

**KIFS FINANCIAL SERVICES LIMITED**

**NOTICE**

**NOTICE** is hereby given that the **16<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 on **30<sup>th</sup> day of July, 2011**, at 11:00 a.m., at the Registered Office of the Company at B-81, Pariseema Complex, C.G. Road, Ellisbridge, Ahmedabad-380006 for transacting the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2011 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. Dharmendra Soni and Mr. Parmanand G. Khandwala, who retires by rotation and being eligible offers themselves for re-appointment.
4. To appoint Auditors and to fix their remuneration.

**FOR AND ON BEHALF OF THE BOARD**

**Place: Ahmedabad**

**Date: 04/06/11**  
**Regd. Office:**  
**B/81, Pariseema Complex,**  
**C.G. Road, Ellisbridge,**  
**Ahmedabad-380006**

*P. G. Khandwala*  
**P. G. 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 MONDAY THE 25/07/11 TO SATURDAY THE 30/07/11 (BOTH DAYS INCLUSIVE) FOR PURPOSE OF PAYMENT OF DIVIDEND TO THOSE MEMBERS WHOSE NAMES STAND ON THE REGISTER OF MEMBERS AS ON 30/07/11 (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 30<sup>TH</sup> JULY, 2011 (AGM DATE) AS PER THE DETAILS FURNISHED BY THE DEPOSITORIES FOR THIS PURPOSE.
3. MEMBERS ARE REQUESTED TO NOTIFY IMMEDIATELY THE CHANGE, IF ANY, IN THEIR REGISTERED ADDRESS.

**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>Dharmendra Soni (Re- appointment)</b>	<b>Parmanand G. Khandwala</b>
<b>Date of Birth</b>	09/10/1962	14/03/1933
<b>Date of Appointment</b>	28/12/2002	29/03/1995
<b>Qualification</b>	B.com	M.A., LLB.
<b>Experience</b>	10 Years in stock broking.	18 Years in Financial Market and 35 Years with LIC.
<b>List of other companies in which he holds Directorship as on 31/03/2011</b>	<b>None</b>	1. Khandwala Enterprise Pvt. Ltd.  2. KIFS Realty Pvt. Ltd.  3. Khandwala Insurance Broking Services Pvt. Ltd.
<b>Chairman / member of committee of the board of the other companies in which he is director as on 31/03/2011</b>	<b>None</b>	<b>None</b>
<b>Equity shares held in the Company</b>	<b>Nil</b>	<b>Nil</b>

## **KIFS FINANCIAL SERVICES LIMITED**

### **DIRECTORS' REPORT**

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

The Company was incorporated on 29<sup>th</sup> March 1995 as a Public Limited Company. It is listed on ASE & VSE and it is registered with the Reserve Bank of India (RBI) as a Non Banking Finance Company (NBFC).

Your Directors hereby present the Annual Report of your company together with Audited Statement of Accounts for the year ended on **31<sup>st</sup> March, 2011.**

#### **FINANCIAL RESULTS:**

<b>Particulars</b>	<b>(Rs. in Lacs)</b>	
	<b>2010-11</b>	<b>2009-10</b>
Business and Other Income	402.08	126.22
Total Expenditure	29.28	18.85
Profit/ Loss before provision for Tax	372.80	107.37
Provision for Taxation	75.09	18.51
Profit after provision for Tax	298.23	88.88

#### **REVIEW OF OPERATIONS:**

During the year under review, total income of your Company has shown a remarkable growth as compared to the previous year. Total income has increased to Rs. 402.08 Lacs compared to Rs.126.22 Lacs in the previous year. Amount of total expenditure also increased to Rs.29.28 Lacs compared to Rs.18.85 Lacs in previous year. The net profit of the company after providing for all expenditure and necessary provisions was Rs. 298.23 lacs compared to Rs.88.88 Lacs of previous year. Your Directors are pleased to inform you that this significant rise income level is due to increase in interest income and IPO distribution income compared to previous year's performance. During the year, there was also one exceptional source of income i.e. profit from sale of investment.

**DIVIDEND:**

Your Directors are pleased to recommend a special dividend of Re. 1 (Rupee One only, i.e. 10 %) on the paid up equity share capital of the Company for the year ended on 31<sup>st</sup> March, 2011. 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 record date fixed for the purpose of determining eligibility for receiving dividend.

**CHANGE IN CONSTITUTION OF AUDIT COMMITTEE AND SHAREHOLDERS' GRIEVANCE COMMITTEE:**

The Board of Directors at its meeting held on 14/02/2011 reconstituted the Audit Committee. Mr. Devang Shah and Mr. Parmanand G. Khandwala showed their unwillingness to continue as a member of Audit Committee, and their resignation from the committee were accepted. At the same time, it was proposed to appoint Mr. Atul N. Parikh (Non-Executive Independent Director) and Mr. Rajesh P. Khandwala (Non-Executive Non-Independent Director) of the Company to be appointed as a Member of the Audit Committee which was agreed by both. Further, Mr. Atul N. Parikh was also appointed as the Chairman of the Audit Committee meeting.

There was also reconstitution of in Shareholders' Grievance Committee w.e.f. 14/02/2011. Mr. Rajesh P. Khandwala was inducted into the Committee place of Mr. Parmanand G. Khandwala who resigned from the post of Committee member / Chairman.

However, both Mr. Parmanand G. Khandwala and Mr. Devang Shah continue to be the Director of the Company.

**CONSTITUTION OF SHARE TRANSFER, ISSUE AND ALLOTMENT COMMITTEE:**

The Board of Directors in its meeting held on 14/02/2011 constituted Share Transfer, Issue and Allotment Committee, which shall look after the day to day transfer, transmission of shares, issue and allotment of shares activities. Mr. Dharmendra Soni was appointed as a Chairman of the Committee and Mr. Devang Shah and Mr. Rajesh P. Khandwala are appointed as the Members of the said Committee.

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

Your directors are pleased to inform you that during the year under review the company has enlarged margin trading and loans against shares activities. The funding of primary market investment for retail category initiated during the last financial year has also shown a significant growth in the business performance of the Company.

## **INDUSTRY STRUCTURE AND DEVELOPMENT:**

Indian economy is going through a period of rapid 'financial liberalisation'. Today, the 'intermediation' is being conducted by a wide range of financial institutions through customer friendly financial products. The segment consisting of NBFCs, such as equipment leasing/hire purchase finance, loan and investment companies, etc. have made great strides in recent years and are meeting the diverse financial needs of the economy. These NBFCs provide a variety of services including fund-based and fee-based activities and cater to retail and non-retail markets and niche segments. They are being recognized as complementary to the banking sector due to their customer-oriented services, simplified procedures, attractive rates of return on deposits, flexibility and timeliness in meeting the credit needs of specified sectors.

## **OUTLOOK & STRATEGY:**

The year 2010-11 proved to be a year of global economic resurgence. The global economy, after faltering due to recession during 2008-09, witnessed an improvement mainly on account of infusion of stimulus funds by various countries. China and India led the recovery from the front, on account of huge domestic demand and continued thrust on infrastructure creation, further propelling demand within the core sectors.

India enjoys a strong domestic demand that bolsters a robust economic outlook. India's economy is estimated to grow in 2011-12 compared to 2010-11. Economic growth prospects are expected to improve significantly in fiscal 2011-12 as the private sector demand - both consumption as well as investment - begins to pick up.

## **FINANCIAL & BUSINESS REVIEW**

The Company's operations continue to be mainly focused in the areas of NBFC activities and are predominantly engaged in following capital market products at present;

- Margin Trading
- Loan against shares
- Funding Primary market investment for retail category

In spite of limited resources, our Company has outperformed in almost every facet for vibrant increase of interest income and profit in this fiscal year.

KFSL has been able to bring in higher operating efficiencies within the company based on the understanding and strength of our superior knowledge of local markets and efficient, proactive and conservative approach.

## **FUTURE OUTLOOK**

The Company has plans to expand its business by offering a wide array of financial products and services. Apart from existing funding activities, the Company will also plan out to offer other financial products and services like:

- Loan against Property
- Equipment Financing
- Debt Market operations
- Corporate advisory services - Loan syndication

The Company will also try to get a sustainable credit rating that will help to provide source to access to a wide range of financial markets and funding sources supported by a Capital Adequacy Ratio as per RBI norms.

## **RISKS & CONCERNS**

Being a Financial company, KFSL is exposed to specific risks that are particular to its business and the environment within which it operates, including interest rate volatility, economic cycle, credit risk and market risk. The most important among them are credit risk, market risk and

operational risk. The measurement, monitoring management of risk remains key focus areas for the company.

KFLS has laid down stringent credit norms through the Lending Policy Framework approved by the Board. The company 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.

In retail loan businesses like ours, overall portfolio diversification and reviews also facilitate mitigation and management.

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

The Company has adequate internal control systems appropriate for the business process having regard to efficiency of operations systems, financial reporting and for compliance with applicable laws.

#### **HUMAN RESOURCES:**

One of the key pillars of our business is people. The company's HR policies and practices are built on company's core value of integrity, passion, speed, commitment and seamlessness, while initially the challenges were around integration. The company firmly believes that intellectual capital and human resources is the backbone of the company's success. The company is committed to provide development and training opportunities to employees to equip them with the best skill which enable them to adapt to contemporary technological advancements. Industrial relations during the year continues to be harmonious.

#### **CORPORATE GOVERNANCE:**

The Corporate Governance Report and Auditors' Report thereon form part of this report.

#### **PUBLIC DEPOSITS:**

During the year ended March 31, 2011, 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 1132X (NPT)-98 dated 31<sup>st</sup> January, 1998.



**DIRECTORS:**

Pursuant to provisions of Section 256 of the Companies Act, 1956 Mr. Dharmendra Soni and Mr. Parmanand G. Khandwala, retire by rotation and being eligible offers themselves for re-appointment.

**AUDITORS:**

The retiring Auditors Shailesh C. Parikh & Co., Chartered Accountants, Ahmedabad are eligible for re-appointment and 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.

**PARTICULARS OF EMPLOYEES:**

No employee draws remuneration for which information is required to be submitted 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:**

As the Company's operations neither involve any manufacturing or processing activities nor any transactions involving foreign exchange earnings and outgo, 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.

**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 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: 04/06/ 2011  
Regd. Office:  
B/81, Pariseema Complex,  
C.G. Road, Ellisbridge,  
Ahmedabad-380006**

*P. G. Khandwala*  
**P. G. Khandwala  
Chairman**

## 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 principal characteristics of Corporate Governance are Transparency, Independence, Accountability, Responsibility, Fairness, and Social Responsibility. Corporate Governance pertains to system of blending law, regulations and voluntary practices, which enable the company to attract financial and human capital, perform efficiently and thereby perpetuate it into generating long-term economic value for its shareholders, while respecting interests of other stakeholders and the society as a whole.

### 2. COMPANY'S PHILOSOPHY:

Being a finance company, the company has to regularly pursue businesses that maximises returns while effectively managing the inherent risks. Decision making and execution in this environment is driven by its governance structure, ethics and values systems. The Company lays a lot of emphasis on appropriate and timely disclosures and transparency in business dealings. Your Company is committed to good Corporate Governance and has adhered to the prescribed standards. The Company's philosophy on code of Governance is aimed at efficient conduct of business in compliance with the prescribed Acts and Rules on Corporate Governance.

### 3. BOARD OF DIRECTORS:

Composition of Board of Directors

Name of Director	Category of Director	No. of other Directorships in public companies	No. of other company's Board Committee of which he is a member/Chairman
Mr. Parmanand	Non-Executive -	---	---

Khandwala	Non Independent		
Mr. Rajesh P. Khandwala	Non-Executive - Non Independent	KIFS Securities Ltd.	KIFS Securities Ltd.: 1. Audit Committee - Member 2. Shareholder Grievance Committee - Member 3. Share Transfer, Issue & Allotment Committee - Member 4. Managing Committee - Chairman
Mr. Atul Parikh	Non Executive - Independent	KIFS Securities Ltd.	KIFS Securities Ltd. 1. Audit Committee - Chairman
Mr. Devang Shah	Non Executive - Independent	---	---
Mr. Dharmendra Soni	Non Executive - Independent	---	---

#### ATTENDANCE OF EACH DIRECTOR AT BOARD MEETING AND LAST ANNUAL GENERAL MEETING

Board Meetings held during the financial year **2010-11**.

Sr. No.	Name of Director	Category of Director	No. of Board meetings held	No. of Board meeting attended	Attendance at last AGM
01.	Mr. Parmanand Khandwala	Chairman	9	9	Yes
02.	Mr. Rajesh P. Khandwala*	Director	9	4	Yes
03.	Mr. Atul Parikh*	Director	9	2	Yes
04.	Mr. Devang Shah	Director	9	8	Yes
05.	Mr. Dharmendra Soni	Director	9	8	Yes

\* Mr. Rajesh P. Khandwala and Mr. Atul N. Parikh were appointed as the Directors of the company w.e.f. 31/07/2010.

**Number of Board Meetings held during the financial year and dates of Board meetings:**

<b>Board Meeting</b>	<b>Date</b>
1	21/04/2010
2	18/05/2010
3	29/05/2010
4	26/06/2010
5	26/07/2010
6	09/09/2010
7	15/10/2010
8	30/10/2010
9	14/02/2011

**AUDIT COMMITTEE:**

The Current Audit Committee, comprising three Directors all being Non-Executive Directors and all are having financial and accounting knowledge. Members are regularly present at the meetings.

The term of reference stipulated by the board to the Audit Committee is, as contained in clause 49 of the Listing agreement which is as follows:

- a. Oversee of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- c. Reviewing with management the annual financial statements before submission to the board, focusing primarily on; (a) Any changes in accounting policies and practices, (b) Major accounting entries based on exercise of judgment by management, (c) Qualifications in draft audit report (d) Significant adjustments arising out of audit (e) The Going Concern Assumption, (f) Compliance with Accounting Standards, (g) Compliance with stock exchange and legal requirements concerning financial statements, (h) Any related party transactions.

- d. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- e. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- f. Discussion with internal auditors any significant findings and follow up there on.
- g. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- h. Discussion with external auditors before the audit commences about nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- i. Reviewing the company's financial and risk management policies.
- j. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

The Board of the Company has constituted an Audit Committee, comprising following directors.

Name	Designation	Non - Executive / Independent	Committee meeting attended
Atul Parikh	Chairman	Non-Executive-Independent	N.A.
Rajesh Khandwala	Member	Non-Executive-Non Independent	N.A.
Dharmendra Soni	Member	Non-Executive-Independent	5
*Devang Shah	Ex-Member	Non-Executive-Independent	5
*Parmanand G. Khandwala	Ex-Chairman	Non-Executive-Non Independent	5

\*Mr. Parmanand G. Khandwala and Mr. Devang Shah resigned from the membership of Audit Committee w.e.f. 14/02/2011 and in their place Mr. Atul N. Parikh and Mr. Rajesh P. Khandwala, Directors of the company were appointed as the member of the said committee with effect from the said date.

**COMMITTEE MEETINGS HELD DURING THE FINANCIAL YEAR 2010-11:**

**Audit Committee**

<b>Audit Committee Meeting</b>	<b>Date</b>	<b>Audit Committee Meeting</b>	<b>Date</b>
1	18/05/2010	4	30/10/2010
2	26/06/2010	5	14/02/2011
3	26/07/2010		

**Shareholders'/Investors' Grievance Committee**

The Board of the Company has constituted shareholders' / Investors' Grievance Committee, comprising of following Members:

<b>Name</b>	<b>Designation</b>	<b>Non-Executive / Independent</b>	<b>Committee meeting attended</b>
Dharmendra Soni	Chairman	Non-Executive-Independent	4
Devang Shah	Member	Non-Executive-Independent	4
*Parmanand Khandwala	Ex-Member	Non-Executive Non-Independent	4
Rajesh P. Khandwala	Member	Non-Executive Non-Independent	N.A.

\*Mr. Parmanand G. Khandwala resigned from the membership of shareholders' / Investors' Grievance Committee w.e.f. 14/02/2011 and in his place Mr. Rajesh P. Khandwala was appointed as the member of the said committee w.e.f. 14/02/2011.

The Committee, inter alia, approves issue of duplicate certificates and oversees and reviews all matters connected with the securities transfers. The Committee also looks into redressing of shareholders' complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc. The committee notes down that during the year all the complaints have been disposed off timely and up to the satisfaction of the shareholders. However, at the meeting of the Board of Directors held on 14/02/2011 a new committee named as Share Transfer, Issue and Allotment of shares Committee was formed and hence forth instead of Shareholders' Investors' Grievance Committee, the newly formed share transfer committee shall look into the matters relating to transfer of shares, issue and allotment of shares.

### **Remuneration Committee**

Being a non-mandatory requirement the remuneration committee has not been constituted for the time being.

### **CEO Certification:**

Mr. Parmanand Khandwala, Director of the Company hereby certifies that:

- (a) he has reviewed Financial Statements and the Cash Flow Statement for the year and that to the best of his knowledge and belief:
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) 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.
- (b) there are, to the best of his 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.
- (c) he accepts responsibility for establishing and maintaining internal controls and that he has evaluated the effectiveness of the internal control systems of the Company and he has disclosed this to the Auditors and the Audit Committee.



(d) he has indicated to the Auditors and the Audit committee:

- (i) significant changes in internal control during the year.
- (ii) instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

**General Body Meetings:**

Details of three Annual General Meeting:

<b>Year</b>	<b>Date</b>	<b>Time</b>	<b>Venue</b>
2007-08	27.09.2008	11.00 A.M.	Registered Office
2008-09	30/09/2009	11.00 A.M.	'do'
2009-10	31/07/2010	11.00 A.M.	'do'

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

Mr. Dharmendra Soni & Mr. Parmanand G. Khandwala, Directors of the Company are retiring by rotation at the ensuing AGM and are eligible for reappointment.

**Code for prevention of insider trading practices:**

In compliance with SEBI regulation on prevention of insider trading the company has constituted a comprehensive code of conduct for its management and staff. The code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing in shares of company.

**Anti money laundering and know your customer policy:**

In keeping with specific requirements for NBFCs, the company has also formulated an Anti Money Laundering and Know your customer policy.

### **Means of Communications:**

The Company has regularly published its quarterly, half yearly & annual results in newspapers & submitted to stock exchange in accordance with the Listing Agreement requirements. The Management Discussion and Analysis Report is forming part of the Directors' Report.

### **General Shareholder's information:**

1. **Date of Annual General Meeting** : **30/07/2011**
2. **Time and Venue** : 11:00 a.m. at B-81, Pariseema Complex, C.G. Road, Ellisbridge, Ahmedabad-6.
3. **Listing on Stock Exchanges** : (1) Ahmedabad Stock Exchange Ltd., (ASE) Ahmedabad.  
(2) Vadodara Stock Exchange Ltd., (VSE) Vadodara.
4. **Financial Calendar**  
**First quarterly results** 1<sup>st</sup> April to 31<sup>st</sup> March  
**Half yearly results** End of July, 2011  
**Third quarterly results** End of October, 2011  
**Fourth quarterly results** End of January, 2012  
**AGM for the year ended March, 2011** End of April, 2012  
End of September, 2012
5. **Date of Book Closure** 25/07/2011 to 30/07/2011  
(Both Days inclusive)
6. **Name of Compliance Officer** Mr. Dharmendra Doshi
8. **Market Price Data** Information as to Market Price has not been given as there was no Transaction during 2010-11.
9. **Investors Correspondence** Link Intime India Pvt. Ltd.  
**For transfer/dematerialization of shares, change of address, change in status of investors, payment of dividend on shares and other query relating to the shares of the company.** 211, Sudarshan Complex, Near Mithakhali Under bridge, Navrangpura, Ahmedabad-380009.  
  
Phone No.079-26465179

### **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. Dharmendra Doshi is designated as Compliance Officer.

#### Distribution of Shareholding (shares)

SHAREHOLDING OF SHARES	SHAREHOLDERS NUMBER	% OF TOTAL	SHARES ALLOTTED	% OF TOTAL
1 to 500	1821	94.7940	200600	6.6760
501 to 1000	12	0.6250	9600	0.3190
1001 to 2000	5	0.2600	8600	0.2860
2001 to 3000	9	0.4690	22900	0.7620
3001 to 4000	40	2.0820	152200	5.0650
4001 to 5000	1	0.0520	4900	0.1630
5001 to 10000	12	0.6250	94100	3.1310
10001 to 9999999999	21	1.0930	2512100	83.5970
<b>TOTAL</b>	<b>1921</b>	<b>100.0000</b>	<b>3005000</b>	<b>100.0000</b>

#### 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, 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 duty by the stock exchange or SEBI due to non-compliance by the company: **None.**

- (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.

**Registered Office Address for Correspondence:**

**KIFS FINANCIAL SERVICES LTD**

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

**FOR AND ON BEHALF OF THE BOARD**

*P. G. Khandwala*  
**P. G. Khandwala**  
**Chairman**

Place: Ahmedabad  
Date: 04/06/2011

**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:**

I hereby record my presence at the Annual General Meeting of the company held on Saturday the 30<sup>th</sup> day of July, 2011 at 11.00 a.m. at the Registered Office.

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

\*Applicable for investors holding shares in electronic 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 to vote for me / us and on behalf at the Annual  
General Meeting of the company to be held on \_\_\_ (day) the \_\_\_ (Date)  
day of \_\_\_ (Month), 2011 at 11.00 a.m. at any adjournment thereof.

Signed this \_\_\_ day of \_\_\_\_\_, 2011

Affix One Rupee  
Revenue Stamp

\*Applicable for investors holding shares in electronic form.



**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,  
Ahmedabad

We have audited the attached Balance Sheet of KIFS Financial Services Ltd as at 31<sup>st</sup> March, 2011 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We 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 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, Profit and Loss Account and Cash Flow dealt with by this report are in agreement with the books of account of the company;
- (iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow 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, 2011 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, 2011 and,
- (b) in the case of Profit and Loss Account, of the Profit for the year ended on that date.
- (c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Place : Ahmedabad  
Date : 18-06-2011



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

(Shailesh Parikh)  
Proprietor  
Mem No. 039254



**KIFS FINANCIAL SERVICES LIMITED**

**Annexure referred to in paragraph 3 of our Auditor's Report of even date on the accounts of KIFS Financial Services Ltd. for the year ended on 31st March, 2011**

---

- 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 is only one such party and maximum amount involved is Rs. 150,00,000/- 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 is Rs. 400,00,000/-.
- 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.
- 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 inventory, fixed assets and for sale of goods. 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.



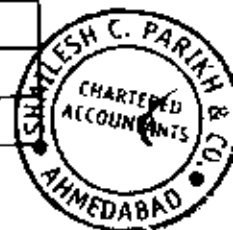
- 05 a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered into the register in pursuance to section 301 of the Companies Act, 1961 have been so entered.
- b) In our opinion and according to the information and explanations given to 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 In our opinion this company being finance company, the maintenance of cost records have been not prescribed by the Central Government under clause (d) of sub section (1) of section 209 of the Act.
09. a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Income-Tax, Sales-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, Sales- Tax, Wealth-Tax, Custom Duty, Excise Duty and cess as at 31st March, 2011 which have not been deposited on account of such a dispute.
10. The Company has no accumulated losses as at 31st March, 2011 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 taken any loans from financial institutions and banks so question of default in its repayment does not arise. However, the company has used over draft facility against their fixed deposits.
12. The company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities and adequate documents and records are maintained for the same.



**KIFS FINANCIAL SERVICES LTD**

**BALANCE SHEET AS ON 31ST MARCH 2011**

PARTICULARS	SCH NO	AS ON 31-03-11		AS ON 31-03-10	
		AMOUNT	AMOUNT	AMOUNT	AMOUNT
		RS.	RS.	RS.	RS.
<b>A. SOURCES OF FUNDS</b>					
1 Share Holders' Funds					
Share Capital	01	30050000		30050000	1502500
Reserves And Surplus	02	42354510		19501933	
			72404510		49551933
2 Loan Funds					
Secured Loans	03	16184694		6270386	
			16184694		6270386
<b>TOTAL RS.</b>			<b>88589204</b>		<b>55822319</b>
<b>B. APPLICATION OF FUNDS</b>					
1. Fixed Assets	04				
Gross Block		249986		456582	
Less : Depreciation		194780		369327	
			55206		87255
2. Investments	05		0		0
3. Current Assets, Loans And Advances:	06				
Cash & Bank Balance		41259531		25342497	
Loans & Advances		58933173		37557576	
		100192704		62900073	
Less :Current Liabilities & Provisions	07	11666605		7163443	
Net Current Assets			88526099		55736630
4. Deferred Tax Assets/Liability :			7899		-1566
<b>TOTAL RS.</b>			<b>88589204</b>		<b>55822319</b>
Notes on Accounts and Significant Accounting Policies	11				



**KIFS FINANCIAL SERVICES LTD**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

SR NO	PARTICULARS	SCH NO	For the Year Ended 31-03-2011 RS.	For the Year Ended 31-03-2010 RS.
<b>A.</b>	<b>Income :</b>			
	Income from Operations	08	8297739	4146531
	Profit from Sale of Investment		31764054	8408315
	Other Income	09	192088	66490
			40253881	12621336
<b>B.</b>	<b>Expenditure :</b>			
	Payment to and Provisions made for Employees		1150587	564890
	Interest Expenses		759801	455376
	Depreciation	04	15160	20455
	Other Administrative Expenses	10	1007494	844227
			2933042	1884948
	<b>Profit Before Taxation</b>		37320839	10736388
	Provision for Current Taxation		7500000	1850000
	Provision for Deferred Tax		9465	1546
	<b>Net Profit after Taxation</b>		29830304	8887934
	Add (Less): Prior Period Adjustments		33839	205
	<b>Net Profit</b>		29864143	8888139
	Add: Profit Brought forward		14012933	12178343
	<b>Profit available for Appropriation</b>		43877076	21066482



<b>Appropriations</b>			
<b>Dividends :</b>			
Interim Dividend		3005000	0
Corporate Dividend Tax on Interim Dividend		514066	0
Proposed Final Dividend		3005000	4507500
Corporate Dividend Tax on Proposed Dividend		487500	766050
		36865510	15792933
Profit Transferred to Special Reserve Fund		12500000	1780000
Balance Carried to Balance Sheet		24365510	14012933
Basic And Diluted Earning Per Share Of Rs. 10 Each		9.94	2.96
<b>Significant Accounting Policies And Notes On Accounts</b>	<b>11</b>		

As Per Our Report Of Even Date  
Attached Herewith

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

*Shailish C. Parikh*

(Shailesh C. Parikh)  
Proprietor



Place : Ahmedabad  
Date : 18-06-2011

For, KIFS Financial Services Ltd

*Prakash Khandwala*

Director

*D. J. Patel*

Director

Director

Place : Ahmedabad  
Date : 18-06-2011

**KIFS FINANCIAL SERVICES LTD**

<b>Cash Flow Statement for the Year Ended on</b>		<b>31-03-2011</b>		<b>31-03-2010</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 Deferred Tax		29854678		8886593
	Add : Adjustments For :				
	Depreciation	15160		20455	
	Misc. Expenses Written Off	0		0	
		15160		20455	
	Less:				
	Excess Provision w/back	0		0	
	Profit on Sale of Fixed Assets	28111		0	
			-12951		20455
	<b>Operating Profit Before working Capital Changes</b>		<b>29841727</b>		<b>8907048</b>
	Add: Decrease in Working Capital				
	Sundry Debtors Realised	0		0	
	Current Liabilities Increased	1010662		0	
	Loans & Advances Reduced	0		0	
	Inventories decreased	0		0	
	Less: Increase in Working Capital				
	Loans & Advances Given	21375597		21372823	
	Debtors Increased	0		0	
	Inventories Increased	0		0	
	Current Liabilities Decreased	0		1334629	
			-20364935		-22707452
	<b>Cash Generated From Operations</b>		<b>9476792</b>		<b>-13800404</b>
	Less : Misc. Expenses Incurred		0		0
	<b>Net Cash Flow From Operating Activities</b>	<b>(A)</b>	<b>9476792</b>		<b>-13800404</b>
<b>B</b>	<b>Cash Flow From Investing Activities</b>				
	<b>Inflows</b>				
	Sale of Fixed Assets	45000		0	
	Sale of Investments	0		7700000	
	Interest Received	0		0	
			45000		7700000
	<b>Out Flow</b>				
	Purchase 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>45000</b>		<b>7700000</b>



<b>C</b>	<b>Cash Flow From Financing Activities</b>				
	Increase in Unsecured Loans		0		0
	Increase in Secured Loans	9914308		6270386	
			9914308		6270386
	Less:				
	Payment of Interim Dividend & Dividend Tax		3519066		0
	Repayment of Secured Loan		0		0
	<b>Net Cash Used in Financing Activities</b>	(C)	<b>6395242</b>		<b>6270386</b>
	Net Decrease / Increase in Cash & Cash Equivalents		15917034		169983
	Cash & Cash Equivalents (Opening Balance)		25342497		25172514
	Cash & Cash Equivalents (Closing Balance)		41259531		25342497

As per our report of even date  
Attached herewith

For, KIFS Financial Services Ltd.

For, Shailesh C. Parikh and Co.  
Chartered Accountants

P *[Signature]*  
Director

*[Signature]*  
Shailesh C. Parikh  
Proprietor

*[Signature]*  
Director

Director

Place : Ahmedabad  
Date : 18-06-2011



Place : Ahmedabad  
Date : 18-06-2011

**KIPS FINANCIAL SERVICES LTD**

**SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDING ON 31ST MARCH, 2011**

<b>SCHEDULE - 1 SHARE CAPITAL</b>		<b>AS ON 31-03-2011 RS.</b>	<b>AS ON 31-03-2011 RS.</b>	<b>AS ON 31-03-2010 RS.</b>	<b>AS ON 31-03-2010 RS.</b>
<b>A. Authorised Share Capital</b>					
	3300000 Equity Shares Of Rs. 10/- Each		33000000		33000000
<b>Issued Subscribed &amp; Paid Up Capital:</b>					
	3005000 Equity Shares Of Rs.10/- Each Fully Paid Up		30050000		30050000
	<b>Total</b> →		<b>30050000</b>		<b>30050000</b>
<b>SCHEDULE - 2 RESERVES AND SURPLUS</b>		<b>AS ON 31-03-2011 RS.</b>	<b>AS ON 31-03-2011 RS.</b>	<b>AS ON 31-03-2010 RS.</b>	<b>AS ON 31-03-2010 RS.</b>
<b>A. Special Reserve Fund :</b>					
	Opening Balance	5489000		3709000	
	Add: Appropriation From Profit & Loss A/C	12500000		1780000	
			17989000		5489000
<b>B. Profit &amp; Loss Account:</b>					
	Balance in Profit & Loss Account		24365510		14012933
	<b>Total</b> →		<b>42354510</b>		<b>19501933</b>
<b>SCHEDULE - 3 SECURED LOANS</b>		<b>AS ON 31-03-2011 RS.</b>	<b>AS ON 31-03-2011 RS.</b>	<b>AS ON 31-03-2010 RS.</b>	<b>AS ON 31-03-2010 RS.</b>
	1. Axis Bank (Secured against Fixed Deposits)	0		5953274	
	2. Cental Bank of India (Secured against Fixed Deposits)	268356		0	
	3. HDFC Bank (Secured against Fixed Deposits)	15916338		317112	
	<b>Total</b> →		<b>16184694</b>		<b>6270386</b>





KIFS FINANCIAL SERVICES LTD

SCHEDULE - : 4

FIXED ASSETS :

[2010-11]

SR. NO.	DESCRIPTION OF THE ASSETS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
		AS ON 01-04-10	ADDITIONS DURING	DELETION DURING	AS ON 31-03-11	AS ON 01-04-10	PROVIDED DURING THE YEAR	DELETED DURING THE YEAR	AS ON 31-03-11	AS ON 31-03-11	AS ON 31-03-10
1	Motor Car	206596	0	206596	0	184828	4879	189707	0	0	21768
2	Xerox Machine	93600	0	0	93600	48145	6323		54468	39132	45455
3	Telephone	60386	0	0	60386	51967	1171	0	53138	7248	8419
4	Air-Conditioner	56000	0	0	56000	48880	990	0	49870	6130	7120
5	Computer & Software	40000	0	0	40000	35507	1797	0	37304	2696	4493
	Total	456582	0	206596	249986	369327	15160	189707	194780	55206	87255
	Previous Years	456582	0	0	456582	348872	20455	0	369327	87255	107710



**KIFS FINANCIAL SERVICES LTD**

**SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDING ON 31ST MARCH, 2011**

<b>SCHEDULE - 5 INVESTMENT</b>		<b>AS ON 31-03-2011 RS.</b>	<b>AS ON 31-03-2011 RS.</b>	<b>AS ON 31-03-2010 RS.</b>	<b>AS ON 31-03-2010 RS.</b>
<b>(Quoted)</b>					
NIL Equity Shares of Rs. 1 Each of Jindal Steel & Power Ltd.					
(Previous Year 45600 Equity Shares)			0		0
<b>Total</b> →			0		0
<b>SCHEDULE - 6 CURRENT ASSETS, LOANS &amp; ADVANCES</b>		<b>AS ON 31-03-2011 RS.</b>	<b>AS ON 31-03-2011 RS.</b>	<b>AS ON 31-03-2010 RS.</b>	<b>AS ON 31-03-2010 RS.</b>
<b>A. Inventories (Shares)</b>			0		0
<b>B. Cash &amp; Bank Balance:</b>					
(a) Cash Balance		136606		141498	
(b) Balances With Scheduled Banks :					
In Current Accounts		12722925		26444	
In Fixed Deposits		28400000		25174555	
			41259531		25342497
<b>C. Loans, Advances And Deposits :</b>					
<b>(Unsecured, Considered Good)</b>					
(a) Deposits		116300		116300	
(b) Advances Recoverable in Cash or in Kind or For Value to be Received		16218165		30563669	
(c) Loans Given to Parties		42598708		6877607	
			58933173		37557576
<b>Total</b> →			100192704		62900073



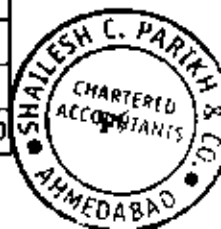
**KIFS FINANCIAL SERVICES LTD**

**SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDING ON 31ST MARCH, 2011**

<b>SCHEDULE - 7 CURRENT LIABILITIES &amp; PROVISIONS</b>		<b>AS ON 31-03-2011 RS.</b>	<b>AS ON 31-03-2011 RS.</b>	<b>AS ON 31-03-2010 RS.</b>	<b>AS ON 31-03-2010 RS.</b>
<b>A. Current Liabilities:</b>					
	Creditors For Expenses	30405		39893	
	Unclaimed Dividend	643700		0	
			674105		39893
<b>B. Provisions:</b>					
	Proposed Dividend	3005000		4507500	
	Corporate Dividend Tax On Proposed Dividend	487500		766050	
	Provision For Taxation	7500000		1850000	
			10992500		7123550
	<b>Total</b> →		11666605		7163443

<b>SCHEDULE - 8 INCOME FROM OPERATIONS</b>		<b>AS ON 31-03-2011 RS.</b>	<b>AS ON 31-03-2011 RS.</b>	<b>AS ON 31-03-2010 RS.</b>	<b>AS ON 31-03-2010 RS.</b>
	Interest Income	7675743		3962647	
	IPO Distribution Income	95664		72523	
	Loan Processing Fees	95950		55400	
	Equity & Mutual Fund Dividend	430382		55961	
	<b>Total</b> →		8297739		4146531

<b>SCHEDULE - 9 OTHER INCOME</b>		<b>AS ON 31-03-2011 RS.</b>	<b>AS ON 31-03-2011 RS.</b>	<b>AS ON 31-03-2010 RS.</b>	<b>AS ON 31-03-2010 RS.</b>
	Interest on Income Tax Refund	161350		0	
	Misc Income	2627		46909	
	Profit from Sale of Motor Car	28111		0	
	Speculation Profit	0		19581	
	<b>Total</b> →		192088		66490



**KIFS FINANCIAL SERVICES LTD**

**SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDING ON 31ST MARCH, 2011**

SCHEDULE - 10 GENERAL AND ADMINISTRATIVE EXPENSES		AS ON 31-03-2011 RS.		AS ON 31-03-2010 RS.
Advertisement Expenses	31662		41306	
Annual Subscription	0		15500	
Auditors' Remuneration	25000		20000	
Bad Debts/Kasar	0		51760	
Bank Charges	18798		7936	
Computer maintainance exps	0		15000	
Demat & Depository (Registrar) Charges	72882		86405	
Electricity	60000		60000	
Interest on Late Payment of Prof . Tax	276		0	
Interest on Late Payment of Income Tax/TDS	166796		3098	
Interest on Late Payment of Dividend Tax	7661		0	
Insurance Premium	0		1097	
Listing fees	33228		130102	
Lease Rent	60000		60000	
Legal & Professional charges	139754		108060	
Legal & Stamp Charges	17550		1390	
Membership & Filing Fees	2625		1700	
Postage & Courier Charges	25296		9571	
Printing & Stationary Expenses	53802		3770	
Vehecal Petrol & Maintanance	271140		198285	
Xerox & Maintanance Expenses	21024		29247	
<b>Total</b> ----->		<b>1007494</b>		<b>844227</b>



## **KIFS Financial Services Limited**

**Schedule: 11**

### **Notes on accounts and significant accounting policies:**

#### **Part - 1: Significant accounting policies**

The major accounting policies pursued by the Company are as under;

**a) Basis of Accounting:**

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) Income from Operations:**

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

**c) Expenses:**

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

**d) Fixed Assets:**

Fixed assets are stated at cost of acquisition including attributable cost incurred for bringing the assets to its working condition for its intended use.

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.

**e) Investment:**

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



**f) Amortization of preliminary & public issue expenses:**

Preliminary and public issue expenses are deferred to be amortised over a period of 10 years by charging one tenth of such expenses to revenue every year.

**g) 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.

**h) Contingent Liabilities:**

Provision is made for all known liabilities. Contingent Liabilities, if any are disclosed in the account by way of a note.

**i) 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.

**j) 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.

**k) 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.



## Part - II: Notes forming part of accounts

1. Paise are rounded up to the nearest rupee.

2. Break up of Payments to Auditors:

	2010-11	2009-10
(a) Audit fees	12,500	10,000
(b) Taxation Matters & Other	5,000	4,000
(c) Tax Audit	7,500	6,000
	<u>25,000</u>	<u>20,000</u>

3. In the opinion of the board, current assets, loans & advances are approximately of the value stated if realised in the ordinary course of business.

4. None of the employee has completed five years of service and hence liability of gratuity does not arise.

5. The provision for tax is based on the assessable profits of the Company computed in accordance with the Income Tax Act, 1961 and has been made for the year from 1st April, 2010 to 31st March, 2011, as the same will be assessed in the assessment year 2011-12.

6. Previous year's figures have been re-arranged and re-grouped wherever necessary to make them comparable with the figures of current years.

7. Additional information pursuant to the provisions of paragraph 3 & 4 of Schedule VI of the Companies Act, 1956 is not applicable.

8. Earnings per Share :

	(Amount in Rs.)	
	31.03.2011	31.03.2010
Profit/(Loss) after Tax [A]	29864143	8888139
Number of Equity Shares [B]	3005000	3005000
Earning per Share [A/B] (Face Value of Rs. 10/- Each)	9.94	2.96



9. Consequent to the accounting standard AS-22 effective from 1st April, 2002 dealing with Accounting for taxes on Income " ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA",

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

	AS ON 31.03.11	AS ON 31.03.10
A. Deferred tax Assets:		
Difference between Books & Tax Dep.	7899	NIL
B. Deferred Tax Liabilities		
Difference between Books & Tax Depreciation	NIL	1566
	<u>7899</u>	<u>1566</u>
Net Deferred Tax Debit/Credit		9465 Cr

10. Expenditure in Foreign Currency Rs. Nil

11. Earning in Foreign Currency Rs. Nil

### 12. 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.

### 13. Investments

The transactions during the year are as under: (Qty in Nos.)

Particulars	Opening Balance	Purchased/Bonus Shares Recd during the year	Sold/Buyback during the year	Closing Balance
Jindal Steel & Power Ltd	45600*	0	45600	0

\* bonus shares





#### 14. 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

Key Management Personnel & Relatives		Nature of Transaction			
1	Parmanand G. Khandwala	Nil			
2	Jayesh P. Khandwala	Nil			
3	Rajesh P. Khandwala	Nil			
4	Vimal P. Khandwala	Nil			
5	Minaxi P. Khandwala	Nil			
6	Kinnary J. Khandwala	Nil			
7	Sonal R. Khandwala	Nil			
8	Priyanka V. Khandwala	Nil			
9	Parmanand G. Khandwala HUF	Nil			
10	Jayesh P. Khandwala HUF	Nil			
11	Rajesh P. Khandwala HUF	Nil			
12	Vimal P. Khandwala HUF	Nil			
Enterprises over which Key MGT. Personnel alongwith Relatives have significant influence		Nature of Transactions			
		Rent Paid	Electricity paid	Demat Charges	Interest Income
1	KIFS Securities Pvt. Ltd.	60000	60000	4666	
2	Aristo Traders Pvt. Ltd.	-	-	-	408473

(n) 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.

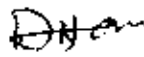
As per our report of even date

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

  
(Shailesh C. Parikh)  
Proprietor

for, KIFS Financial Services Ltd

  
Director

  
Director

Place: Ahmedabad  
Date : 18-06-2011



Place: Ahmedabad  
Date : 18-06-2011

**KIFS Financial Services Ltd****Grouping Forming Part of Accounts For the year ending on 31st March 2011**

<b>Particulars</b>	<b>Amount</b>
<b>Interest Income</b>	
Interest - Margin Trading	2545052
Interest - IPO Retail Funding	3089636
Interest - Bank FDs	2041055
<b>Total .....</b>	<b>7675743</b>

<b>Misc Income</b>	
Other Income	1250
Sundry Balance Written Back	1377
<b>Total .....</b>	<b>2627</b>

<b>Payment to and Provisions made for Employees</b>	
Bonus Expense	49580
Salary Expense	1101007
<b>Total .....</b>	<b>1150587</b>

<b>FD in Various Bank</b>	
BOM	10000000
HDFC	18400000
<b>Total .....</b>	<b>28400000</b>

<b>Current Account Bank Balance</b>	
Axis Bank	170297
HDFC Bank Ltd Dividend account	159850
Indusind Bank Ltd	1226451
Bank Of Maharashtra	459242
Bank of maharashtra FDOD	10223235
HDFC Bank Ltd Dividend account	483850
<b>Total .....</b>	<b>12722925</b>



**KIFS Financial Services Ltd****Grouping Forming Part of Accounts For the year ending on 31st March 2011**

Particulars	Amount
<b>Loans and Advances :</b>	
Stamp documents on Hand	25900
Amit Gandhi Indore	13200
Kalpesh D Patel	2185
Jayendra K Bhavsar	1001315
Jagdish K Patel	1500
Dipak Rajaram Joshi	66
Ajit S Shah	99
Junagadh Nirav Mashru	36000
Puriv J Bhavsar	1515781
Interest Accrued	406902
Ankita H Shah Loan Account	10000
Sankalp Investment	5000000
Deferred Tax Liability	7899
Income tax refund Receivable 2009-2010	62610
TDS Receivable 2010-11	260348
Advance Income Tax 2010-11	6650000
Income tax refund receivable 2007-2008	557360
Income tax refund receivable 2006-2007	609560
KIFS Sec Ltd	57439
<b>Total .....</b>	<b>16218165</b>

<b>Creditors For Expense</b>	
Shailesh C Parikh & co.	25000
TDS Payable on Salary	6245
JM Financial Services Ltd	1655
Pratik K Shah	-3715
Professional Tax	1220
<b>Total .....</b>	<b>30405</b>



**KIFS FINANCIAL SERVICES LTD**

**BALANCE SHEET ABSTRACT**

<b>I. <u>Registration Details</u></b>	
Registration No.	25234
State Code	4
Balance Sheet Date	31st March, 2011
<b>II. <u>Capital Raised During The Year</u></b> <b><u>(Amt. In Rs. Thousands)</u></b>	
Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	NIL
<b>III. <u>Position Of Mobilisation And Deployment</u></b> <b><u>Of Funds (Amt. In Rs. Thousands)</u></b>	
Total Liabilities	88589
Total Assets	88589
Sources Of Funds :-	
Paid-Up Capital	30050
Reserves & Surplus	42355
Secured Loans	16185
Unsecured Loans	0
Deferred Tax Liability	0
Application Of Funds :-	
Net Fixed Assets	55
Investments	0
Net Current Assets	88526
Deferred Tax Assets	8



**IV. Performance Of Company**  
**(Amt. In Rs. Thousands)**

Turnover	:	40254
Total Expenditure	:	2933
Profit / Loss Before Tax (+/-)	:	37321

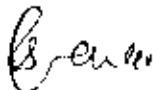
**V. Profit / Loss After Tax (+/-)**

Earning Per Share In Rs.	:	9.94
Dividend @ %	:	20

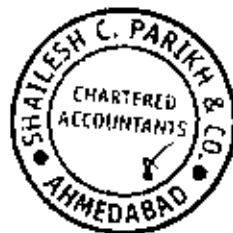
Generic Names Of Three Principal Products/Services Of Company :- N.A.

As Per Our Report Of Even Date  
Attached Herewith

For, Shailesh C. Parikh & Co.  
Chartered Accountants



(Shailesh C. Parikh)  
Proprietor



Place : Ahmedabad  
Date : 18-06-2011

For, KIFS Financial Services Ltd.

  
Director

  
Director

\_\_\_\_\_  
Director

Place : Ahmedabad  
Date : 18-06-2011