

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 Company recognizes its role as a corporate citizen and endeavors to adopt the best practices and the highest standards of corporate governance through transparency in business ethics, accountability to its customers, government and others. 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 believes that good corporate governance practices enable the Management to direct and control the affairs of the Company in an efficient manner and to achieve the Company's goal of maximizing value for all its stakeholders. The Company's philosophy on corporate governance is founded on the fundamental ideologies of the group viz., Trust, Value and Service. 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. 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 31st March, 2014, the Board of the Company consisted of three Directors, out of which two 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 two Independent Directors.

However, as on the date of this Report, there are four Directors in the Company as Mrs. Sonal R. Khandwala has been appointed as additional director w.ef. 27th May, 2014. 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 2013-14 and at the Annual General Meeting (AGM) held on 2nd August, 2013 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 2013 - 14		Attendance at AGM held on 02/08/2013	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	4	4	Yes	1	2	0
*Mrs. Sonal R. Khandwala	Additional Director	—	—	N.A.	---	—	—
Mr. Devang M. Shah	Independent	4	4	Yes	—	—	—
Mr. Dharmendra N. Soni	Independent	4	4	Yes	—	—	—

* Mrs. Sonal R. Khandwala was appointed on the Board of the Company as Additional Director in the Board meeting held on 27th May, 2014

***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 2013 - 14 and dates of Board meetings :

No. of Board Meeting	Date of Board Meeting
1	24 - 05 - 2013
2	13 - 08 - 2013
3	12 - 11 - 2013
4	07 - 02 - 2014

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.

In addition to the matters provided in Clause 49 of the Listing Agreement and requirements of Section 292A of the Companies Act, 1956 and Reserve Bank of India, the Committee reviews the reports of the Internal Auditors, periodically meets the Statutory Auditors of the Company and discusses their findings, observations, suggestions, scope of audit etc. and also reviews

internal control systems and accounting policies followed by the Company. The Committee also reviews the financial statements with the management, before their submission to the Board. The terms of reference of the Audit Committee of the Board of Directors of the Company, inter alia includes;

1. Overseeing the Company's financial reporting process and reviewing with the management, the financial statements before submission to the Board for approval;
2. Recommending to the Board the appointment, re-appointment and replacement of the Statutory Auditor and fixing their fees;
3. Reviewing the internal audit function of the Company;
4. Such other matters as specified under Clause 49 of the Listing Agreement and requirements of Section 292A of the Companies Act, 1956 and Reserve Bank of India or as may be delegated by the Board of Directors of the Company.

The Committee also reviews the financial statements with the management, before their submission to the Board. The terms of reference of the Audit Committee has been revised in the Board Meeting held on May 27, 2014, in compliance with Companies Act, 2013 and revised Clause 49 of Listing Agreement as amended from time to time.

COMPOSITION OF AUDIT COMMITTEE AND ATTENDENCE OF THE MEMBERS AT THE MEETINGS.

The Audit Committee met four times during the financial year 2013-14 i.e. on 24/05/2013, 13/08/2013, 12/11/2013 and 07/02/2014 and that the time gap between any two meetings was less than four months. The details of the Composition of the Committee as on 31/03/2014, the category and Designation of the members, number of meetings held and the attendance of the Directors thereat during the period from 01/04/2013 to 31/03/2014 is given herein below :-

Composition of the Audit Committee till 31/03/2014

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

All Members of the Audit Committee were present at the previous Annual General Meeting of the Company held on 2nd August, 2013.

SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE (NOW RENAMED AS STAKEHOLDERS' RELATIONSHIP 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.

However, as per the provisions of the New Companies Act, 2013 as well as Amended Clause - 49 of the Listing Agreement, the Shareholders'/Investors' Grievance Committee has been renamed and designated as the "**STAKEHOLDERS' RELATIONSHIP COMMITTEE**".

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 Stakeholders Relationship 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	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

NOMINATION AND REMUNERATION COMMITTEE

As per the provisions of section 178 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014, and in accordance with amended Clause 49 of the Listing Agreement with BSE, the Company constituted a Committee in the name of "**NOMINATION AND REMUNERATION COMMITTEE**" in the meeting of the Board of Directors held on 27th May, 2014.

The Committee shall formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees, shall make evaluation of Independent Directors and the Board. The Committee shall ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully; relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

It shall be the duty of the committee to identify the persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal.

The details of the Composition of the Committee including the category and Designation of the members is given herein below :-

Sr. No.	Name of the Director	Designation in the Committee	Nature of Directorship
1.	Mr. Devang M. Shah	Chairman	Independent Director
2.	Mr. Dharmendra N. Soni	Member	Independent Director
3.	Mrs. Sonal R. Khandwala	Member	Director

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. 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, 2014. 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
2012-13	02/08/2013	4:00 p.m.	At Registered Office of the Company at B-81, Pariseema Complex, C. G. Road, Ellisbridge, Ahmedabad - 380 006.
2011-12	29/09/2012	12:00 Noon	'do'
2010-11	30/07/2011	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.

NOTE ON DIRECTORS' APPOINTMENT/RE-APPOINTMENT

Mr. Rajesh P. Khandwalal, Director of the Company is retiring by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment and if reappointed shall resume the office of Managing Director.

The Director, Mrs. Sonal R. Khandwala was appointed as the Additional Director with effect from 27th May, 2014.

Mr. Dharmendra N. Soni and Mr. Devang M. Shah have been appointed as the Independent Directors for a term of Five years in accordance with section 149 of the Companies Act, 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.

GENERAL SHAREHOLDER'S INFORMATION

1.	Date of Annual General Meeting	Saturday, 6 th September, 2014
2.	Time & Venue	2:00 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.
4.	Financial Calendar	1 st April to 31 st March

Calendar for Financial Year ending 31st March, 2015

Financial Reporting for the	:	Tentative dates of the Board Meeting
First Quarter ending 30/06/2014	:	On or before August 14, 2014
Half year ending 30/09/2014	:	On or before November 14, 2014
Third Quarter ending 31/12/2014	:	On or before February 14, 2015
Fourth Quarter ending 31/03/2015	:	End of May, 2015

5. Date of Book Closures : Tuesday, 02/09/2014 to Saturday, 06/09/2014 (Both Days inclusive)
6. Dividend Payment Date : On or after 8th September, 2014.
7. Name of Compliance Officer : Ms. Krupa Joshi
8. Market Price Data during the financial year ended 31/03/2014 : The monthly High and Low quotations as well as the total turnover at the BSE for the current year are provided as follows :

(All Price in ₹)

Month	High	Low	Total Turnover
May, 2013	63.50	34.00	707407
June, 2013	38.75	19.75	147724
July, 2013	19.60	18.30	15262
August, 2013	20.25	18.50	10579
September, 2013	25.70	21.25	3764
October, 2013	26.90	23.15	2929
November, 2013	24.25	24.25	2425
January, 2014	24.20	22.00	11665
February, 2014	24.05	21.90	9312
March, 2014	25.25	21.80	26731

9. Stock Code : BSE - 535566;
10. Registrars & Transfer Agents : Link Intime India Pvt. Ltd.
Unit No. 303, 3rd 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 currently listed on the Bombay 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 31st March, 2014

Shareholding of Shares	Shareholders Number	% of Total	Shares Alloted	% of Total
1 to 500	1627	95.425	3,10,878	2.87
501 to 1000	23	1.349	17,935	0.16
1001 to 2000	15	0.880	22,203	0.21
2001 to 3000	5	0.293	13,180	0.12
3001 to 4000	8	0.469	27,720	0.26
4001 to 5000	2	0.117	8,640	0.08
5001 to 10000	4	0.235	23,940	0.22
10001 to 9999999999	21	1.232	1,03,93,504	96.08
TOTAL	1705	100.00	1,08,18,000	100.00

DEMATERIALIZATION OF SHARES

As on 31st March, 2014, 96.56% 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.
- 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.

Place: Ahmedabad
Date: 27/05/ 2014

For And on Behalf of the Board

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 31st March 2014.

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: 27/05/2014