES**

	As at 31.03.2012	As at 31.03.2011
	₹	₹
(a) Capital Advances		
Unsecured, Considered Good	0	0
(b) Security Deposits		
Unsecured, Considered Good	116300	116300
(c) Loans & Advances to related party		
Unsecured, Considered Good	0	0
(d) Advance Income Tax		
MAT Credit Entitlement (Net of Current Year's Utilisation)	3423822	0
<b>Total</b>	<b>3540122</b>	<b>116300</b>



**KIFS FINANCIAL SERVICES LTD**  
**Notes Forming Part of the Financial Statements**

**NOTE 10: SHORT TERM LOANS AND ADVANCES**

	As at 31.03.2012	As at 31.03.2011
	₹	₹
<b>(a) Loans and Advances to Parties</b>		
Secured, Considered Good	127470813	50244193
<b>(b) Prepaid Expenses - Unsecured, Considered Good</b>	0	25900
<b>(c) Security deposit -Unsecured considered Good</b>	0	0
<b>(d) Balances with Government Authorities</b>	2571526	8139878
<b>(e) Advances to Suppliers</b>	0	0
<b>(e) Interest Receivable</b>		
Unsecured, Considered Good	347411	406902
<b>Total</b>	<b>130389750</b>	<b>58816873</b>





**KIFS FINANCIAL SERVICES LTD**  
**Notes Forming Part of the Financial Statements**

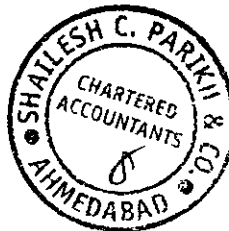
**NOTE 11: REVENUE FROM OPERATIONS**

		For the year 2011-12	For the year 2010-11
		₹	₹
	Revenue From Operations	23874914	8297739
	Profit from Sale of Investments	0	31764054
	<b>Total</b>	<b>23874914</b>	<b>40061793</b>

Note		For the year 2011-12	For the year 2010-11
		₹	₹
(i)	<b>Income from Operations comprises :</b>		
	Interest Income	23857425	7675743
	IPO Distribution Income	6829	95664
	Loan Processing Fees	2500	95950
	Equity & Mutual Fund Dividend	8160	430382
	<b>Total - Income from Operations</b>	<b>23874914</b>	<b>8297739</b>

**NOTE 12: OTHER INCOME**

		For the year 2011-12	For the year 2010-11
		₹	₹
(a)	Interest on Income Tax Refund	122270	161350
(b)	Profit on Trading in Govt. Securities	43738	2627
(c)	Miscellaneous Income	203094	28111
	<b>Total</b>	<b>369102</b>	<b>192088</b>



**KIFS FINANCIAL SERVICES LTD**  
**Notes Forming Part of the Financial Statements**

**NOTE 13: EMPLOYEE BENEFITS EXPENSE**

	As at 31.03.2012	As at 31.03.2011
	₹	₹
Salaries and Wages	1056318	1150587
Staff Welfare Expenses	0	0
<b>Total</b>	<b>1056318</b>	<b>1150587</b>

**NOTE 14: FINANCE COSTS**

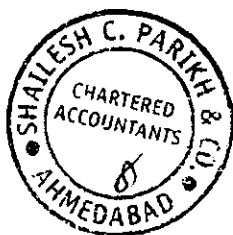
	As at 31.03.2012	As at 31.03.2011
	₹	₹
Interest Expense		
a. To Banks	3111197	759801
b. To Others	3137713	0
<b>Total</b>	<b>6248910</b>	<b>759801</b>



**KIFS FINANCIAL SERVICES LTD**  
**Notes Forming Part of the Financial Statements**

**NOTE 15: OTHER EXPENSES**

	As at 31.03.2012	As at 31.03.2011
	₹	₹
Advertisement Expenses	50426	31662
Income Tax Written Off	97598	166796
Auditors Remuneration	25000	25000
Bad debts/Kasar	76286	0
Office & General Expenses	3012	2625
Demat & Depository (Registrar) Charges	76684	72882
Electricity	60000	60000
Director's Sitting Fees	75000	0
Bank Charges	14241	18798
Other Interest (paid for late payment of Statutory Dues)	400	7937
Professional Tax	2000	0
Listing Fees	39858	33228
Lease Rent	60000	60000
Legal & Professional Charges	95870	139754
Legal & Stamp Charges	9441	17550
Postage & Courier Charges	10520	25296
Printing & Stationary Expenses	20230	53802
Vehicle Petrol & Maintanance	0	271140
Xerox & Maintanance Expenses	28017	21024
<b>Total</b>	<b>744583</b>	<b>1007494</b>
<b>Note:</b>		
	As at 31.03.2012	As at 31.03.2011
	(In Rs)	(In Rs)
Payments to the Auditors comprises :		
As Auditors - Statutory Audit	20000	20000
Taxation Matters	5000	5000
<b>Total</b>	<b>25000</b>	<b>25000</b>



## KIFS FINANCIAL SERVICES LIMITED

### NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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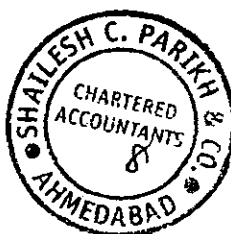
#### NOTE 16: NOTES ON ACCOUNTS

1. The Company prepares and presents its financial statements as per Schedule VI to the Companies Act, 1956, as applicable to it from time to time. In view of revision to the Schedule VI as per a notification issued during the year by the Central Government, the financial statements for the financial year ended 31<sup>st</sup> March, 2012 have been prepared as per the requirements of the Revised Schedule VI to the Companies Act, 1956. The previous year's figures have been accordingly regrouped/reclassified to conform to the current year's classification.
2. Balance of receivables, payables and loans and advances parties are subject to their confirmations. These balances are therefore, subject to adjustments, if any, as may be required on settlement of these balances with the parties.

3. Break up of Payments to Auditors:

	2011-12	2010-11
	₹	₹
(a) Statutory & Ta	20,000	20,000
(b) Taxation Matters	5,000	5,000
	<u>25,000</u>	<u>25,000</u>

4. In the opinion of the board, current assets, loans & advances are approximately of the value stated if realised in the ordinary course of business.
5. None of the employee has completed five years of service and hence liability of gratuity does not arise.
6. There are no dues to Micro, Small and Medium Enterprise as at 31<sup>st</sup> March, 2012. This information is required to disclose under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.



**7. Earnings per Share :**

	(Amount in ₹)	
	31.03.2012	31.03.2011
Profit/(Loss) after Tax [A]	16242686	29864143
Number of Equity Shares [B]	3005000	3005000
Earning per Share [A\B] (Face Value of Rs. 10/- Each)	5.41	9.94

- 8. Consequent to the accounting standard AS-22 effective from 1st April, 2002 dealing with "Accounting for taxes on Income " issued by the ICAI**

The significant component and classification of deferred tax Assets and liabilities on account of timing differences are.

	AS ON 31.03.12	AS ON 31.03.11
<b>A. Deferred tax Assets:</b>		
Difference between Books & Tax Depreciation	Nil	7899
<b>B. Deferred Tax Liabilities</b>		
Difference between Books & Tax Depreciation	7060	Nil
	-----	-----
	(7060)	7899
	=====	=====
 Net Deferred Tax Debit/Credit		₹ 14959 Cr

- 9. Expenditure in Foreign Currency**

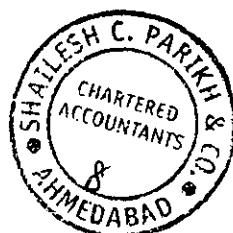
Nil Nil

- 10. Earning in Foreign Currency**

Nil Nil

**11. Segment Reporting**

The company is engaged in the finance activity having mainly the interest income and there are no separate reportable segment as per Accounting Standard 17 – " Segment Reporting" issued by the Institute of Chartered Accountants of India.



## 12. Related Party Disclosure

As per the Accounting Standard on "Related Party Disclosures" (AS-18) issued by the Institute of Chartered Accountants of India, the related parties and the details of transactions with them are as follows

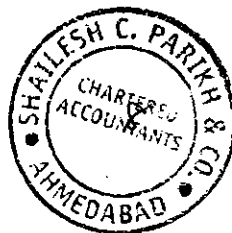
a) List of Related Parties and Relationships:

<u>Holding Company:</u>	KIFS Securities Ltd.
<u>Associate Companies:</u>	Aristo Traders Pvt. Ltd. Khandwala Enterprise Pvt. Ltd.
<u>Key Managerial Personnel:</u>	Parmanand G. Khandwala Rajesh P. Khandwala
<u>Relatives of Key Managerial Personnel:</u>	Jayesh P. Khandwala Vimal P. Khandwala Minaxi P. Khandwala Kinnaary J. Khandwala Sonal R. Khandwala Priyanka V. Khandwala

b) Related Party Transactions and Balances:

₹ in Lacs

Transactions	Holding/ Associate Companies	Key Managerial Personnel	Relative of Key Managerial Personnel	Total
Inter Corporate Deposits Received (Max Balance During Year)	2805.50	704.00	-	3509.50
Inter Corporate Deposits Paid	754.49	-	-	754.49
Interest Paid on Deposits	31.38	-	-	31.38
Reimbursement of Expenses	1.20	-	-	1.20
Debit Balance outstanding as on 31-03-2012	754.49	-	-	754.49
Credit balance outstanding as on 31-03-2012	0.73	-	-	0.73
Demat Charges	0.01	-	-	0.01

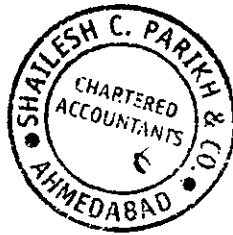


13. Adoption of Accounting Standard 28 on impairment, as mentioned in the note on accounting policies does not have any impact on either profit for the year or on the net assets of the company at the year end.

As per our report of even date

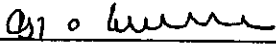
for, Shailesh C. Parikh & Co.,  
Chartered Accountants

  
(Shailesh C. Parikh)  
Proprietor



Place: Ahmedabad  
Date : 23-05-2012

for, KIFS Financial Services Ltd

  
Director

  
Director

Place: Ahmedabad  
Date : 23-05-2012