



A Khandwala Integrated Venture

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18TH ANNUAL REPORT – 2012 - 13

KIFS FINANCIAL SERVICES LIMITED

Registered Office :

B-81, Pariseema Complex, C. G. Road, Ellisbridge, Ahmedabad - 380006.

Tel.: 26420592/594, 30000320/21/22 **Fax :** 079-26403717

Email : cs@kifs.co.in **Site :** www.kifsfinance.com

KIFS FINANCIAL SERVICES LIMITED

18TH ANNUAL REPORT – 2012 - 13

BOARD OF DIRECTORS:

1. Shri Rajesh P. Khandwala – Chairman-cum-Managing Director
2. Shri Atul N. Parikh – Independent Director (*up to 14/05/2013*)
3. Shri Devang M. Shah – Independent Director
4. Shri Dharmendra N. Soni – Independent Director

COMPANY SECRETARY - CUM - COMPLIANCE OFFICER :

Ms. Krupa N. Joshi

AUDITORS :

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

BANKERS :

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

REGISTERED & CORPORATE OFFICE :

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

REGISTRAR & SHARE TRANSFER AGENTS :

M/s. Link Intime India Pvt. Ltd.
Unit No. 303, 3rd Floor, Shoppers Plaza V,
Opp. Municipal Market,
Behind Shoppers Plaza II, Off. C. G. Road,
Ahmedabad - 380 009.



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NOTICE

NOTICE is hereby given that the 18th Annual General Meeting of the members of KIFS Financial Services Limited (Previously known as Khandwala Capital Services Ltd.) will be held on Friday, 2nd day of August, 2013 at 4:00 p.m. at the Registered Office of the Company at B-81, Pariseema Complex, C. G. Road, Ellisbridge, Ahmedabad 380 006 for transacting the following businesses :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2013 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 N. Soni, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

Place: Ahmedabad
Date: 24/05/ 2013
Regd. Office
B/81, Pariseema Complex,
C.G. Road, Ellisbridge,
Ahmedabad - 380006.

By Order of the Board
For, KIFS FINANCIAL SERVICES LTD.

S/d
Krupa Joshi
Company Secretary

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 29/07/2013 TO FRIDAY THE 02/08/2013 (BOTH DAYS INCLUSIVE) FOR PURPOSE OF PAYMENT OF DIVIDEND TO THOSE MEMBERS WHOSE NAMES STAND ON THE REGISTER OF MEMBERS AS ON 02/08/2013 (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 02/08/2013 (AGM DATE) AS PER THE DETAILS FURNISHED BY THE DEPOSITORIES FOR THIS PURPOSE.
3. ANY QUERY RELATED TO THE ACCOUNTS MAY BE SENT AT THE REGISTERED OFFICE OF THE COMPANY ATLEAST 10 DAYS BEFORE THE DATE OF THE MEETING.
4. MEMBERS ARE REQUESTED TO NOTIFY IMMEDIATELY THE CHANGE, IF ANY, IN THEIR REGISTERED ADDRESS.
5. MEMBERS ARE REQUESTED TO NOTE THAT THE MINISTRY OF CORPORATE AFFAIRS (MCA) HAS TAKEN A "GREEN INITIATIVE IN THE CORPORATE GOVERNANCE" BY ALLOWING THE PAPERLESS COMPLIANCES BY THE COMPANIES VIDE ITS CIRCULARS NO.17/2011 DATED 21ST APRIL, 2011 AND 18/2011 DATED 29TH APRIL, 2011, AFTER CONSIDERING CERTAIN PROVISIONS OF THE INFORMATION TECHNOLOGY ACT, 2000, PERMITTING THE COMPANIES TO SENT THE NOTICES / ANNUAL REPORTS ETC. THROUGH E-MAIL TO ITS MEMBERS. MEMBERS INTERESTED TO RECEIVE THE NOTICES/ ANNUAL REPORTS ETC THROUGH ELECTRONIC MODE ARE REQUESTED TO PROVIDE THEIR E-MAIL IDS TO THE COMPLIANCE OFFICER OF THE COMPANY.

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

Name	Dharmendra N. Soni (Re- Appointment)
Date of Birth	09/10/1962
Date of Appointment	28/12/2002
Qualification	Bachelors Degree in Commerce
Experience	15 years of experience in Securities Market as well as Financial Services Sector
List of other companies in which he holds Directorship as on 31/03/2013	NIL
Chairman / Member of committee of the board of the other Public companies as on 31/03/2013	NIL
Relationships between Directors inter-se	N.A.
Equity shares held in the Company	180 Equity Shares of Rs. 10/- each.

DIRECTORS' REPORT

To,
The Members,
KIFS Financial Services Limited
Ahmedabad

Your Directors have pleasure in presenting their 18th Annual Report of the Company together with Audited Statement of Accounts for the FY ended on 31st March, 2013.

FINANCIAL RESULTS

(Rs. In Lacs)

Particulars	2012 - 13	2011 - 12
Revenue from Operations	182.30	238.75
Other Income	2.44	3.69
Total Income	184.74	242.44
Total Expenditure	36.76	80.58
Profit / Loss Before Exceptional Items and Provision for Tax	147.98	161.86
Exceptional Items (MAT Credit entitlement net of Current Year's utilization)	0.00	34.24
Profit Before Tax	147.98	196.10
Provision for Taxation	41.50	33.67
Net Profit	106.48	162.43

REVIEW OF OPERATIONS

During the year under review, total income of the Company has reduced to Rs. 184.74 Lacs as compared to Rs. 242.44 Lacs earned during the previous year showing a fall of about 23.80%. The reason of fall in the Company's income is the poor performance in the securities market in the FY 2012-13 more particularly, in the primary markets.

On the other side, the total expenditure of the Company, during the current year has also showed a reduction of more than 50% as compared to that of previous year. Current year's total expenditure is Rs. 36.76 Lacs and that during previous year it was Rs. 80.58 Lacs. The reduction of expenditure is due to curtailing of borrowings by the Company owing to the higher interest rates.

The Net profit of the company after providing for all expenditure, necessary provisions and prior period adjustments stood at Rs. 106.48/- lacs compared to Rs. 162.43/- lacs of previous year showing a decline of about 34.45%.

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

DIVIDEND

Keeping in view the overall performance during the year, your Directors recommend a dividend of Rs. 0.50/- (Fifty Paise only, i.e. 5%) per Equity Share on the face value of Rs. 10/- each on the total

paid up capital as on 31st March, 2013. The dividend, if approved by the members at ensuing Annual General Meeting, will be paid to those shareholders whose names appear in the Register of Members as on the Book closure date. The dividend and dividend distribution tax will absorb a sum of Rs. 62.86 lacs.

DIRECTORS

Pursuant to provisions of Section-256 of the Companies Act, 1956 and in accordance with the Articles of Association of the Company, Mr. Dharmendra N. Soni, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. The Board of Directors recommends his re-appointment.

During the year, Mr. Rajesh P. Khandwala, Director of the Company was appointed as Managing Director for a period of Five years w.e.f. 4th February, 2013.

Further, Mr. Atul N. Parikh, who held the office of Independent Director on the Board of the Company, has resigned from the said Directorship w.e.f. 14th May, 2013. The Board of Directors places their appreciation for the valuable services and guidance provided by him during his tenure as the Director of the Company as well as the Chairman of the Audit Committee of the Company.

INCREASE IN AUTHORISED SHARE CAPITAL

During the year under review, the Authorised Share Capital of the Company was increased from Rs. 3,30,00,000/- (Rupees Three Crores and Thirty Lacs Only) divided into 33,00,000 (Thirty Three lacs) Equity Shares of Rs.10/- each to Rs. 11,00,00,000/- (Rupees Eleven Crores Only) divided into 1,10,00,000 (One Crore Ten Lacs) Equity Shares of Rs. 10/- each vide special resolution passed by the members of the Company in the Extra-ordinary General Meeting held on 4th December, 2012.

CAPITALIZATION OF RESERVES & BONUS ISSUE

In the Extraordinary General Meeting of the members of the Company held on 4th December, 2012, the members gave their consent for the capitalization of reserves to the extent of Rs. 2,40,40,000/- for the purpose of Bonus issue of Equity Shares and thereafter on 14th December, 2012, the Company made the Bonus issue of 24,04,000 Equity Shares in the ratio of 4:5 i.e. FOUR new fully paid up Equity Shares of Rs. 10/- each for every FIVE fully paid up Equity Shares of Rs. 10/- each held in the Company by the Shareholders on the Record date fixed by the Company.

PREFERENTIAL ISSUE / PRIVATE PLACEMENT OF EQUITY SHARES & UTILIZATION OF ISSUE PROCEEDS

The Members of the Company at their Extraordinary General Meeting held on 4th December, 2012 passed the special resolution for issue and allotment of 54,09,000 Equity Shares of Rs. 10/- each at a premium of Rs. 9/- each to the Promoter(s) and Non promoter(s) on preferential/ private placement basis. Subsequently, on 27th December, 2012, the said allotment of 54,09,000 Equity Shares was made to the Promoter(s) and Non-promoter(s), contained in the Notice convening the Extraordinary General Meeting.

The Capital, including Premium raised through such preferential issue/ private placement amounting to Rs. 1027.71 Lacs has been fully utilized as on 31st March, 2013 for the attainment of the objects specified in the Explanatory Statement to the Notice convening Extra-ordinary General Meeting and has also been disclosed to the Audit Committee. The detailed break-up of the utilization of such issue proceeds has been provided in the Notes to Accounts.

INCREASE IN PAID-UP EQUITY SHARE CAPITAL

During the year under review, the Paid Up Equity Share Capital of the Company was increased from Rs. 3,00,50,000/- (Rupees Three Crores and Fifty Thousand only) to Rs. 10,81,80,000/- (Rupees Ten Crores Eighty One Lacs and Eighty thousand only) as the Company made the Bonus issue of 2404000 Equity Shares of Rs. 10/- each fully paid up and 5409000 Equity Shares of Rs. 10/- each by way of Preferential Issue/ Private placement.

LISTING

Your Company made the Listing application to the Bombay Stock Exchange Limited (BSE) under "BSE's Direct Listing Norms" for getting its entire Equity Share Capital listed on BSE. The Company received Final Listing and Trading approval of BSE on 8th May, 2013 and the trading of the Equity Shares of the Company on the platform of BSE was permitted from 10th May, 2013 onwards.

Earlier the Equity Shares of the Company were listed on the Ahmedabad Stock Exchange Limited (ASE) and Vadodara Stock Exchange Limited (VSE).

The Company is regular in complying with the requirements of the Listing Agreement and has duly paid the requisite Listing Fees at all the Exchanges where the Company is listed.

PUBLIC DEPOSITS

During the year ended March 31, 2013, the Company has not accepted any deposits from the public within the meaning of the provisions of the Non-Banking Financial Companies (Reserve Bank) Directions, 1977 and RBI's notification no. DFC.118DG/ (SPT)-98 dated 31st January, 1998.

CORPORATE GOVERNANCE

The Company continues to adhere to High standard of Corporate Governance. The efforts of the Company in this direction are widely recognized by the investors and other stake holders.

As required under clause 49 of the Listing Agreement entered into with stock exchanges, a report on Corporate Governance forming part of this report together with the Certificate from the Auditors of the Company (enclosed as "Annexure – 1"), confirming the compliance of conditions of Corporate Governance is annexed to this Report.

MANAGEMENT DISCUSSION AND ANALYSIS

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

COMPLIANCE WITH RESERVE BANK OF INDIA (RBI) GUIDELINES

The Company being a Non Banking Financial Company categorized as a Loan Company continues to comply with all the applicable regulations and Guidelines issued by RBI from time to time.

AUDITORS

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

The Board of Directors recommends their re-appointment.

PARTICULARS OF EMPLOYEES

No employee, employed throughout the financial year was in receipt of remuneration equal to or exceeding Rs. 60,00,000/- p.a. or if employed for a part of the financial year, was in receipt of remuneration equal to or exceeding Rs. 5,00,000/- p.m., therefore the Company is not required to submit the details as required under Section 217(2-A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

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

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) That in the preparation of the Annual Accounts, all the applicable Accounting Standards have been followed
- ii) That the accounting policies are adopted and consistently followed and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the Profit of the Company for the Financial Year
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/detecting fraud and irregularities
- iv) That the Directors have prepared the Annual Accounts on Going Concern Basis.

ACKNOWLEDGEMENT

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

Place: Ahmedabad
Date: 24/05/ 2013
Regd. Office
B/81, Pariseema Complex,
C.G. Road, Ellisbridge,
Ahmedabad - 380006.

By Order of the Board
For, KIFS FINANCIAL SERVICES LTD.

S/d
Rajesh P. Khandwala
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS ON OUTLOOK AND FUTURE PLANS

The Company is a Non deposit taking Non Banking Financial Company ("NBFC –ND") registered under the category of Loan Company with Reserve Bank of India. It is the Financial Services arm of the Khandwala group. This is the 18th Annual Report of the Company.

The Company operates in the business of Loans against securities, Funding IPO/ FPO retail applications and Margin Trading. Before detailing on each of these businesses and their rationale, it is useful to give a brief overview of the Indian Economy during FY 2012-13 and the prospects for FY 2013-14.

INDIAN ECONOMY DURING FY 2012 - 13 AND THE PROSPECTS FOR FY 2013 - 14

The India's economy has bottomed out in the Financial Year 2012-13 as the GDP (Gross Domestic Product) of India showed a growth of mere 5% during this fiscal which is recorded as the lowest since the year 2003-04. The reason for such a steep slowdown is attributed to both, the domestic as well as the uncertain global economic environment. Among domestic factors, the tightening of monetary policy in order to control inflation resulted in the slowing down of investment and growth, particularly in the industrial sector in 2012-13. The Global factors include crisis in euro-zone and sluggish growth in several industrialized economies in 2012.

However, the steps are being undertaken by the government to revive the economy which includes better access to finance for manufacturing sector, fast tracking of large investment projects in infrastructure, use of buffer stocks to moderate food inflation, strengthening of financial and banking sector, reducing the volatility of exchange rate. Also, the government has announced disinvestment in certain public sector undertakings, liberalization of FDI in multi – brand retail, aviation, broadcasting, reduction in subsidy in diesel, the road map for fiscal consolidation all of which are expected to revive market confidence, and restore growth momentum over the medium term. The current year's i.e. FY 2013-14 growth of India's GDP is expected at 6.4% as against 5% recorded in the previous fiscal

INDUSTRY STRUCTURE AND DEVELOPMENT

India's Banking, Financial Services and Insurance Industry (BFSI) is large and diverse. It works as the lifeline for the Indian economy and provides credit and liquidity in the system. With India's GDP projected to be back on the growth track by 2013-14, the BFSI sector is expected to witness a growth spurt, with Indian companies' financing requirements rising commensurately.

Over the years, the Non-Banking Finance Companies (NBFCs) have played a vital role in India's economy. NBFCs complement the banking sector and financial institutions in meeting the credit needs of the growing economy. Ensuring credit availability is of utmost importance to sustain India's economic growth rate. In this scenario, NBFCs continue to play a critical role in providing an impetus to India's credit market. The sector plays a significant role in the credit space and has established itself as an important link in India's financial market.

Earlier the NBFCs were classified into NBFC-Loan Companies, Asset Finance Companies, Investment Companies, Infrastructure Finance Companies, Core Investment Companies. However,

RBI has, during the recent times introduced further new categories of NBFCs viz; NBFC-MFIs catering to Microfinance sector, Infrastructure Debt Fund and NBFC-Factors.

STRATEGY & OUTLOOK

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

The Company expects to deliver sound performance in FY 2013-14 with expectation of improvements in the markets as well as anticipating momentum in its lines of businesses. Further, with the RBI's projection of the country's economic growth to be slightly better at 6.4 percent in this financial year and the inflation rate to rule at around 6 percent by end of March 2014 as well as anticipation of encouraging government policies for Foreign Portfolio inflows (FPI), as FPIs are key factors for success of Indian stock markets, the Company also expects to perform good in the coming fiscal. While monetary policy is likely to be eased further in 2013-14 and beyond and as progress is made on bringing down inflation, the performance of the Company is anticipated to be sound during the current financial year.

FINANCIAL REVIEW

(Rs. In Lacs)

Particulars	2012 - 13	2011 - 12
Income		
Income from Operations	182.30	238.75
Other Income	2.44	3.69
Total Income	184.74	242.44
Expenditure		
Employee Cost	12.38	10.56
Finance Cost	11.38	62.49
Depreciation & Other Expenses	13.00	7.53
Total Expenditure	36.76	80.58
Profit/ Loss before Tax	147.98	161.86
Provision for Taxation	41.50	33.67
Profit after Tax	106.48	128.19
Add/ (Less) Prior Period Adjustments	0.00	34.24
Net Profit	106.48	162.43
Basic and Diluted Earnings per share	1.57	3.00

The economy has continued the downturn trend during the FY 2012-13 also, more particularly for the securities market, it proved to be a tough one.

The total income of the Company for the year reduced from Rs. 242.44/- lacs in the previous year to Rs. 184.74/- lacs in the current year. The income from operations showed a fall of about 23.64% leading thereby to Rs. 182.30/- lacs as compared to that of Rs. 238.75/- lacs earned during the previous year. The reason for such a fall is the poor performance in the Primary markets. The IPO market remained subdued due to weak investment demand arising from the slowdown in overall economic growth, persistent inflation and high fiscal and current account deficits. Secondly the FPO or follow on public offer route which used to be popular particularly with the government to carry on its divestment programme was completely abolished after SEBI introduced an alternate in OFS or Offer for Sale. As such the principle income of the Company i.e. Interest Income which is derived mainly from Funding IPO/FPO retail applications and Margin Trading did not moved on and the interest income was reduced to that extent resulting to a fall in the income of the company.

However, to maintain the profitability of the Company in the current market scenario, the Company has, to a large extent controlled its expenditures. The total expenses of the Company has reduced from Rs. 80.58/- lacs in previous year to Rs. 36.76/- Lacs in the current year as the Company has reduced the borrowings due to increased interest rates.

The Net profit of the company after providing for all expenditures, necessary provisions and prior period adjustments was Rs. 106.48/- lacs compared to Rs. 162.43/- lacs of previous year showing a decline of about 34.45%.

RISKS & CONCERNS

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

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

INTERNAL CONTROL SYSTEM :

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

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

HUMAN RESOURCES

In any service organization, the development and management of Human Capital is critical in achieving desired levels of customer satisfaction and in building a loyal community. Employees are central as well as critical to the Company as they are the real assets of the organization. The Company recognizes the importance of human resource and lays due emphasis on its overall training and development. The Company believes in retaining high caliber employees while engaging and nurturing them to achieve great heights in the area of operations. Going forward, the Company not only plans to maintain this key source of competitive advantage but also build on it through well structured training initiatives and programs. The employee relationship with the company remained harmonious through the year

Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may constitute forward-looking statements within the meaning of applicable laws and regulations. Actual results could differ from those expressed or implied.

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 31st 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. 14th 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 29th 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. 14th 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 14th 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. 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 4th 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 4th February, 2013.

Mr. Atul N. Parikh has resigned from the office of Independent Director of the Company w.e.f. 14th 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.

GENERAL SHAREHOLDER'S INFORMATION

1.	Date of Annual General Meeting	2 nd 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.(3)Vadodara Stock Exchange Ltd.
4.	Financial Calendar	1 st April to 31 st March

Calendar for Financial Year ending 31st 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 rd 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 31st 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
TOTAL	1773	100.00	1,08,18,000	100.00

DEMATERIALIZATION OF SHARES

As on 31st 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 31st 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 31st 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 31st 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,

AUDITOR'S REPORT

To,

The Members of
KIFS FINANCIAL SERVICES LIMITED
AHMEDABAD

We have audited the accompanying financial statements of KIFS Financial Services Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section(3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 March 31, 2013;

- b) in the case of the Statement of Profit and Loss Account, of the Profit for the year ended on that date; and
 - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.
1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of Sub-section(4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
 2. As required by section 227(3) of the Act, we report that :
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit ;
 - b) in our opinion proper books of account as required by law have ben kept by the Company so far as appears from our examination of those books
 - c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - e) On the basis of written representations received form the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

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

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

Place : Ahmedabad
Date : 24/05/2013

The Annexure referred to in paragraph 1 of the Our Report of even date to the members of KIFS Financial Services Ltd. on the accounts of the company for the year ended 31st March, 2013.

On the basis of such checks as we considered appropriate and according to the information and explanation given to us during the course of our audit, we report that :

- 01 a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) As explained to us, the assets have been physically verified by the management during the year ; no material discrepancies were noticed on such verification.
 - 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 and therefore does not affect the going concern assumption.
- 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 form Companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956. There were two such parties and maximum amount involved during the year was Rs. 487.84 Lacs and year-end balance is Rs. Nil. The company has given loans to the two parties covered in the register maintained under section 301 of the Companies Act, 1956. The Maximum amount during the year was Rs. 1644.49/-Lacs and year end balance of said loan was Rs.738.73 lacs.
 - b) The rate of interest and other terms and conditions of loans taken/given by the company are prima facie not prejudicial to the interest of the company.
 - c) The loans granted are re-payable on demand. The payment of interest has been regular on such loans. The Company is regular in repaying the principal amounts, wherever stipulated and has been regular in the payment of interest.
 - d) There are no overdue amounts to the parties covered in the register maintained under section 301 of the Act.
- 04 In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of fixed assets and for sale of goods and services. During the course of audit, we have neither come across nor have been informed of any continuing failure to correct major weakness in the 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, 1956 have been so entered in the register required to be maintained under that section.

- 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.
- 06 In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit within the meaning of the provisions of section 58A and 58AA of the companies Act, 1956 and the rules made there under.
- 07 In our opinion and as per the information and explanations given to us there is reasonable internal control procedure commensurate with the size and nature of its business.
- 08 The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub section 209 of the Act for any of the activities of the Company.
- 09 a) According to the records of the Company, undisputed statutory dues including Income-Tax and other statutory dues applicable to it have generally been regularly deposited with the appropriate authorities. According to the information and explanations given to us there were no outstanding statutory dues as on 31st March, 2013 for a period of more than six months from the date they became payable.
- b) According to the information and explanations given to us there are no amounts payable in respect of Income Tax, Wealth Tax and Sales Tax which have not been deposited on account of any disputes.
- 10 The Company has no accumulated losses as at 31st March, 2013 and has not incurred any cash losses during the financial year ended on that date or in the immediately preceding financial year.
- 11 According to the records of the Company examined by us and the information and explanations given by the management, the Company has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date.
- 12 The company has granted loans and advances on the basis of security of shares, debentures and other securities given by the borrowers and adequate documents and records are maintained for the same.
- 13 The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company.
- 14 In our opinion, the Company has maintained proper records pertaining to its shares & securities trading transactions and contracts and timely entries have been made therein.
- 15 As per the information and explanations given to us the provident fund scheme is not applicable so the question of reporting on deduction and payment thereof does not arise.
- 16 According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks or financial institution.
- 17 Based on the information and explanations given to us and on an overall examination of the

Balance Sheet of the Company as at 31st March, 2013, we report that no funds raised on short-term basis have been used for long-term investment by the Company.

- 18 The Company has made preferential allotment of 4000000 shares to the holding company covered in the register maintained under section 301 of the Companies Act, 1956. As per the overall examination of relevant papers produced before us for verification, the price at which such shares have been allotted is not prejudicial to the interest of the company.
- 19 The company has not issued any debenture, so question of creation of security for the same does not arise.
- 20 The company has not raised any money by public issues during the year.
- 21 During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company has been noticed or reported during the year, nor have we been informed of such case by the management.
- 22 For NBFC (Not accepting public deposits)
 - a. The company is registered u/s 45 IA of the RBI Act, 1934 and obtained certificate.
 - b. The Board of Directors has passed a resolution for the non - acceptance of any Public deposit.
 - c. During the year company has not accepted any public deposit.
 - d. The company has complied with the prudential norms relating to income Recognition, Accounting Standards, Assets classification and Provisioning for Bad & Doubtful debts as applicable to it.

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

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

Place : Ahmedabad
Date : 24/05/2013

KIFS FINANCIAL SERVICES LIMITED

STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2013

(Amount in ₹)

	PARTICULARS	Note No.	For the Year ended 31st March, 2013	For the Year ended 31st March, 2012
	<u>INCOME</u>			
1	Revenue from Operations	12	18229993	23874914
2	Other Income	13	244201	369102
	Total Revenue		18474194	24244016
3	<u>EXPENDITURE</u>			
	a) Employee Benefits Expense	14	1238425	1056318
	b) Finance Costs	15	1138465	6248910
	c) Depreciation	7	6926	8382
	d) Other Expenses	16	1292682	744583
	Total Expenses		3676498	8058193
4	Profit Before Exceptional and Extraordinary items and Tax		14797696	16185823
5	Exceptional Items (MAT Credit Entitlement net of Current Year's Utilisation)		0	3423822
6	Profit Before Extraordinary Items and Tax		14797696	19609645
7	Extraordinary Items		0	0
8	Profit Before Tax		14797696	19609645
9	Tax Expense :			
	a) Current Tax (Including of Current Year's Mat Credit)		4170330	3352000
	b) Excess Provision of Earlier Years		(19404)	0
	c) Net Tax Expense		4150926	3352000
	d) Deferred Tax		(1010)	14959
			4149916	3366959
10	Profit After Tax		10647780	16242686
11	Earnings Per Share (of Rs. 10/- each)	17.7		
	a) Basic		1.57	3.00
	b) Diluted		1.57	3.00
	Notes Forming Part of the Financial Statements	1 to 17		

As per our attached report of even date
For, Shailesh C. Parikh & Co.
Chartered Accountants
FRN : 109858W

For and on behalf of Board of Directors of
KIFS Financial Services Ltd.

S/d.
Shailesh C. Parikh (Proprietor)
M.No.: F039254
Place : Ahmedabad Date : 24 - 05 - 2013

S/d S/d S/d
(Managing Director) (Director) (Company Secretary)

Place : Ahmedabad
Date : 24 - 05 - 2013

KIFS FINANCIAL SERVICES LIMITED

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED ON 31 ST MARCH, 2013

	PARTICULARS	For the Year ended 31-03-2013		For the Year ended 31-03-2012	
		Rs.	Rs.	Rs.	Rs.
A	Cash Flow from the Operating Activities				
	Net Profit After Tax and without Deferred Tax		10646770		16257645
	Add.: Adjustments For :				
	Depreciation	6926		8382	
	Misc. Expenses Written off	170172		0	
		177098		8382	
	Less :				
	Profit on Sale of Fixed Assets	0		0	
			177098		8382
	Operating Profit Before working Capital Changes		10823868		16266027
	Add : Decrease in Working Capital				
	Long Term Loans & Advances Decreased	1155330		0	
	Short Term Provision Increased	1583871		511609	
	Loans & Advances Reduced	0		0	
	Inventories Decreased	0		0	
	Less : Increase in Working Capital				
	Long Term Loans & Advances Given	0		3423822	
	Short Term Loans & Advances Increased	35367022		71572877	
	Other Current Liabilities Decreased	959		0	
	Short Term Provision Decreased	0		3274896	
			(32628780)		(77759986)
	Cash Generated From Operations		(21804912)		(61493959)
	Less : Misc. Expenses Incurred		850862		0
	Net Cash Flow From Operating Activities	(A)	(22655774)		(61493959)
B	Cash Flow From Investing Activities				
	Inflows				
	Increase in Share Capital & Share Premium	102771000		0	
	Sale of Investments	0		0	
	Interest Received	0		0	
			102771000		0
	Out Flows				
	Purchase of Fixed Assets	0		0	
	Purchase of Investments	0		0	
	Interest Paid	0		0	
			0		0
	Net Cash used in Investing Activities	(B)	102771000		0

KIFS FINANCIAL SERVICES LIMITED

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED ON 31 ST MARCH, 2013

	PARTICULARS	For the Year ended 31-03-2013		For the Year ended 31-03-2012	
C	<u>Cash Flow From Financing Activities</u>				
	Increase in Unsecured Loans	0		0	
	Increase in Secured Loans	0		54538334	
			0		54538334
	Less :				
	Payment of Dividend & Dividend Tax		6286475		4365604
	Repayment of Short Term Borrowing		70723028		0
	Net Cash Used in Financing Activities	(C)	(77009503)		50172730
	Net Decrease / Increase in Cash & Cash Equivalents		3105723		(11321229)
	Cash & Cash Equivalents (Opening Balance)		29938302		41259531
	Cash & Cash Equivalents (Closing Balance)		33044025		29938302

As per our report of even date
Attached herewith
For, Shailesh C. Parikh & Co.
Chartered Accountants

For, KIFS Financial Services Ltd.

S/d.
Shailesh C. Parikh (Proprietor)

S/d S/d S/d
(Managing Director) (Director) (Company Secretary)

Place : Ahmedabad
Date : 24 - 05 - 2013

Place : Ahmedabad
Date : 24 - 05 - 2013

KIFS FINANCIAL SERVICES LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 1 : SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation of Financial Statements :

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

b) Use of Estimates :

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

c) Income form Operations :

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

d) Expenses :

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

e) Fixed Assets :

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

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

f) Investment :

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

g) Borrowing Cost :

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

h) Taxes on Income :

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

Deferred tax assets are 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 recognized 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 realized.

i) Contingent Liabilities and Contingent Assets :

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

j) Impairment of Assets :

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

k) Retirement Benefits :

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

l) Earning per Shares :

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

KIFS FINANCIAL SERVICES LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 2 : SHARE CAPITAL

	As at 31-03-2013		As at 31-03-2012	
	Number of Shares	Rs.	Number of Shares	Rs.
(a) Authorised Equity Shares of Rs. 10 each with voting rights	11000000	110000000	3300000	33000000
(b) Issued, Subscribed and fully paid up Equity Shares of Rs. 10 each with voting rights	10818000	108180000	3005000	30050000
TOTAL		108180000		30050000

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period :

	Opening Balance	Bonus Shares Issued	Preferential Issue	Closing Balance
Equity Shares with voting rights Year ended 31 March, 2013				
- Number of Shares	3005000	2404000	5409000	10818000
- Amount (Rs.)	30050000	24040000	54090000	108180000
Year ended 31 March, 2012				
- Number of Shares	3005000	0	0	3005000
- Amount (Rs.)	30050000	0	0	30050000

(ii) Details of Shareholders holding more than 5 % Shares :

Class of Shares / Name of Shareholder	As at 31-03-2013		As at 31-03-2012	
	Number of Shares held	% holding in that class of Shares	Number of Shares held	% holding in that class of Shares
Equity shares with voting rights KIFS Securities Ltd. (Holding Company)*	8050000	74.41	2149900	71.54

* Apart this there are no shares of Company held by ultimate holding company or subsidiary & associates of holding company or ultimate holding company

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

KIFS FINANCIAL SERVICES LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 3 : RESERVES AND SURPLUS

	As at 31-03-2013	As at 31-03-2012
	Rs.	Rs.
(a) Special Reserve		
Opening Balance	20989000	17989000
Add : Transferred from Surplus in Statement of Profit & Loss	2200000	3000000
Closing Balance	23189000	20989000
(b) Surplus in Statement of Profit and Loss		
Opening Balance	33242592	24365510
Add : Profit for the Year	10647780	16242686
	43890372	40608196
Less : Transferred to / Appropriations :		
Special Reserve	(2200000)	(3000000)
Proposed Final Dividend	(5409000)	(3756250)
Tax on Final Dividend	(877475)	(609354)
Reserves Utilized for Bonus Shares	(24040000)	(0)
Closing Balance	11363897	33242592
(c) Share Premium	48681000	0
TOTAL	83233897	54231592

NOTE 4 : SHORT TERM BORROWINGS

	As at 31-03-2013	As at 31-03-2012
	Rs.	Rs.
(a) Working Capital Loans (Over Draft against Fixed Deposits)		
From Banks		
Secured	0	70723028
Unsecured	0	0
TOTAL	0	70723028

Notes :- (i) Over Draft is Primarily Secured by way of first charge over the Fixed Deposit in the name of the company.

NOTE 5 : OTHER CURRENT LIABILITIES

	As at 31-03-2013	As at 31-03-2012
	Rs.	Rs.
(a) Current Maturities of Long Term Debt	0	0
(b) Interest Accrued & Due	0	73012
(c) Other Payables		
(i) Statutory Remittances	12321	322531
(ii) Payables on Purchase of Fixed Assets	0	0
(iii) Advances form Customers / Clients	2343	0
(iv) Others		
a. Creditors for Expenses	57866	34571
b. Unclaimed Dividend *	1112225	755600
TOTAL	1184755	1185714

[*] There are no amounts due and Outstanding to be credited to Investor Education and Protection fund.

KIFS FINANCIAL SERVICES LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 6 : SHORT TERM PROVISIONS

	As at 31-03-2013	As at 31-03-2012
	Rs.	Rs.
(a) Provision - Others		
(i) Proposed Equity Final Dividend	5409000	3756250
(ii) Tax on Proposed Equity Dividend	877475	609354
(iii) Provision for Current Tax (Net of Current Year's Mat Credit Utilised)	3015000	3352000
TOTAL	9301475	7717604

NOTE 7 : FIXED ASSETS

Tangible Assets	Gross Block (At Cost)				Accumulated Depreciation				Net Block	
	Balance as at 1-4-2012	Additions During the year	Disposals During the Year	Balance as at 31-3-2013	Balance as at 1-4-2012	Depreciation for the year	Eliminated on Disposal of Assets	Balance as at 31-3-2013	Balance as at 31 - 3 - 2013	Balance as at 31 - 3 - 2012
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
a. Xerox Machine	93600	0	-	93600	59911	4679	-	64590	29010	33689
b. Telephone	60386	0	-	60386	54146	867	-	55013	5373	6240
c. Airconditioner	56000	0	-	56000	50723	733	-	51456	4544	5277
d. Computer	40000	0	-	40000	38382	647	-	39029	971	1618
Total	249986	0	0	249986	203162	6926	0	210088	39899	46824
Previous Year	249986	0	0	249986	194780	8382	0	203162	46824	55206

NOTE 8 : LONG TERM LOANS AND ADVANCES

	As at 31-03-2013	As at 31-03-2012
	Rs.	Rs.
(a) Capital Advances Unsecured, Considered Good	0	0
(b) Security Deposits Unsecured, Considered Good	116300	116300
(c) Loans & Advances to related party Unsecured, Considered Good	0	0
(d) Advance Income Tax MAT Credit Entitlement (Net of Current Year's Utilisation)	2268492	3423822
TOTAL	2384792	3540122

KIFS FINANCIAL SERVICES LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 9 : OTHER NON CURRENT ASSETS

	As at 31-03-2013	As at 31-03-2012
	Rs.	Rs.
Misc Exp. To the Extent Not W/Off		
Op. Balance	0	0
Add : Incurred During the Year	850861	0
	850861	0
Less : W / Off During Year	170172	0
TOTAL	680689	0

NOTE 10 : CASH AND CASH EQUIVALENTS

	As at 31-03-2013	As at 31-03-2012
	Rs.	Rs.
(a) Cash on Hand	155292	129195
(b) Balances with Banks		
(i) In Current Accounts	4388733	1309107
(ii) In Fixed Deposit Accounts	28500000	28500000
Total	33044025	29938302

NOTE 11 : SHORT TERM LOANS AND ADVANCES

	As at 31-03-2013	As at 31-03-2012
	Rs.	Rs.
(a) Loans And Advances to Parties		
Secured, Considered Good	88302907	127470813
UnSecured, Considered Good	73872543	2571526
(b) Balances with Government Authorities	3128678	
(c) Interest Receivable		347411
Unsecured, Considered Good	149474	0
(d) Loans to Staff	284500	0
(e) Other Advances & Receivables	18670	
TOTAL	165756772	130389750

KIFS FINANCIAL SERVICES LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 12 : REVENUE FROM OPERATIONS

		For the Year ended 31st March, 2013	For the Year ended 31st March, 2012
		Rs.	Rs.
Revenue From Operations		18229993	23874914
TOTAL		18229993	23874914

Note		For the Year ended 31st March, 2013	For the Year ended 31st March, 2012
		Rs.	Rs.
(l)	Income Form Operations Comprises :		
	Interest Income	17696493	23857425
	IPO Distribution Income	0	6829
	Loan Processing Fees	10500	2500
	Equity & Mutual Fund Dividend	0	8160
	Advisory Fees	523000	0
	Total - Income form Operations	18229993	23874914

NOTE 13 : OTHER INCOME

		For the Year ended 31st March, 2013	For the Year ended 31st March, 2012
		Rs.	Rs.
(a)	Interest on Income Tax Refund	0	122270
(b)	Profit on Trading in Govt. Securities	235415	43738
(c)	Miscellaneous Income	8786	203094
(d)	Excess Provision Written Back	0	0
		244201	369102

NOTE 14 : EMPLOYEE BENEFITS EXPENSE

		As at 31 - 03 - 2013	As at 31 - 03 - 2012
		Rs.	Rs.
Salaries and Bonus		1138425	1056318
Director Remuneration		100000	0
TOTAL		1238425	1056318

NOTE 15 : FINANCE COSTS

		As at 31 - 03 - 2013	As at 31 - 03 - 2012
		Rs.	Rs.
Interest Expense			
	a. To Banks	1138465	3111197
	b. To Others	0	3137713
TOTAL		1138465	6248910

KIFS FINANCIAL SERVICES LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 16 : OTHER EXPENSES

	As at 31 - 03 - 2013	As at 31 - 03 - 2012
	Rs.	Rs.
Advertisement Expenses	85294	50426
Advisory Charges	107033	0
Auditors Remuneration	27500	25000
Bad Debts / Kasar	1206	76286
Bank Charges	6623	14241
Books & Periodicals Exps.	704	0
Demat & Depository (Registrar) Charges	53103	76684
Director's Sitting Fees	105000	75000
Electricity	60000	60000
Income Tax Written Off	0	97598
Lease Rent	67416	60000
Legal & Professional Fees	129922	95870
Legal & Stamp Charges	172902	9441
Listing Fees	148878	39858
Misc. Exps.	946	0
ROC Filing Fees	5616	0
Office & General Expenses	0	3012
Other Interest (Paid for late Payment of Statutory Dues)	767	400
Postage & Courier Charges	63001	10520
Preliminary Exps. W/Off	170172	0
Printing & Stationary Expenses	62338	20230
Professional Tax	4000	2000
Xerox & Maintenance Expenses	20261	28017
TOTAL	1292682	744583
NOTE :		
	As at 31 - 03 - 2013	As at 31 - 03 - 2012
	(Rs.)	(Rs.)
Payments to the Auditors Comprises :		
As Auditors - Statutory Audit	22500	20000
Taxation Matters	5000	5000
TOTAL	27500	25000

KIFS FINANCIAL SERVICES LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 17 : NOTES ON ACCOUNTS

1. The Company prepares and presents its financial statements as per Schedule VI to the Companies Act, 1956, as applicable to it from time to time. The previous year's figures have been accordingly regrouped/reclassified to conform to the current year's classification.
2. Balance of receivables, payables and loans and advances parties are subject to their confirmations. These balances are there fore, subject to adjustments, if any, as may be required on settlement of these balances with the parties.

3. Break up of Payments to Auditors:	2012 - 2013	2011 - 2012
	₹	₹
(a) Statutory & Tax Audit	22,500	20,000
(b) Taxation Matters	5,000	5,000
	<u>27,500</u>	<u>25,000</u>

4. In the opinion of the board, current assets, loans & advances are approximately of the value stated if realized in the ordinary course of business.
5. None of the employee has completed five years of service and hence liability of gratuity does not arise.
6. There are no dues to Micro, Small and Medium Enterprise as at 31st March, 2013. This information is required to disclose under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

(Amount in ₹)

7. Earnings per Share :	31/03/2013	31/03/2012
[A] Profit/(Loss) after Tax	10647780	16242686
[B] Number of Equity Shares	6802003*	5409000*
Earning per Share [A/B]	1.57	3.00
(Face Value of Rs. 10/- Each)		

* adjusted for bonus / preferential issue

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

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

(Amount in ₹)

PARTICULARS	AS ON 31-03-2013	AS ON 31-03-2012
A. Deferred tax Assets :		
Difference between Books & Tax Depreciation	NIL	NIL
B. Deferred Tax Liabilities		
Difference between Books & Tax Depreciation	6050	7060
NET DEFERRED TAX CREDIT FOR YEAR	₹ 1010	

9. Expenditure in foreign Currency

NIL

NIL

10. Earning in Foreign Currency

NIL

NIL

11. Segment Reporting

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

12. Impairment of Assets

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.

13. Utilisation of Preferential Issue :

The Company during the Financial Year has issued 54,09,000 Preferential Shares of Rs. 10/- each at a premium of Rs. 9 aggregating to Rs. 10,27,71,000.

The company has utilized Rs. 10,19,51,811 towards the working capital and Rs. 8,19,189 towards expenses incurred for preferential issue.

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

a) List of Related Parties and Relationships :

Holding Company :	KIFS Securities Ltd.
Associate Companies :	Aristo Traders Pvt. Ltd. Khandwala Enterprise Pvt. Ltd.
Key Managerial Personnel :	Rajesh P. Khandwala
Relatives of Key Managerial Personnel :	Jayesh P. Khandwala Vimal P. Khandwala Minaxi P. Khandwala Kinnary J. Khandwala Sonal R. Khandwala Priyanka V. Khandwala

b) Related Party Transactions and Balances :

(₹ in Lacs)

Transactions	Holding / Associate Companies	Key Managerial Personnel	Relative of Key Managerial Personnel	Total
Inter Corporate Loans Received (Max Balance During Year)	581.24	–	–	581.24
Inter Corporate Loans Given	1731.49	–	–	1731.49
Interest Received on Loans	9.69	–	–	9.69
Reimbursement of Expenses	1.27	–	–	1.27
Debit Balance Outstanding as on 31-03-2012	738.73	–	–	738.73
Credit Balance Outstanding as on 31-03-2012	0.00	–	–	0.00
Demat Charges	0.02	–	–	0.02

As per our report of even date

For, KIFS Financial Services Ltd.

For, Shailesh C. Parikh & Co.
Chartered Accountants

S/d.
Shailesh C. Parikh (Proprietor)

S/d
(Managing Director)

S/d
(Director)

S/d
(Company Secretary)

Place : Ahmedabad
Date : 24 - 05 - 2013

Place : Ahmedabad
Date : 24 - 05 - 2013

KIFS FINANCIAL SERVICES LIMITED

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.

DP ID*		**REGD. FOLIO NO.	
CLIENT ID*		NO OF SHARES HELD	

NAME AND ADDRESS OF REGISTERED SHAREHOLDERS :

.....

I hereby record my presence at the Annual General Meeting of the company held on Friday, 2nd day of August, 2013 at 4:00 p.m. at the Registered Office of the Company at B-81, Pariseema Complex, C. G. Road, Ellisbridge, Ahmedabad - 380006.

Signature of shareholder or proxy :

PROXY FORM

KIFS FINANCIAL SERVICES LTD.

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

DP ID*		**REGD. FOLIO NO.	
CLIENT ID*		NO OF SHARES HELD	

I/We being a member / members of KIFS Financial Services Ltd hereby appoint of Or failing him Ofas my/ our Proxy in my/ our absence to attend and vote for me/ us on my/ our behalf at the 18th Annual General Meeting of the Company to be held on Friday, 2nd day of August, 2013 at 4:00 p.m. at the Registered Office of the Company at B-81, Pariseema Complex, C. G. Road, Ellisbridge, Ahmedabad - 380 006 or at any adjournment thereof.

Signed this day of, 2013

Affix One Rupee
Revenue Stamp

*Applicable for investors holding shares in electronic form.

**Applicable for investors holding shares in physical form.