

## 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 alongwith achieving excellence in the business and complying 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, 2013, the Board of the Company consisted of four Directors, out of which three Directors were independent. The Chairman-cum-Managing Director of the Company is an Executive Director. According to clause 49, if the Chairman is an Executive Director, at least one half of the Board of the company should consist of independent directors. As such the Company duly complied with the requirements of clause 49 of the listing agreement as the Company had three Independent Directors

However, as on the date of this Report, there are three Directors in the Company, of which two are Independent Directors as Mr. Atul N. Parikh, the Ex-Independent Director has resigned from the Board w.e.f. 14<sup>th</sup> May, 2013. Nevertheless the Company is still in compliance with Clause 49 as the Company has two Independent Directors.

The names and categories of Directors, their attendance at the Board Meetings held during the financial year 2012-13 and at the Annual General Meeting (AGM) held on 29<sup>th</sup> September, 2012 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 2012 - 13		Attendance at AGM held on 29/09/2012	No. of Directorships and Committee Membership / Chairmanship in other Public Companies ***		
		Held	Attended		Directorships in Unlisted Public Cos.	Committee Membership	Committee Chairmanship
* Mr. Rajesh P. Khandwala	* Chairman & Managing Director	6	6	Yes	1	2	0
**Mr. Atul N. Parikh	Independent	6	6	Yes	**1	**1	**1
Mr. Devang M. Shah	Independent	6	3	Yes	----	----	----
Mr. Dharmendra N. Soni	Independent	6	4	Yes	----	----	----

\* Mr. Rajesh P. Khandwala was elected as Chairman of the Company w.e.f. 19/05/2012. Further, he got appointed as Managing Director w.e.f. 04/02/2013.

\*\* Mr. Atul N. Parikh has resigned from the Directorship of the Company w.e.f. 14<sup>th</sup> May, 2013. However, during the period from 01/04/2012 to 31/03/2013, he held Directorship as well as Audit Committee Chairmanship in KIFS Securities Ltd., the holding Company which is an Unlisted Public Company.

\*\*\*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 2012 - 13 and dates of Board meetings :

No. of Board Meeting	Date of Board Meeting
1	23 - 05 - 2012
2	30 - 07 - 2012
3	03 - 09 - 2012
4	31 - 10 - 2012
5	18 - 12 - 2012
6	04 - 02 - 2013

#### 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 29th September, 2012.

The Audit Committee met four times during the financial year 2012-13 i.e. on 23/05/2012, 30/07/2012, 31/10/2012 and 04/02/2013 and that the time gap between any two meetings was less than four months. The details of the Composition of the Committee as on 31/03/2013, the category and Designation of the members, number of meetings held and the attendance of the Directors thereat during the period from 01/04/2012 to 31/03/2013 is given herein below :-

#### Composition of the Audit Committee till 31/03/2013

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

However, the Audit Committee was reconstituted on 14<sup>th</sup> May, 2013 due to resignation of Mr. Atul N. Parikh who was the Chairman of the Audit Committee till 31/03/2013.

The reconstituted Audit Committee as on the date of this report is as under :

#### Composition of the Audit Committee as on date of this Report

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

#### 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

Sr. No.	Particulars	Position
1.	No. of Shareholders Compliances received so far	Nil
2.	No. of Complaints not solved to the satisfaction of shareholders	Nil
3.	No. of Pending Complaints	Nil

#### REMUNERATION COMMITTEE

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

#### Remuneration to the Directors :

The Chairman-cum-Managing Director of the Company viz; Mr. Rajesh P. Khandwala is being paid Rs. 50,000/- (Rupees Fifty Thousand) per month as remuneration w.e.f. the date of his appointment as Managing Director. The other Non-executive- Independent Directors are being paid sitting fees and apart from such sitting fees no other remuneration is being paid to them.

#### 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 Company's website [www.kifsfinance.com](http://www.kifsfinance.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-cum-Managing Director of the Company has certified to the Board

regarding the Financial Statements of the Company for the financial year ended 31st March, 2013. 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 :

Year	Date	Time	Venue
2011 - 12	29 - 09 - 2012	12- 00 Noon	At Registered Office of the Company at B-81, Pariseema Complex, C. G. Road, Ellisbridge, Ahmedabad - 380 006.
2010 - 11	30 - 07 - 2011	11- 00 A.M.	'do'
2009 - 10	31 - 07 - 2010	11- 00 A.M.	'do'

The Company has not passed any resolutions by way of Postal Ballot since the date of last Annual General Meeting.

However, the Special Resolution pertaining to Increase in Authorised Share Capital and Issue of Shares by way of Preferential Allotment/ Private Placement were passed by the Company in the Extra-ordinary General Meeting of the members held on 4<sup>th</sup> December, 2012.

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

Mr. Dharmendra N. Soni, Director of the Company is retiring by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

The Director, Mr. Rajesh P. Khandwala was appointed as the Managing Director for a period of Five years with effect from 4<sup>th</sup> February, 2013.

Mr. Atul N. Parikh has resigned from the office of Independent Director of the Company w.e.f. 14<sup>th</sup> May, 2013.

#### 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 one English daily newspaper and one Regional Language daily newspaper & submits to stock exchange in accordance with the Listing Agreement requirements. The above referred results are also posted on the Company's website viz; [www.kifsfinance.com](http://www.kifsfinance.com).

## GENERAL SHAREHOLDER'S INFORMATION

1.	Date of Annual General Meeting	2 <sup>nd</sup> August, 2013
2.	Time & Venue	04:00 p.m. 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) Bombay Stock Exchange Ltd., (BSE), Mumbai. (2) Ahmedabad Stock Exchange Ltd., (ASE) Ahmedabad.
4.	Financial Calendar	1 <sup>st</sup> April to 31 <sup>st</sup> March

### Calendar for Financial Year ending 31<sup>st</sup> March, 2014

Financial Reporting for the		Tentative dates of the Board Meeting
First Quarter ending 30/06/2013	:	On or before August 14, 2013
Half year ending 30/09/2013	:	On or before November 14, 2013
Third Quarter ending 31/12/2013	:	On or before February 14, 2014
Fourth Quarter ending 31/03/2014	:	End of May, 2014

5.	Date of Book Closures	29/07/2013 to 02/08/2013 (Both Days Inclusive)		
6.	Dividend Payment Date	The Dividend if declared at the AGM will be credited / dispatched by 31 / 08 / 2013.		
7.	Name of Compliance Officer	Ms. Krupa Joshi - w.e.f. 04/02/2013 <i>(Mr. Bhavik Shah was compliance officer till 03/02/2013)</i>		
8.	Market Price Data	Information as to Market Price on ASE and VSE cannot be given as both the Stock Exchanges are not providing trading platform to the Companies and hence the Shares of the Company could not be traded. The Company's shares got listed on the platform of Bombay Stock Exchange (BSE) w.e.f. 7th May, 2013 and trading on BSE started from 10th May, 2013 onwards. As such no data pertaining to Market price of shares of Company in last financial year is available as during the last financial year, the Company's shares were not traded on any of the exchanges.		
9.	Stock Code	BSE - 535566	ASE - 30644	VSE - 501

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

The Company's Shares are currently listed on the Bombay Stock Exchange Ltd., 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. Ms. Krupa Joshi is designated as Compliance Officer for the same.

**DISTRIBUTION OF SHAREHOLDING (SHARES) as on 31<sup>st</sup> March, 2013**

Shareholding of Shares	Shareholders Number	% of Total	Shares Alloted	% of Total
1 to 500	1707	96.28	3,28,500	3.04
501 to 1000	18	1.01	14,220	0.13
1001 to 2000	9	0.51	12,240	0.11
2001 to 3000	2	0.11	5,220	0.05
3001 to 4000	9	0.51	32,040	0.30
4001 to 5000	2	0.11	8,640	0.08
5001 to 10000	6	0.34	36,540	0.34
10001 to 9999999999	20	1.13	1,03,80,600	95.95
<b>TOTAL</b>	<b>1773</b>	<b>100.00</b>	<b>1,08,18,000</b>	<b>100.00</b>

**DEMATERIALIZATION OF SHARES**

As on 31<sup>st</sup> March, 2013, 96.26% 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, Ms. Krupa Joshi 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 Email: cs@kifs.co.in

## 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, and 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 - NIL.
- 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: 24/05/ 2013

S/d  
Rajesh P. Khandwala  
Chairman



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 2013.

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)

S/d  
Shailesh Parikh (Proprietor)  
Membership Number: 039254

Place : Ahmedabad  
Date : 24/05/2013

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-cum-Managing 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, 2013 compliance with the code of conduct of the Company laid down for them.

S/d

Rajesh P. Khandwala

Chairman-cum-Managing Director

Place: Ahmedabad

Date: 24/05/2013

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, 2013 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.

For, KIFS FINANCIAL SERVICES LTD.

Sd/-

Rajesh P. Khandwala

Chairman-cum-Managing Director

Date: 24/05/2013

Thanking you

Yours faithfully,