

KGN INDUSTRIES LIMITED

17TH AUDITED ANNUAL REPORT FOR THE YEAR 2010-2011

KGN INDUSTRIES LIMITED

Regd. Office : 23, Vaswani Mansion, 4th Floor, Dinshaw Vaccha Road, opp. K.C. College, Churchgate. 400 020.

KGN INDUSTRIES LIMITED

SEVENTEENTH ANNUAL GENERAL MEETING PROGRAMME

DATE : 29TH SEPTEMBER, 2011

DAY : THURSDAY

TIME : 10.00 A.M.

**VENUE: 23, Vaswani Mansion, 4th Floor, Dinshaw Vaccha road,
Opp. KC College, Churchgate 400 020**

KGN INDUSTRIES LIMITED

Registered Office

23, Vaswani Mansion, 4th Floor, Dinshaw Vaccha Road, opp. K.C. College,
Churchgate, Mumbai-400 020.

Board of Directors

Mr. Arif Memom	Chairman & Managing Director
Mr.Aftab Ahmed I. Kadri	Director
Mr.Babulal Jethalal Hirani	Director
Ms.Janki R. Vaghela	Director

Bankers of the Company:

- 1. Axis Bank, Churchgate Branch.**
- 2. SBI, Navarangpura, Ahmedabad.**
- 3. Axis Bank Limited, Law Garden, Ahmedabad**
- 4. Bank of Baroda, Ashram Road, Ahmedabad**

Auditors

M/s Kirit & Co. Chartered Accountants, Ahmedabad

Registrar and Share Transfer Agent

Link Intime India Private Limited
211, Sudarshan Complex, Near Mithakhali Under Bridge,
Navrangpura, Ahmedabad – 380 009.
Tele fax. : 079-26465179
Email: ahmedabad@linkintime.co.in

NOTICE

NOTICE IS HEREBY GIVEN THAT THE SEVENTEENTH ANNUAL GENERAL MEETING OF KGN INDUSTRIES LIMITED will be held at 23, Vaswani Mansion, 4th Floor, Dinshaw Vaccha Road, Churchgate, Mumbai – 400 020 on Thursday, the 29th September, 2011, at 10.00 A.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2011 and the Balance Sheet as at that date, together with the Report of the Board of Directors and the Auditors thereon;
2. To Declare *Dividend on Equity Shares;
3. To appoint a Director in place of Ms. Janki Vaghela, who retires by rotation and is eligible for re-appointment;
4. To appoint M/s Kirit & Co., Chartered Accountants, Ahmedabad as Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration for the financial year ending 31st March, 2012;

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

“RESOLVED THAT pursuant to provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof for the time being in force), consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the “Board” which term shall include a committee which the Board may constitute for this purpose) to borrow such sum or sums of money in any manner from time to time, as may be required for the purpose of business of the Company with or without security and upon such terms and conditions as they may think fit, which together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company’s Bankers in the ordinary course of business) at any time shall not exceed a sum of Rs.500 Crores (Rupees Five Hundred Crores) over and above the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose.

*Dividend: The shareholders dissented to the payment of dividend in Annual General Meeting and therefore, it was unanimously decided that no dividend be declared for the year ended 31st March, 2011.

RESOLVED FURTHER THAT the Mr. Arif Memon and Mr. Babulal Hirani be and are hereby authorised jointly and severally to take all such steps as may be necessary, proper, desirable or expedient to give such effect to this Resolution.”

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

“**RESOLVED THAT** pursuant to provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company do hereby accorded to the Board of Directors to mortgage and / or create charge on all or any of the movable or immovable properties (both present and future) of the Company or the whole or substantially the whole of the undertaking or the undertakings of the Company for securing any loan obtained or to be obtained from any financial institution or bankers or person or person together with interest, cost, charges, expenses and any other money payable by the Company.”

“**RESOLVED FURTHER THAT** the Mr. Arif Memon and Mr. Babulal Hirani be and are hereby authorised jointly and severally to do all such acts, deeds, and things as may be necessary to give effect to the foregone resolution for and behalf of the Company.”

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as **Special Resolution:**

“**RESOLVED THAT** pursuant to provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof for the time being in force), the Company be and is hereby authorized to invest in securities of any other bodies corporate by way of subscription/purchase or otherwise and/or place inter corporate deposits with and/or make loan or any other form of debt to and/or give guarantee in connection with loan(s) given by any other person(s) to other bodies corporate up to a sum of Rs.500 Crores (Rupees Five Hundred Crores) not withstanding that the aggregate amount of loans and investments made in so far or to be made and the guarantees given or to be given to all bodies corporate, exceeds the limit laid down in the act.”

“**RESOLVED FURTHER THAT** the Board of Directors or any committee thereof be and is hereby authorized to determine the actual sum of loan to be advanced to other bodies corporate or investment to be made in other bodies corporate or provide guarantees or securities that may be provided by the Company to other bodies corporate within the above ceiling limit and to do all or any of the matters arising out of and incidental to the giving of loan or investment or guarantee or providing securities by the Company as aforesaid.”

8. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

“RESOLVED THAT in supersession of the earlier resolution and pursuant to the provisions of Sections 198, 269, 309, 310 read with Schedule XIII of the Companies Act, 1956, and subject to the provisions of the Articles of Association of the Company, approval of the members be and is hereby accorded for re-appointment of Mr. Arif Memon as Managing Director of the Company for a period of 3 (Three) years w.e.f. 30/07/2011 on a total yearly remuneration of Rs.2250000”.

“RESOLVED FURTHER THAT that Mr. Babulal Hirani and Ms. Janki Vaghela, Directors of the Company, be and are hereby authorized to take and cause to be taken all steps and actions as may be necessary, fit and expedient to give effect to this Resolution.”

“RESOLVED FURTHER THAT in case of no profits or inadequate profits, the above remuneration or remuneration as may be approved by the Board from time to time, be paid as Minimum Remuneration.”

NOTES:

- a) The relative Explanatory Statement, pursuant to Section 173 of the Companies Act, 1956, in respect of business under Item Nos. 5, 6, 7 and 8 above, is annexed hereto. The relevant details of directors seeking appointment/re-appointment under Item Nos. 8 above, as required by Clause 49 of the Listing Agreement entered into with the Stock Exchanges, are also annexed.
- b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. Proxies, in order to be effective, must be received at the Company’s Registered Office not less than 48 hours before the meeting.
- c) The Register of Members and Share Transfer Books of the Company will be closed from Friday, 23rd September, 2011, to Thursday, 29th September, 2011 (both days inclusive).
- d) If dividend on Equity Shares, as recommended by the Board of Directors, is passed at the meeting, payment of such dividends will be made on and after Saturday, 1st October, 2011 to those Members, whose names appear in the Company’s Register of Members as on 22nd September, 2011. In respect of Equity Shares held in electronic form, the dividend will be paid to the beneficial owners of shares as at the end of the business hours on 22nd September, 2011, as per the details furnished by the Depositories for this purpose.

- e) Members desiring any information on Accounts and/or Operations of the Company are requested to send their queries to the Company at its Registered Office at least 7 days before the date of the Meeting.
- f) All correspondence relating to change of address and shares of the Company may please be addressed to the Share Transfer Agents – Link Intime Private Limited (formerly Intime Spectrum Registry Limited) at 211, Sudarshan Complex, Near Mithakhali Under Bridge, Navrangpura, Ahmedabad - 380 009.
- g) In view of the ‘Green Initiative in Corporate Governance’ introduced by the Ministry of Corporate Affairs vide its Circular No 17/2011 dated 21.04.2011, all members who are holding shares of the Company in physical mode, are requested to register their e-mail IDs, so as to enable the Company to send all notices/reports/documents/intimations and other correspondence etc. through e-mails, in the electronic mode instead of receiving physical copies of the same. For registering your email ID, kindly send your email ID details to info@kgnindustries.com . Members holding shares in Demat mode, who have not registered their e-mail IDs with DPs, are requested to register/update their email IDs with their DPs.
- h) The Shareholders Dissented to the payment of dividend in the Annual General Meeting and therefore, it was unanimously decided that no Dividend be declare for the year ended 31st March, 2011.
- i) Members are requested to note that dividends not encashed/claimed within seven years from the date of declaration of dividend will, as per Section 205A of the Companies Act, 1956, be transferred to Investor Education and Protection Fund (IEPF). After transfer of the said amount to IEPF, no claims in this respect shall lie against IEPF or the Company.

Members are requested to contact M/s. Link Intime Private Limited for encashing the unclaimed dividend standing to the credit of their account.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.

In conformity with the provisions of Section 173(2) of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to Special Business mentioned in the accompanying Notice and should be taken as forming part of the Notice dated 2nd September, 2011.

ITEM NO. 5

The members of the Company has at its meeting held on 02/09/2011, authorised the Board to borrow upto an amount of Rs. 500 Crores (Rupees Five Hundred Crores) in excess of the aggregate paid up capital and free reserves of the Company.

To facilitate future business expansion and to provide resources to meet additional fund requirements for the growing operations of the Company, it is proposed to enhance the present borrowing limits. Approval of the members is therefore sought pursuant to Section 293(1)(d) of the Companies Act, 1956, to increase the borrowing limits to Rs. 500 Crores (Rupees Five Hundred Crores) over and above the paid up capital and free reserves of the Company and to authorise the Board of Directors accordingly.

The Board of Directors accordingly recommends the resolution set out in Item No. 5 of the Notice for your approval.

None of the Directors of the Company is concerned with or interested in this Resolution.

ITEM NO. 6

your approval under Section 293(1)(a) of the Companies Act, 1956, is also being sought to enable the Board to mortgage and / or create charge on all or any of the movable or immovable properties (both present and future) of the Company or the whole or substantially the whole of the undertaking or the undertakings of the Company for securing any loan obtained or to be obtained from any financial institution or bankers etc.

The Board recommends the resolution for approval of the members as Ordinary Resolution.

None of the Directors is concerned or interested in the said resolution.

ITEM NO. 7

Your Company is proposing to make investment in the areas of business of the Company as a measure of achieving better financial flexibility and to enable optimal financial structuring to facilitate speedy implementations of various projects. Keeping in view the need to take advantage of any prospective acquisition or expansion opportunities and investment in other projects directly or indirectly it has become necessary to enhance the limit for making investment in securities, granting loan(s), giving guarantee(s) and/or providing securities to any other bodies corporate.

It is proposed that the Board of Directors be authorized to invest an amount up to Rs. 500 Crores (Rupees Five Hundred Crores) by way of subscription/purchase or grant of loan or giving guarantee(s), providing securities from time to time in one or more tranches.

As per the provisions of Section 372A of the Companies Act, 1956 the Board has power for the above transaction only up to the limit of sixty percent of paid up capital and free reserves or hundred percent of its free reserves.

Accordingly approval of the members by special resolution is sought to have an enabling authority to take or provide loans/securities/guarantee to secure these loans or invest in other companies/ joint ventures/ firms in India and abroad up to Rs. 500 Crores (Rupees Five Hundred Crores), over and above the limits prescribed under Section 372A of the Companies Act, 1956 from time to time.

The Board recommends the resolution for approval of the members as Ordinary Resolution.

None of the Directors is concerned or interested in the said resolution.

ITEM NO. 8

Mr. Arif Memon, being entrepreneur and a successful businessman having experience of more than 25 years in various type of industrial supplies and has been spending his precious time and energy for day to day affairs of the Company.

Looking to the experience of Mr. Arif Memon and the future growth of the Company, the members of the company appointed Mr. Arif Memon as Managing Director of the Company with substantial powers of Management subject to the superintendence, control and direction of the Board of Directors.

The Board recommends the resolution for approval of the members as Special Resolution.

None of the Directors is concerned or interested in the said resolution.

**By order of the Board of Directors
KGN INDUSTRIES LIMITED**

Sd/-

**ARIF MEMON
Managing Director**

**Date: 2nd September, 2011
Place: Mumbai**

DIRECTORS' REPORT

To the Members,
KGN INDUSTRIES LIMITED,
Maharashtra, Mumbai.

Your Directors are pleased to present the 17th Annual Report of the Company, along with Audited Accounts for the financial year ended 31st March, 2011.

FINANCIAL PERFORMANCE:

(Rs. in Lacs)

PARTICULARS	FOR THE YEAR ENDED 31.03.2011	FOR THE YEAR ENDED 31.03.2010
Gross Income	579.89	6349.71
Expenditure	480.80	6186.78
Profit/Loss before Taxation and Depreciation	99.09	162.94
Depreciation	6.14	3.74
Profit before Taxation	92.94	159.19
Provision for Taxation	35.00	56.66
Profit for the year	56.17	102.53
Profit brought forward	291.78	215.63
Profit available for appreciation	347.95	317.81
Deferred Tax	1.78	0.35
Transfer to General Reserves	Nil	Nil
Proposed Dividend on Equity Shares	Nil	22.25
Dividend Distribution Tax	Nil	3.78
Balance carried to Balance Sheet	347.95	291.78
Basic Earnings per Share	0.03	0.05

*DIVIDEND:

Your Directors are pleased to recommend a final dividend of Rs. 0.01 per Equity share for the year ended 31st March, 2011.

The final dividend, subject to approval at the AGM on 29th September, 2011 will be paid to those shareholders, whose names appear in the Register of Members as on the date of book closure i.e. 23rd September, 2011.

The Proposed dividend for the financial year will absorb Rs. 22,25,000 including Dividend Distribution Tax of Rs. 3,78,139

* Dividend: The shareholders dissented to the payment of dividend in Annual General Meeting and therefore it was decided that no dividend be declared for the year ended 31/03/2011.

PRESENT OPERATIONS:

The Company's Operation was satisfactory during the Year under review. The sales of the company ended to Rs. 3073.64 Lacs in Comparison to the previous year of Rs.6219.74 Lacs.

FUTURE PROSPECTS:

- KGN Industries Limited has a vision in oil & gas sector of having strong technical partnerships and looking for tie ups with International companies in the area once it acquires the blocks during this bid. The company also prospects to acquire overseas subsidiaries & new blocks in domestic as well as international market.
- For Cement Sector the company is in the process of research identifying the areas allocated. It is also looking at prospects of entering into the cement Industry in International Markets apart from India. There are offers for taking over existing cement plants also which the company is analyzing.
- For growing into the sector of Power and Energy the company is looking at alternative sources of renewable energy projects using solar energy, Biomass, Bio-fuels and geothermal energy and bringing in the latest technology for the same.

SHIFTING OF REGISTERED OFFICE:

During the year under review, Registered Office of the Company was shifted to 23, Vaswani Mansion, 4th Floor, Dinshaw Vachha Road, Churchgate, Mumbai – 400 020, with effect from 8th October, 2010.

CORPORATE GOVERNANCE:

A separate section on Corporate Governance is included in this Report along with a Certificate from the Auditors of the Company confirming compliance with conditions on Corporate Governance, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges. A certificate from the Managing Director of the Company in terms of sub-clause (v) of Clause 49 of the Listing Agreement is also annexed.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

A separate section on Management Discussion and Analysis (MD&A) forms part of this Annual Report as required under Clause 49 of the Listing Agreements with the stock exchanges. All matters pertaining to industry structure and developments, opportunities and threats, risks and concerns, internal control and systems, etc. are discussed in this Report.

SUBSIDIARY COMPANIES:

Your Company has 1 wholly-owned subsidiary, viz. KGN Projects Limited.

A statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies is attached to the accounts.

In terms of General Exemption under Section 212(8) of the Companies Act, 1956 granted by the Ministry of Corporate Affairs, vide its Circular No. 02/2011 dated 08.02.2011 and in compliance with the conditions enlisted therein, the Audited Statement of Accounts and the Auditors' Report

thereon for the financial year ended 31st March, 2011, along with the Reports of Board of Directors of the Company's Subsidiaries have not been annexed. The Annual Accounts and related documents of the Subsidiary Companies shall be kept for inspection at the Registered Office of the Company. Further, pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company in this Annual Report includes the financial information of its subsidiaries.

ENVIRONMENT PROTECTION:

Your Company is not engaged in any type of manufacturing activities. It is not generating any type of pollution. Hence, Pollution Control regulations and norms are not applicable to the Company.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm in respect of the audited annual accounts for the year ended March 31, 2011 that:

1. in the preparation of the annual accounts, the applicable accounting standards had been followed and that there were no material departures;
2. they had, in consultation with the Statutory Auditors, selected such accounting policies and them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company for the year ended March 31, 2011 and profit of the Company for that period;
3. they had taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. they had prepared the annual accounts on a going concern basis.

DIRECTORS:

Ms. Janki Vaghela is liable to retire by rotation at the ensuing Annual General Meeting, and being eligible, offers herself for re-appointment. Your Directors recommend her re-appointment.

AUDITORS:

The Auditors M/s Kirit & Co., Chartered Accountants, Ahmedabad, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. You are requested to consider their re-appointment and authorize the Board of Directors to fix their remuneration.

OBSERVATIONS IN AUDITORS' REPORT:

The observations made by the Auditors in their Report read with relevant notes given in the Notes on Accounts are self explanatory and therefore, do not require any comments from your Directors pursuant to Section 217(3) of the Companies Act, 1956.

Directors hope to recover receivables from the Motorola (I) Limited and Sahara Packaging Private Limited in the near future.

FIXED DEPOSITS:

During the year under review your Company has neither accepted nor invited any deposits from the public in terms of Section 58A and 58AA of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES:

During the year under review, as there were no employees on the payroll of the Company, drawing salary/remuneration of Rs.2,00,000/- or more per month, information pertaining to Section 217(2A) of the Companies Act, 1956, is not applicable.

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

The statement of particulars with respect to conservation of energy, technology absorption and Foreign Exchange earnings and outgo pursuant to section 217(1)(e) of the Companies Act, 1956 read with The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is not applicable to the company and hence not given.

ACKNOWLEDGEMENTS:

The Board wishes to place on record their sincere appreciation for the continued support received from its customers, suppliers, shareholders, promoters, bankers and employees.

**By order of the Board of Directors
KGN INDUSTRIES LIMITED**

Sd/-

**ARIF MEMON
Managing Director**

Date: 2nd September, 2011

Place: Mumbai

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

As required under clause 49 of the Listing Agreement the Management Discussion & Analysis Report is given below:-

Present Business:

KGN Industries Limited is BSE Listed Company, at present engaged into full fledged Business of agro commodities like Castor oil, Castor oil Derivatives, edible oils like soybean oil, palm oil, non edible oils like petroleum products, lubricants, used oil and others in the domestic market. It has gained market expertise in its operations and is climbing new ladders each year.

Earlier, the company was registered as Royal Finance Limited & working as NBFC. Looking towards the immense opportunities in the field of Agricultural based products, it entered into Business of Commodities from last two years.

The Company has diversified its portfolio in various other sectors like Real estate, Oil and Gas, Power Projects and cement Industry.

Business Performance:

(Amount in Lac)

Particulars	2010-2011	2009-2010	% Change
Net Sales & other Incomes	579.89	6349.71	9.13%
Profit before Interest and Tax	92.88	159.19	58.343%
Provision for Tax	35.00	56.66	61.77%
Profit After Tax	56.10	10.22	54.901%

Strategic Initiative

The Company is well on its way to meet its growth target despite stiff competition in this sector. KGN Industries Limited now has a Subsidiary Company named as KGN Projects Limited. KGN Industries Limited has diversified its business through KGN Projects Limited by entering into sector of Real Estate.

- It already has SRA projects in the pipeline in the city of Mumbai, Maharashtra, India. There are various areas where the company has identified and started the projects like that of Walkeshwar, J.S.S Road in Mumbai.
- KGN Industries Limited has entered into Logistics sectors to diversify its portfolio and has taken 24% stake in Asian logistics limited. Moreover it is also going in apparels and lubricants by doing alliances and acquisition.
- KGN Industries with a vision of entering into Oil & Gas Sector has Bided for NELP IX. KGN Industries is a provisional winner of Nelp IX VN-ONN-2010/1.

- KGN Industries Limited With a view of entering into Cement Industry has signed MOU with the government of Gujarat in recent Vibrant Gujarat Summit. The government has identified various areas for setting up cement plants and has invited the company to invest in the sector.
- KGN Industries Limited with a view to grab the Opportunity in Energy Sector in India due to Large Demand and Supply gap, KGN Industry is keen to Enter into the energy sector in India as well as Outside India where there are much more growth prospects.

FUTURE OUTLOOK:

- KGN Industries Limited has a vision to expand in oil & gas sector by having strong technical partnerships and tie ups with International companies after acquiring blocks during Nelp IX bid. The company also prospects to acquire overseas subsidiaries & to bid for new blocks in domestic as well as international market.
- For Cement Sector the company is in the process of identifying the areas allocated. It is also looking at prospects of entering into the cement Industry in International Markets apart from India. There are offers for taking over existing cement plants which the company is analyzing.
- For growing into the sector of Power and Energy the company is looking at alternative sources of renewable energy projects using solar energy, Biomass, Bio-fuels and geothermal energy and bringing in the latest technology for the same.

Opportunities and Threats Risks and Concern:

The investment in infrastructure is expected to increase to 8.37 per cent in the final year of the 11th Plan and likely to touch 10 per cent of GDP in the 12th Five Year Plan (2012-2017). With the increasing investment, the share of private sector in the total investment on infrastructure has increased rapidly even government extended his helping hand in 11th 5years Plan for development in infrastructure industry. The Indian real estate industry is expected to be valued at US\$ 180 billion (INR 8,640 billion) by 2020. (Reference: IBEF)

There is a Scope for 400 Townships Projects over the next five years and spread across 30 to 35 cities , each having population of 0.5 million.

To achieve a target GDP growth rate of 9% set by the Planning Commission, gross capital formation (GCF) in infrastructure should rise to 9% of GDP by the end of 2012. This equates to an increase of GCF from 2,598 billion rupees in 2007- 08 to 5,740 billion rupees in 2011-12. If achieved, the 11th Five-Year Plan period (2007-12) will result in an aggregate GCF of 20,115 billion rupees (US\$447 billion at an exchange rate of 45 rupees/U.S. dollar).(Ref: IHS Global insight)

As the Indian economy is shifting from primary sectors to non primary sectors there is a huge scope for rising demand in infrastructure investment.

Oil consumption in India is projected to enhance by 4-5 per cent per annum to 2015, indicating a demand of 4.01 million b/d by 2015. Gas consumption is expected to increase from an estimated 55 billion cubic metres (BCM) in 2010 to 76 BCM in 2015. (Source: IBEF)

The Indian cement industry enjoys a phenomenal phase of growth, experts reveal that it is poised towards a highly prosperous future over the very recent years. Estimates state that the production in the sector will touch 262.61 MT in FY12. The demand for cement in the country is expected to increase to 244.82 million tonnes by 2012. (Source: IBEF)

The Indian cement industry had witnessed an incredible growth journey in the past few years, led by the growth in the real estate, infrastructure and industrial construction. (Business wire.com)

The International Energy Agency (IEA) forecasts that world primary energy demand between now and 2030 will increase by 1.5% per year (Source: Strategic Plan for new and Renewable Energy Sector-2011-2017)

CAUTIONARY STATEMENT:

Statements in this report on Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable laws or regulations. These statements are based on certain assumptions and reasonable expectation of future events. Actual results could, however, differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and domestic demand-supply conditions, finished goods prices, raw materials cost & availability, changes in Government regulations and tax structure, economic developments within India and the countries with which the Company has business contacts and other factors such as litigation and industrial relations. Thus, the Company should and need not be held responsible, if, which is not unlikely, the future turns out to be something quite different. Subject to this management disclaimer, this discussion and analysis should be perused.

**By order of the Board of Directors
KGN INDUSTRIES LIMITED**

Sd/-

**ARIF MEMON
Managing Director**

**Date: 2nd September, 2011
Place: Mumbai**

CORPORATE GOVERNANCE REPORT

Pursuant to Clause 49 of the listing agreement a Report on Corporate Governance is given below:

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The Company believes in adopting the best practices that are followed in the area of Corporate Governance. Corporate Governance ensures fairness, transparency and integrity of the management. The Company endeavors to strike and deliver the highest governing standards and emphasizes the need for transparency and accountability in all its activities for the benefit of and to protect the interest of its stakeholders.

In compliance with the disclosure requirements of Clause 49 of the Listing Agreement executed with the stock exchanges, the details are given hereunder:

2. BOARD OF DIRECTORS:

a) Composition & Category of Directors:

The Company has an Executive Chairman. As on 31st March, 2011 there are 4 Directors on its Board. The number of Non-Executive Directors is more than 50% of the total number of directors. None of the Directors on the Board is a Member of more than 10 Committees or a Chairman on more than 5 Committees, across all companies in which he is a Director, including KGN Industries Limited.

b) Attendance of Directors at the Board Meetings and Last AGM:

Total 13 Board Meetings were held during the Financial Year 2010-2011 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are 12.04.2010, 30.04.2010, 02.07.2010, 10.07.2010, 26.07.2010, 30.07.2010, 27.08.2010, 08.10.2010, 13.11.2010, 02.12.2010, 14.12.2010, 14.01.2011 and 12.02.2011.

Name	Category	No. of Board Meetings attended during 2010-11	Whether attended AGM held on 29 th September 2010	No. of Directorships in other public companies* as on 31.03.2011		No. of Committee positions held in other public companies** as on 31.03.2011	
				Chairman	Member	Chairman	Member
Mr. Arif Memon (Chairman & Managing Director)	Promoter Executive	13	YES	2	2	1	1
Mr. Aftabahmed Kadri	Independent Non Executive	13	YES	0	5	1	3
Mr. Babulal J. Hirani	Professional Non Executive	13	YES	0	6	1	3

Ms. Janki R. Vaghela	Professional Executive	8	YES	0	2	0	0
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c) Details of Director seeking re-appointment:

At the ensuing Annual General Meeting, Ms Janki Vaghela, retire by rotation and being eligible offer herself for re-appointment. The brief resume, experience, functional expertise and membership on various Board and committees of the Directors proposed to be re-appointed as mentioned in item no. 3 of the Notice as per Corporate Governance Code defined under Clause 49 of the Listing Agreement are furnished below:

Name	Ms. Janki Vaghela
Date of Birth/Age	12/02/1983 (28 year)
Date of Appointment	26/07/2010
Experience	HR & Administration
No. of Shares held in the Company	NIL
Qualification	B.A.
List of other Directorship	12
Membership/ Chairman of committees of the other Companies	NIL

3. AUDIT COMMITTEE:

a) Composition of Committee:

Mr. Aftabahmed Kadri, Chairman of the Audit Committee was present at the Annual General Meeting held on 29th September, 2010.

5 (Five) Audit Committee meetings were held during 2010-2011. The dates on which the said meetings were held are 30/04/2010, 30/07/2010, 27/08/2010, 13/11/2010, 12/02/2011.

NAMES	CATEGORY	NO. OF COMMITTEE MEETINGS HELD	NO. OF COMMITTEE MEETINGS ATTENDED
Mr. Aftabahmed Kadri	Chairman	5	5
Mr. Arif I. Memon	Member	5	5

Mr. Babulal J. Hirani	Member	5	5

b) Role of Audit Committee:

The Role of Audit Committee shall include the following:

1. Oversight 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.
2. Recommending to the Board. The appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditor for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statement before submission to the board for approval. With particular reference to :
 - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in term of Clause (2AA) of section 217 of the Companies Act, 1956
 - b) Changes, if any, in accounting policies and practices and reasons for the same
 - c) Major accounting entries involving estimates based on the exercise of judgment by management
 - d) Significant adjustments made in the financial statement arising out of audit findings
 - e) Compliance with listing and other legal requirements relating to financial statements
 - f) Disclosure of any related party audit report.
 - g) Qualification in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
6. Reviewing with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function. if any, 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.
8. Discussion with internal auditors any significant findings and follow up thereon.
9. 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.

10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern. .
11. To look into the reasons for substantial defaults in repayment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Explanation (i): The term “related party transaction “ shall have the same meaning as contained in the Accounting Standard 18, Related Party Transaction. Issued by The Institute of Chartered Accountants of India.

Explanation (ii): If the company has set up an audit committee pursuant to provision of the Companies Act, the said audit committee shall have such additional functions / features as is contained in this clause.

Review of Information by Audit Committee

The Audit Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and result of operations.
2. Statement of significant related party transaction (as defined by the audit committee), Submitted by management;
3. Management letters/letters of internal control weakness issued by the statutory auditors;
4. Internal audit reports relating to internal control weakness; and
5. The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the Audit Committee.

4. REMUNERATION COMMITTEE:

The composition of the Remuneration Committee is as under:

NAMES	CATEGORY	NO. OF COMMITTEE MEETINGS HELD	NO. OF COMMITTEE MEETINGS ATTENDED
Mr. Aftabahmed Kadri	Chairman	2	2
Mr. Arif I. Memon	Member	2	2
Mr. Babulal J. Hirani	Member	2	2

5. SHAREHOLDERS AND INVESTORS GRIEVANCE COMMITTEE:

The composition of the Shareholders' and Investors' Grievance Committee is as under:

NAMES	CATEGORY	NO. OF COMMITTEE MEETINGS HELD	NO. OF COMMITTEE MEETINGS ATTENDED
Mr. Babulal J. Hirani	Chairman	1	1
Mr. Aftabahmed Kadri	Member	1	1
Ms. Janki Vaghela	Member	1	1

Name & Designation of the Compliance Officer:

Mr. Arif Memon is the compliance officer for KGN Industries Limited.

The Committee meets periodically to approve all the cases of shares demated, transfer, issue of duplicate share certificates and resolution of investors' complaints, submission of information to various statutory authorities like NSDL/CDSL, SEBI, Stock Exchanges, Registrar of Companies periodically and from time to time. Other functions, roles, duties, powers etc. have been clearly defined in line with the Clause 49 of the Listing Agreement and are kept flexible for modification by the Board from time to time.

The total number of complaints received and resolved to the satisfaction of the investors during the year under review is as follows:

No. of complaints received	:	Nil
No. of complaints resolved	:	Nil
No. of complaints pending	:	Nil

6. GENERAL BODY MEETINGS:

a) Details of last three Annual General Meetings held:

Financial Year	Location	Date	Day	Time	Type of Meeting	Special Resolutions passed
2009-2010	Patel Restaurant, 95/97, Topiwala Mansion, Masjid bunder, Mohamed Ali Road, Mumbai 400003	29.09.2010	Wednesday	11:00 a.m.	AGM	3
2008-2009	Lions Club (Society) of Ahmedabad Lions halls, Nr. Mithakhali Six Road, Ellisbridge, Ahmedabad- 06	30.09.2009	Wednesday	09.30 a.m.	AGM	1
2007-2008	Lions Club (Society) of Ahmedabad Lions halls, Nr. Mithakhali Six Road, Ellisbridge, Ahmedabad- 06	26.09.2008	Friday	03.30 p.m.	AGM	5

b) Postal Ballot:

No Special Resolution was passed through postal ballot during the Financial Year 2010-2011. In the ensuing Annual General Meeting, there is no business requiring Postal Ballot.

7. DISCLOSURES:

During the financial year 2010-11, there were no materially significant transactions entered into between the Company and its promoters, directors or the management, subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large. No penalties are imposed on the Company or any of its directors by stock exchanges or SEBI or any statutory authority on any matter related to capital markets during the last (3) three years.

8. MEANS OF COMMUNICATION:

The Compliance with Clause 41 of Listing Agreement with the Stock Exchanges the Company publishes Quarterly and Annual Results in news papers and submits the same to all the Stock Exchanges where the shares of the Company are listed. These Results are normally published in The Free Press Journal (English) and in Navshakti (Marathi) News Papers.

9. CEO / CFO CERTIFICATION:

The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) certifies on the financial statement pursuant to the provisions of Clause 49 of the Listing Agreement is annexed and forms part of the Annual Report of the Company.

10. GENERAL SHAREHOLDER INFORMATION:

a) Detail Programme of the 17TH ANNUAL GENERAL MEETING:

DATE : 29TH SEPTEMBER, 2011

DAY : THURSDAY

TIME : 10.00 A.M.

VENUE : 23, Vaswani Mansion, 4th Floor, Dinshaw Vaccha Road, Churchgate,
Mumbai – 400 020

b) FINANCIAL YEAR: 1st April, 2010 to 31st March, 2011.

c) BOOK CLOSURE DATE: 23rd September, 2011 to 29th September, 2011 (Both days inclusive)

d) LISTING ON STOCK EXCHANGES:

The Company's Ordinary shares are listed on the following Stock Exchanges:
Bombay Stock Exchange Ltd.

e) STOCK CODE:

Bombay Stock Exchange Ltd : 531612

DEMAT INTERNATIONAL SECURITIES IDENTIFICATION NUMBER (ISIN) FOR
EQUITY SHARES : INE 196C01022

f) MONTHWISE STOCK MARKET PRICE DATA (BSE) RELATING TO EQUITY SHARES OF THEE COMPANY FOR THE PERIOD 1ST APRIL, 2010 TO 31ST MARCH, 2011.

PERIOD FROM April, 2010 to March, 2011	PRICE PER SHARE		NO OF SHARES TRADED
	HIGH (RS.)	LOW (RS.)	
April, 2010	374.95	345.00	2,023
May, 2010	369.75	340.05	1,154
June, 2010	421.60	291.00	1,330
July, 2010	351.00	245.00	723
August, 2010	297.15	193.20	2,651
September, 2010	289.00	218.00	10,919
October, 2010	250.00	226.00	7,867

November, 2010	240.00	198.20	491
December, 2010	232.30	200.30	201
January, 2011	228.00	195.00	181
February, 2011	203.00	138.10	163
March, 2011	155.75	73.95	736

(Source- www.bseindia.com)

g) REGISTRAR AND SHARE TRANSFER AGENTS:

Members are requested to correspond with the Company's Registrar & Transfer Agents- **Link Intime India Pvt. Ltd.** (formerly Intime Spectrum Registry Ltd.)
211, Sudarshan Complex, Near Mithakhali Under Bridge,
Navrangpura, Ahmedabad - 380 009.
Telefax: 079-26465179.
Email: ahmedabad@linkintime.co.in

h) SHARE TRANSFER PROCESS:

Trading in equity share of the Company is permitted in physical and dematerialized form. Share transfer in physical form and request for demat received by the Registrar and Transfer agent are registered and returned within the statutory period, provided all documents are valid and complete in all respects.

i) DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH, 2011:

SR. NO.	RANGE OF HOLDING	NO. OF SHARE HOLDERS	NO. OF SHARES	SHARES AMOUNT	% TO CAPITAL
1.	Upto 500	916	50400	50400	0.023
2.	501 to 1000	57	52615	52615	0.024
3.	1001 to 2000	13	18880	18880	0.008
4.	2001 to 3000	16	43434	43434	0.02
5.	3001 to 4000	3	10141	10141	0.005
6.	4001 to 5000	101	502656	502656	0.226
7.	5001 to 10000	286	2805852	2805852	1.261
8.	Above 10000	460	219016022	219016022	98.434
TOTAL		1852	222500000	222500000	100

k) SHAREHOLDING PATTERN AS ON 31ST MARCH, 2011:

SR. NO.	CATEGORY	NO. OF SHARES	PERCENTAGE
1.	Indian Public	109447015	49.18%
2.	NRIs / OCBs	921	NIL
3.	Mutual Funds and UTI	NIL	NIL
4	Banks, Financial Institutions and Insurance Companies (Central Institutions)	3415002	1.54%
5	Clearing Member	249602	0.11%
6	Corporate Bodies	243460	0.11%
7	Indian Promoters	109144000	49.05%
8	Forfeiture of Shares	NIL	NIL
TOTAL		222500000	100%

l) DEMATERIALIZATION OF SHARES AND LIQUIDITY:

Percentage of Shares held in Physical form	: 44.30%
Electronic form with NSDL	: 53.88%
Electronic form with CDSL	: 1.82%

m) Outstanding ADRs/GDRs: The Company has not issued any ADRs/GDRs.

n) ADDRESS FOR CORRESPONDENCE:**Registered Office:**

23, Vaswani Mansion, 4th Floor,
Dinshaw Vaccha Road, Opp. K.C. College, Churchgate
Mumbai 400 020.

**BY ORDER OF THE BOARD OF DIRECTORS OF
KGN INDUSTRIES LIMITED**

Sd/-

ARIF MEMON

(CHAIRMAN & MANAGING DIRECTOR)

KGN Industries Limited

DECLARATION

I, Arif Memon, Chairman & Managing Director of the Company, hereby certify that all the members of the Board of Directors and Senior Management personnel of the Company have affirmed their compliance with the Code of Conduct applicable to them, as laid down by the Board of Directors in terms of Clause 49(I)(D)(ii) of the Listing Agreement entered into with the Stock Exchanges, for the year ended 31st March, 2011.

**By order of the Board of Directors
KGN INDUSTRIES LIMITED**

Sd/-

**ARIF MEMON
Managing Director**

**Date: 2nd September, 2011
Place: Mumbai**

CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF THE COMPANY:

We, Shri Arif I. Memon, Chairman & Managing Director and Shri Aftab Ahmed Kadri, Independent Director and Chairman of the Audit Committee of KGN Industries Limited (the Company), hereby certify to the Board that:

- a) We have reviewed the financial statements and the cash Flow Statement for the year and that to the best of our knowledge and belief:
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statement that might be misleading:
 - ii. these statements together present a true and fair view of the Company affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c) We are responsible for establishing and maintaining internal controls for financial reporting in company and we have evaluated the effectiveness of the internal control system of the Company pertaining to financial reporting. We have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the auditors and the audit Committee:
 - i. Significant changes in internal controls over financial reporting during the year.
 - ii. Significant changes in accounting polices during the year and the same have been disclosed in the notes to the financial statements and
 - iii. Instance of Significant fraud of which we have become aware and the involvement therein, if any, of the Management or an employee having a significant role in the Company internal control system.
- e) We affirm that we have not denied any personal access to the Audit committee of the Company.
- f) We further declare that all Board Members and Senior Management have affirmed compliance with the Code of Conduct for the current year.

Sd/-

Sd/-

Date : 02/09/2011

(Arif I. Memon)

(Aftab Ahmed Kadri)

Place : Mumbai Chairman & Managing Director Director & Chairman Audit Committee

AUDITORS' CERTIFICATE

To,
The Members
KGN Industries Limited,
Mumbai

We have read the Report of Directors on Corporate Governance and have examined the relevant records relating to compliance of conditions of Corporate Governance by the KGN Industries Limited for the year ended 31st March, 2011, as stipulated in Clause 49 of the Listing Agreement executed by Company with the Stock Exchanges.

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 the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Agreement.

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

For KIRIT & COMPANY
F.R.NO. 132282W
Chartered Accountants

Sd/-
PROPRIETOR
M. No. 038047

Place: Mumbai
Date: 2nd September, 2011

AUDITORS' REPORT

To,
The Members of
KGN INDUSTRIES LIMITED

We have audited the attached Balance Sheet of **KGN Industries Limited** as at **31st March, 2011** and the Profit and Loss account of the Company 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 also includes examining, on a test basis, evidence supporting the amounts and disclosure 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 (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, and on the basis of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments on the annexure referred to above, 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 accounts as required by law have been kept by the Company, so far as appears from our examination of the those books;
- c) The Balance Sheet and the Profit & Loss Account dealt by this report are in agreement with the books of accounts;
- d) In our opinion, the Balance Sheet and the Profit & Loss Account dealt by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

- e) On the basis of written representation received from the directors, as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 from being appointed as a Director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanation given to us, the said accounts, 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:
- i) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2011; and
 - ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date.
 - iii) In the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

Date : 2nd September, 2011
Place: Mumbai

For, Kirit & Company
F. R. No. 132282W
Chartered Accountants
Sd/-
Proprietor
M. No. 038047

KGN INDUSTRIES LIMITED
ANNEXURE TO THE AUDITORS' REPORT
(Referred to in paragraph 3 of our report of even date)

1. (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by the management at reasonable intervals; No material discrepancies were noticed on such verification by the management.

(c) In our opinion, the Company has not disposed off any substantial part of fixed assets during the year and the going concern status of the company is not affected.

2. (a) The Inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.

(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

(c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

3. (a) The Company has granted unsecured loan to companies, firms or other parties in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount granted during the year and yearend balance of loan to such parties was as per details given bellow. The terms and conditions and rate of interest of the aforesaid loans granted are prima-facie not prejudicial to the interest of the company.

Sr. No.	Name of The Party	Relation With The Company	Maximum Outstanding (In ₹)	Closing Balance As on 31/03/2011 (In ₹)
1.	KGN Projects Limited	Subsidiary	61,50,000/-	61,50,000/-

- (b) The Company has not taken loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with a size of a company and the nature of its business, for purchase of inventory and fixed assets and for the sale of goods

and services. During the course of our audit, no major weakness has been noticed in the internal control system.

5. (a) According to the information and explanations given to us, we are of the opinion that the particulars of all contracts or arrangements that need to be entered in to the register maintained under section 301 of the Companies Act, 1956 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made 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 prevailing market prices at the relevant time.
6. The Company has not accepted deposits from the public, within the meaning of sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of business.
8. We are informed that the company is not required to maintain cost records as prescribed by the Central Government under section 209(1) (d) of the Companies Act, 1956 having regard to the nature of the business of the Company.
9. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education fund, employees' state income tax, sales tax, wealth tax, service tax, custom duty, excise duty and other material statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payables in respect of income tax, sales tax, wealth tax, service tax, customs duty and excise duty were in arrears, as at 31st March, 2011 for a period of more than six months from the date of they became payable.

(c) According to the information and explanation given to us, there are no dues of income tax, sales tax, service tax, customs duty and excise duty which have not been deposited on account of any dispute.
10. In our opinion, the company has no accumulated losses at the end of the financial year and it has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

12. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities during the year.
13. The company is not a chit fund, nidhi, mutual benefit fund or society. Therefore, the provisions of clause 4(xiii) are not applicable to the company.
14. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments. Therefore the provision of clause 4(xiv) is not applicable to the company.
15. In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. As per the records of the company and as per the information and explanations given to us, the company has not taken any term loan during the year.
17. On the basis of overall examination of the balance sheet of the company, the funds raised on short-term basis have not been used for long-term investment and vice-a-versa, during the year.
18. The company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956, during the year.
19. The company has not issued any debentures during the year.
20. The company has not raised any money by public issue during the year.
21. During the year, no fraud on or by the company has been noticed or reported during the course of our audit.

For, Kirit & Company
F. R. No. 132282W
Chartered Accountants
Sd/-

Date : 2nd September, 2011
Place: Mumbai

Proprietor
M. No. 038047

KGN INDUSTRIES LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2011

(Amount in ₹)

Particulars	Schedule	As on	As on
		31.03.2011	31.03.2010
SOURCES OF FUNDS:			
(1) Shareholders' Funds			
(a) Share Capital	1	222500000	222500000
(b) Reserves & Surplus	2	384794769	379178091
(2) Secured & Unsecured Loans		0	0
(3) Deferred Tax Liability		213196	35397
TOTAL		607507965	601713488
APPLICATION OF FUNDS:			
(1) Fixed Assets	3		
Gross Block		8319656	5491796
Less: Depreciation		1363392	749161
Net Block		6956264	4742635
(2) Investment	4	35259940	10000
(3) Current Assets, Loans & Advances			
(a) Stock in trade		0	31897201
(b) Sundry Debtors	5	50735029	36283002
(c) Cash & Bank Balances	6	4254171	91773733
(d) Loans & Advances	7	519160346	449823895
(e) Deposits		2315242	0
		576464788	609777831
Less:			
Current Liabilities & Provisions (b)	8	12476879	14446794
Net Current Assets		563987909	595331037
(4) Miscellaneous Expenditure (To the extent not written off or adjusted)	9	1303852	1629816
TOTAL		607507965	601713488
Significant Accounting Policies & Notes to Accounts	16		

Schedules referred to above form an integral part of the financial statements

As per our attached report of even date

For, Kirit & Company

F. R. No. 132282W

Chartered Accountants

Sd/-

Proprietor

M. No. 038047

For, and on behalf of the Board of Directors

Sd/-

Chairman & Managing Director

Sd/-

Director

Date : 2nd September, 2011

Place : Mumbai

Date : 2nd September, 2011

Place : Mumbai

KGN INDUSTRIES LIMITED

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

(Amount in ₹)

	Schedule	2010-11	2009-10
INCOME			
Sales		30736370	621974159
Other Income	10	27252418	12997313
TOTAL		57988788	634971472
EXPENDITURE			
Cost of Goods Sold	11	31897201	601387598
Bank and Financial Charges	12	123219	963242
Employee Emoluments	13	3477557	3229107
Direct Expenses	14	915127	7311972
Administrative & Selling Expenses	15	11341012	5460015
Depreciation	3	614231	374858
Preliminary Expenses written off	9	325964	325964
TOTAL		48694311	619052756
Profit Before Tax		9294477	15918716
Provision For Taxation			
Less: Provision for Income Tax		3500000	5665545
Less: Provision for Deferred Tax		177799	35397
Profit After Tax		5616678	10217774
Balance brought forward		29178091	21563456
Amount available for Appropriations		34794769	31781230
APPROPRIATIONS			
Proposed Dividend		0	2225000
Tax on Dividend		0	378139
Balance carried forward to Balance Sheet		34794769	29178091
Basic and Diluted Earnings Per Share		0.03	0.05
Significant Accounting Policies & Notes to Accounts	16		

Schedules referred to above form an integral part of the financial statements

As per our attached report of even date

For, Kirit & Company

F. R. No. 132282W

Chartered Accountants

Sd/-

Proprietor

M. No. 038047

Date : 2nd September, 2011

Place : Mumbai

For, and on behalf of the Board of Directors

Sd/-

Chairman & Managing Director

Sd/-

Director

Date : 2nd September, 2011

Place : Mumbai

KGN INDUSTRIES LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2011

(Amount in ₹)

	AS AT 31-Mar-11	AS AT 31-Mar-10
SCHEDULE : 1 SHARE CAPITAL:		
AUTHORISED 230000000 Equity Shares of ₹ 1/- Each (Previous Year 230000000 Equity Shares of ₹ 1/- Each)	230000000	230000000
ISSUED, SUBSCRIBED & PAID UP CAPITAL 222500000 Equity Shares of Rs.1/- Each (Previous Year 222500000 Equity Shares of ₹1/- Each)	222500000	222500000
TOTAL	222500000	222500000
SCHEDULE : 2 RESERVES & SURPLUS :		
Share Premium	350000000	350000000
Profit & Loss Account Balance	34794769	29178091
TOTAL	384794769	379178091

KGN INDUSTRIES LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF BALANCE SHEET

AS AT 31ST MARCH, 2011

SCHEDULE : 3 FIXED ASSETS :

(Amount in ₹)

DEPRECIATION OF KGN INDUSTRIES LIMITED AS ON 31ST MARCH,2011

S.No.	Particulars	Gross Block				Depreciation			Net Block	
		As On 31.3.2010	Addition	Deduction	As On 31.3.2011	Upto 31.3.2010	For The Year	Upto 31.3.2011	As On 31.3.2011	As On 31.3.2010
1	Air Conditionar	-	1,40,518	-	1,40,518	-	1,963	1,963	1,38,555	-
2	Computer & Peripherals	5,59,563	4,06,700	-	9,66,263	3,09,999	1,19,918	4,29,917	5,36,346	2,49,564
3	Office Equipments	1,06,576	-	-	1,06,576	12,631	5,062	17,693	88,883	93,945
4	Mobile Phones	97,630	50,400	-	1,48,030	6,441	5,622	12,063	1,35,967	91,190
5	Motor Car	45,47,626	16,24,533	-	61,72,159	4,17,290	4,74,729	8,92,019	52,80,140	41,30,336
6	Cycle	2,800	-	-	2,800	2,800	-	2,800	-	-
7	Trade Mark	1,77,600	-	-	1,77,600	-	-	-	1,77,600	1,77,600
8	Furniture & Fixture	-	5,71,510	-	5,71,510	-	6,542	6,542	5,64,968	-
9	Refrigarator	-	12,200	-	12,200	-	238	238	11,962	-
10	Electric Installation	-	22,000	-	22,000	-	157	157	21,843	-
	TOTAL	54,91,795	28,27,861	-	83,19,656	7,49,161	6,14,231	13,63,392	69,56,264	47,42,635
	Previous Year	19,69,315	35,22,481	-	54,91,796	3,74,303	3,74,858	7,49,161	47,42,635	

KGN INDUSTRIES LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2011

(Amount in ₹)

	AS AT 31-Mar-11	AS AT 31-Mar-10
SCHEDULE : 4 INVESTMENTS :		
National Saving Certificate	10000	10000
Unquoted		
Preference Shares of KGN Enterprises Limited	5000000	0
[500000 Equity Shares @ Rs. 10/- per share (at par)]		
Asian Logistics Limited	29250000	0
KGN Projects Limited	999940	0
TOTAL	35259940	10000
SCHEDULE : 5 SUNDRY DEBTORS :		
(Unsecured, Considered Good)		
(a) More than Six Months	26477529	35381752
(b) Other Receivables	24257500	901250
TOTAL	50735029	36283002
SCHEDULE : 6 CASH & BANK BALANCES :		
Cash on Hand	14180	6335
Balance With Scheduled Banks :		
In Current Accounts	1239991	10750055
In Fixed Deposit Accounts	3000000	81017343
TOTAL	4254171	91773733
SCHEDULE : 7 LOANS & ADVANCES :		
(Unsecured, Considered Good)		
Advance recoverable in cash or in kind or for value to be received	514828606	445494148
TDS Receivable (2008-2009)	1773768	1773768
TDS Receivable (2009-2010)	2055979	2055979
TDS Receivable (2010-2011)	1993	0
Advance Tax (2009-2010)	500000	500000
TOTAL	519160346	449823895
SCHEDULE : 8 CURRENT LIABILITIES & PROVISIONS :		
Current Liabilities :		
Sundry Creditors		
For Goods (Due to SSI NIL)	0	4327223
For Expenses	144578	203343
For Others	1115981	140689
Provisions:		
Provision For Taxation (F.Y. 2008-2009)	1468128	1468128
Provision For Taxation (F.Y. 2009-2010)	5665545	5665545
Provision For Taxation (F.Y. 2010-2011)	3500000	0
Provision For Audit Fees	36000	30000
Proposed Dividend	0	2225000
Tax on Dividend	0	378139
TDS Payable	546647	8727
TOTAL	12476879	14446794
SCHEDULE : 9 MISCELLANEOUS EXPENDITURE :		
(To the extent not written off or adjusted)		
Preliminary Expenses	1629816	1955780
Less : Written off during the year	325964	325964
TOTAL	1303852	1629816

KGN INDUSTRIES LIMITEDSCHEDULE ANNEXED TO AND FORMING PART OF PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED ON 31ST MARCH,2011

(Amount in ₹)

	AS AT 31-Mar-11	AS AT 31-Mar-10
SCHEDULE : 10 OTHER INCOME :		
Interest Income	1163711	9181455
Other Income & Income from operation	24489230	3815858
Discount On Sales	1500960	0
Foreign Exchange Fluctuation	98517	0
TOTAL	27252418	12997313
SCHEDULE : 11 COST OF GOODS SOLD :		
Opening Stock	31897201	0
Add : Purchase of Goods	0	633284799
	31897201	633284799
Less : Closing Stock	0	31897201
TOTAL	31897201	601387598
SCHEDULE : 12 BANK AND FINANCIAL CHARGES :		
Bank Charges	48219	438029
Handling\Shiping Charges	75000	0
Processing Fees Expenses	0	4575
Other Expenses	0	93508
Letter of Credit Retairement Charges	0	377495
Usance Charges	0	49635
TOTAL	123219	963242
SCHEDULE : 13 EMPLOYEE EMOLUMENTS :		
Salary, Wages,Bonus etc	1195032	956855
Directors' Remuneration	2250000	2250000
Staff Welfare Expenses	32525	22252
TOTAL	3477557	3229107
SCHEDULE : 14 DIRECT EXPENSES		
Cold Storage Rent Expenses	0	212920
Custom Duties Expenses	915127	1164963
Foreign Exchange Fluctuation Expenses	0	5686419
Inward Carriage Expenses	0	92920
Laboratory Expenses	0	28678
Loading & Unloading Charges	0	3780
Shipping & Custodian Charges		122292
TOTAL	915127	7311972

KGN INDUSTRIES LIMITEDSCHEDULE ANNEXED TO AND FORMING PART OF PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED ON 31ST MARCH,2011

(Amount in ₹)

	AS AT 31-Mar-11	AS AT 31-Mar-10
SCHEDULE : 15 ADMINISTRATIVE & SELLING EXPENSES :		
Advertisement Expenses	64667	26136
Audit Fees	40000	30000
Bad Debt Written Off.	161679	0
Bank Interest	0	12545
Brokerage/Commission Expenses	397000	87269
Conectivity Charges	0	30033
Conveyance & Petrol Expenses	217445	179095
Delisting Fees	0	10000
Donation Expenses	2689166	1186485
Electricity Expenses	194687	105281
Hotel Club & Hospitality Expenses	398816	139029
Income Tax (A.Y. 2003-04 to 2006-07) Expenses	0	260494
Insurance Expenses	13564	30723
Kasar & Vatav Expenses	53303	0
Legal & Professional Fees	2074336	482217
Listing (BSE & ASE) Fees	145872	647168
Miscellaneous Expenses	107317	41733
Office Expenses	269165	179849
Post & Courier Expenses	15238	23339
Rent Rates & Taxes Expenses	2697186	106018
Repairs & Maintenance Expenses	260219	63646
Sales Promotion Expenses	65328	161059
Share Split Expenses	0	21529
Stamp Charges	63930	7610
Stationery & Printing Expenses	162525	75922
Telephone Expenses	209057	286567
Travelling Expenses		
Foreign Travelling Expense	170287	397919
Director Travelling Expenses	312355	268642
Other Travelling Expenses	522870	599707
Trademark of Gov. Fees	24900	0
Web Designing Exp	10100	0
TOTAL	11341012	5460015

SCHEDULE '16' NOTES FORMING PART OF THE ACCOUNTS SIGNIFICANT ACCOUNTING POLICIES:

I. Basis of Preparation of Financial Statements :

The financial statements have been prepared under the historical cost convention, on the accrual basis of accounting and in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956, as adopted consistently by the Company.

II. 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 date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known / materialized.

III. Fixed Assets:

Fixed Assets are stated at cost, net of modvat, less accumulated depreciation. All cost including financing costs till commencement of commercial production, net charges on foreign exchange contracts and adjustments arising from exchange rate variations relating to borrowings attributable to the fixed assets are capitalized.

IV. Depreciation:

Depreciation has been provided on Straight Line Method in accordance with the provision of Section 205(2) (b) of the Companies Act, 1956 at the rates prescribed in Schedule XIV of the Companies Act, 1956. In case of addition the depreciation is being provided on pro-rata basis with reference to the month of acquisition/ installation.

V. Investments:

Long-term investments are stated at cost. Provision for diminution in the value of long-term investments is made only if; such a decline is other than temporary, in the opinion of the management.

VI. Inventories :

- a) Valuation of Inventories is inclusive of taxes or duties incurred and on FIFO basis except otherwise stated.
- b) Finished Stocks are being valued at direct cost or net realisable values whichever is lower.

VII. Impairment of Fixed Assets :

- a) Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

- b) Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exists or has decreased.

VIII. Revenue Recognition :

- a. Sales are inclusive of all the duties and taxes.
- b. Revenue in respect of other income is recognized when a reasonable certainty as to its realization exists.

IX. Foreign Currency Transactions:

- i) Transactions including transactions of acquiring fixed assets, in foreign currency are recorded by applying the exchange rates at the date of the transactions.
- ii) Monetary Items denominated in foreign currency remaining unsettled at the end of the year, are reported using the closing rates. The exchange difference arising as a result of the above is recognised in the profit and loss account.
- iii) In case the monetary items are covered by the foreign exchange contracts, the difference between the year end rate and the exchange rate at the date of the inception of the forward exchange contract is recognised as exchange difference.
- iv) In respect of hedging transactions, the premium/discount represented by difference between the exchange rate at the date of the inception of the forward exchange contract and forward rate specified in the contract is amortised as expense or income over the life of the contract.

X. Borrowing costs :

The company capitalises interest and other costs incurred by it in connection with funds borrowed for the acquisition of fixed assets. Where specific borrowings are identified to a fixed asset or a new unit, the company uses the interest rates applicable to that specific borrowing as the capitalisation rate. Where borrowing cannot be specifically identified to fixed assets, the capitalisation rate applied is the interest rate applicable to working capital loans of the company. Capitalisation of borrowing costs ceases when all the activities necessary to prepare the fixed assets for their intended use are substantially complete. Other borrowing costs are charged to profit and loss account.

XI. Taxes on Income :

Income tax expense for the year comprises of current tax, and fringe benefit tax. Current tax provision is determined on the basis of reliefs deductions etc. available under the income tax

act. No Provision is required for deferred tax as the depreciation as per Companies Act is higher than the depreciation as per Income Tax Act.

XII. Deferred Tax :

Deferred Tax is recognised using the liability method, at the current rate of taxation, on all timing differences to the extent it is probable that a liability or asset will crystallise. Deferred Tax Assets are recognised subject to consideration of prudence and are periodically reviewed to reassess realisation thereof.

XIII. Preliminary Expenses :

Preliminary expenses have been amortised in equal installment over a period of ten years.

XIV. General Accounting Policies:

Accounting policies not specifically referred to are consistent with generally accepted accounting practices.

NOTES TO THE ACCOUNTS:

- 1) Contingent Liabilities not provided for is ₹ Nil.
- 2) All debit and credit balance and accounts squared up during the year are subject to confirmation from respective parties.
- 3) Figures in Balance Sheet have been regrouped and rearranged wherever necessary to make them comparative with current year's figures.
- 4) Figures in Balance Sheet are rounded off to the nearest of the Rupees.
- 5) Balances of receivables, payables and loans and advances parties are subject to confirmations. These balances are therefore, subject to adjustments, if any, as may be required on settlement of these balances with the parties.
- 6) The amount ₹2,36,44,463 /- receivable from the Motorola (I) Ltd. And ₹4,92,43,650/- receivable from Sahara Packaging Private Limited are expected to be recovered.
- 7) There are number of Micro, Small & Medium Enterprises to whom the company owes dues which are outstanding for more than 45 days as at 31.03.2011. This information is required to be disclosed under the Micro, Small & 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. This has been relied upon by the auditors.

8) The Shareholders dissented to the payment of dividend in the Annual General Meeting and therefore, it was unanimously decided that no dividend be declared for the year ended 31st March, 2011.

9) Profit and Loss Account includes Auditors' Remuneration as under :

Particulars	2010-11	2009-10
	Amount	Amount
	(in ₹)	(in ₹)
Fees For Audit Work	20000	10000
Fees For Tax Audit/Taxation work	10000	10000
Fees For Certification/Others	10000	10000
Total	<u>40000</u>	<u>30000</u>

10) Remuneration paid/payable to directors :

Particulars	2010-11	2009-10
	Amount	Amount
	(in ₹)	(in ₹)
Remuneration	2250000	2250000
Contribution to P.F.	NIL	NIL
Perquisites	NIL	NIL
Total	<u>2250000</u>	<u>2250000</u>

11) Related Party Disclosures :

a) Name of the Related Parties :

Subsidiary Company	KGN Projects Limited
Joint Venture Company	Nil
Key Managerial Personnel/Relatives of Key Managerial Personnel	Mr. Arif Ismail Memon Mr. Babulal Hirani Ms. Janki Vaghela Mr. Aftab Ahmed Kadri

Summary of the transactions with the above related parties:

Name of Party	Nature of Transactions	Amount (in ₹)
Mr. Arif Ismail Memon	Director's Remuneration	22,50,000/-

12) The Company is Primarily engaged in the business of trading of agro commodities like castor seeds and castor oil and also in trading of Precious stones, as the basic nature of activity is governed by same set of risks and returns, this has been grouped as single segment as per Accounting Standard (AS) – 17 dealing with “Segment Reporting” issued by The Institute of Chartered Accountants of India.

13) The Earning per share, computed as per requirement under Accounting Standard-20 on Earning per Share, Issued by the Institute of Chartered Accountants of India as under :

Particulars	2010-11	2009-10
Net Profit after Tax (Amount in ₹)	5616678	10217774
Weighted Average Nos. of Shares	222500000	222500000
Basic Earnings per Share on nominal value of ₹ 1/- per share (Previous Year 222500000 Equity Shares of ₹ 1/- Each)	0.03	0.05

14) (a) Information Regarding the status of Creditors in respect of small scale Industries are not available.

(b) No amount is due for credit to Investor Education and Protection Fund.

15) **Deferred Tax Liability Calculation** **Amount (In ₹)**

Depreciation as per book	6,14,231/-
Depreciation as per Income tax	11,37,322/-
Excess Depreciation as per Income Tax	5,23,094/-
Deferred tax	1,77,799/-

16) Information pursuant to provisions of para 3,4c & 4d of part II of schedule VI to the Companies Act, 1956.

a) Purchase, Sales and Stocks :

i. **Castor Oil (FSG), Castor Oil Refined and Castor Oil Commercial.**

	2010-11		2009-10	
	Quantity (In Tones)	Amount (In Lacs)	Quantity (In Tones)	Amount (In Lacs)
Opening stocks				
Castor Oil (FSG)	Nil	Nil	Nil	Nil
Castor Oil Refined	Nil	Nil	Nil	Nil
Castor Oil Commercial	Nil	Nil	Nil	Nil

Purchases

Castor Oil (FSG)	Nil	Nil	4408.595	2352.18
Castor Oil (Refined)	Nil	Nil	6297.025	3579.59
Castor Oil (Commercial)	Nil	Nil	45.045	21.49

Sales

Castor Oil (FSG)	Nil	Nil	4408.595	2432.38
Castor Oil (Refined)	Nil	Nil	6297.025	3689.52
Castor Oil (Commercial)	Nil	Nil	45.045	22.84

Closing Stock

Castor Oil (FSG)	Nil	Nil	Nil	Nil
Castor Oil Refined	Nil	Nil	Nil	Nil
Castor Oil Commercial	Nil	Nil	Nil	Nil

ii. Polene Eva

	2010-11		2009-10	
	Quantity (In Tones)	Amount (` In Lacs)	Quantity (In Tones)	Amount (` In Lacs)
Opening stocks				
Polene Eva	Nil	Nil	Nil	Nil
Purchases				
Polene Eva	Nil	Nil	85.000	60.63
Sales				
Polene Eva	Nil	Nil	85.000	75.02
Closing Stock				
Polene Eva	Nil	Nil	Nil	Nil

iii. Eva Traisox

	2010-11		2009-10	
	Quantity (In Tones)	Amount (` In Lacs)	Quantity (In Tones)	Amount (` In Lacs)
Opening stocks				
Eva Traisox	Nil	Nil	Nil	Nil
Purchases				
Eva Traisox	Nil	Nil	45.000	43.28
Sales				
Eva Traisox	45.000	54.00	Nil	Nil
Closing Stock				
Eva Traisox	Nil	Nil	45.000	43.28

iv. Ground Nut Seeds

	2010-11		2009-10	
	Quantity (In Tones)	Amount (` In Lacs)	Quantity (In Tones)	Amount (` In Lacs)
Opening stocks				
Ground Nut Seeds	Nil	Nil	Nil	Nil
Purchases				
Ground Nut Seeds	Nil	Nil	571.968	275.70
Sales				
Ground Nut Seeds	571.968	255.16	Nil	Nil
Closing Stock				
Ground Nut Seeds	Nil	Nil	571.968	275.70

b) Value of imported and indigenous goods traded :

	Amount (in ₹)	
	<u>2010-11</u>	<u>2009-10</u>
Imported	Nil	10389387
Indigenous	Nil	<u>622894912</u>
Total		<u>633284299</u>

As Per Our Report of Even Date

For, Kirit & Company
 F. R. No. 132282W
 Chartered Accountants
 Sd/-
 Proprietor
 M. No. 038047
 Date : 2nd September, 2011
 Place : Mumbai

For, and on behalf of the Board of Directors

 Sd/- Sd/-
 Chairman & Managing Director Director
 Date : 2nd September, 2011
 Place : Mumbai

KGN INDUSTRIES LIMITED

Part - IV of Schedule VI of The Companies Act, 1956
Balance Sheet, Abstract and Company's General Business Profile

I. Registration Details

Registration No. 04/23288/94-95 State Code 11
Balance Sheet date 31 03 2011

II. Capital Raised During The Year (Amt. ₹ .in Thousands)

Public Issue NIL	Right Issue NIL
Bonus Issue NIL	Private Placement NIL

III. Position of Mobilisation and deployment of funds (Amt. ₹ .in Thousands)

Total Liabilities 619985	Total Assets 619985
Sources of Funds	
Paid up Capital 222500	Reserve & Surplus 384795
Secured Loans 0	Other Liabilities 213
Application of Funds	
Net Fixed Assets 6956	Investments 35260
Net Current Assets 563988	Misc. Expenditure 1304
Accumulated Losses NIL	

IV. Performance of Company (Amt. ₹ in Thousands)

Turnover 57989	Total Expenditure 48694
+ - Profit /loss before tax	Profit /loss after tax
+ 9294	5617
(Please tick appropriate box + for Profit - for Loss)	
Earning Per Share in Rs. 0.03	Dividend Rate % 0

V. Generic Names of Principal Products/Services of Company. (As per Monetary terms)

Item Code No N.A.
(ITC Code)
Product Oil & Gas, Lubricants
Description

As per our report of even date

For, Kirit & Company
F. R. No. 132282W
Chartered Accountants

For, and on behalf of the Board of Directors

Sd/-
Proprietor
M. No. 038047

Sd/-
Chairman & Managing Director
Sd/-
Director

Date : 2nd September, 2011
Place : Mumbai

Date : 2nd September, 2011
Place : Mumbai

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

1. Name Of The Subsidiary	KGN Projects Limited
2. Financial Year of Subsidiary Company	31 st March, 2011
3. Number of shares held in Subsidiary Company on the above date	1,00,000
4. Extent of share holding interest (in %)	100%
The Net aggregate of Profits less Losses of the Subsidiary Company as far as it concerns the members of the Holding Company	
Not dealt with in the Holding Company's Accounts:	
a) For the Financial Year of the Subsidiary	(21,831)
b) For the previous Financial Years, since it became Holding Company's Subsidiary	N.A.
Dealt with in the Holding Company's Accounts:	
a) For the Financial Year of the Subsidiary	N.A.
b) For the previous Financial Years, since it became Holding Company's Subsidiary	N.A.
5. Material Changes between the end of the Financial Years of the Subsidiary and Holding Companies.	N.A.

On behalf of the Board of Directors

**Sd/-
Arif Memon
Chairman & Managing Director**

KGN INDUSTRIES LIMITED**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011**

Particulars	(Amount in ₹)	
	31.03.2011	31.03.2010
A CASH FLOW FROM OPERATING ACTIVITIES :		
Profit Before Tax	9294477	15918716
Adjustment For :		
Depreciation	614231	374858
Preliminary Expenses Written Off	325964	325964
Interest and Dividend Income	(1163711)	(9181455)
Operating Profit Before Working Capital Changes		
Adjustment For :		
(Increase)/Decrease in Inventories	31897201	(31897201)
(Increase)/Decrease in Sundry Debtors	-14452026	489989931
(Increase)/Decrease in Loans & Advances	(69336451)	(396244498)
(Increase)/Decrease in Deposit	(2315242)	17343
Increase/(Decrease) in Current Liabilities	(2866776)	(131013519)
Cash Generated From Operation	(48002333)	(61709861)
Direct Taxes Paid	0	5642924
Net Cash From Operating Activities (A)	(48002333)	(67352785)
B CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(2827861)	(3522481)
Sale of Fixed Assets/ Investments	0	74684000
Long Term Investment Purchased	(35249940)	0
Interest & Dividend Income	1163711	9181455
Other Investing Activities	0	0
Net Cash Used in Investing Activities (B)	(36914090)	80342974
C CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds From Long Term Borrowings	0	0
Repayment of Long Term Borrowings	0	(296329394)
Proceeds From Short Term Borrowings	0	0
Dividend Paid	(2225000)	(2225000)
Corporate Dividend Tax	(378139)	(378139)
Net Cash Used in Financing Activities (C)	(2603139)	(298932533)
NET (DECREASE)/INCREASE IN CASH & CASH EQUIVALENTS (A+B+C)	(87519562)	(285942344)
Cash & Cash Equivalents at the beginning of the year	91773733	377716077
Cash & Cash Equivalents at the end of the year	4254171	91773733
	(87519562)	(285942344)

As per our attached report of even date

For, Kirit & Company**F. R. No. 132282W****Chartered Accountants****Sd/-****Proprietor****M. No. 038047****Date : 2nd September, 2011****Place : Mumbai****For, and on behalf of the Board of Directors****Sd/-****Chairman & Managing Director****Sd/-****Director****Date : 2nd September, 2011****Place : Mumbai**

AUDITORS' REPORT

To,
The Board of Directors of
KGN INDUSTRIES LIMITED
On the Consolidated Financial Statements

We have audited the attached consolidated Balance Sheet of **KGN Industries Limited** (the "Company") and its subsidiaries; hereinafter referred to as the "Group" (refer note 1(b) on schedule 17 to the attached consolidated financial statements) as at **31st March, 2011** and the consolidated Profit and Loss account, consolidated cash flow of the Company for the year ended on that date annexed thereto, which we have signed under reference to this report. 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 also includes examining, on a test basis, evidence supporting the amounts and disclosure 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.

We report that the consolidated financial statement have been prepared by the Company's Management in accordance with the requirement of Accounting Standard (AS) 21 consolidated financial statements.

Based on our audit and on consolidated of reports of the auditor on separate financial statements and other financial information of the component of the Group, as refer to above, and to the best of our information and according to the explanation given to us, subject to our remark in 4 above in our opinion, the attached consolidated financial statements give true and fair view in conformity with the accounting principles generally accepted in India.

- i. In the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2011; and
- ii. In the case of the Consolidated Profit and Loss Account, of the Profit of the Group for the year ended on that date: and
- iii. In the case of the Consolidated Cash Flow Statement, of the Cash Flows of the Group for the year ended on that date.

For, Kirit & Company
F. R No. 132282W
Chartered Accountants
Sd/-
Proprietor
M. No. 038047

Date : 2nd September, 2011
Place: Mumbai

KGN Industries Limited Annual Report 2010-2011

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011

(Amount in ₹)

Particulars	Schedule	As on	As on
		31.03.2011	31.03.2010
SOURCES OF FUNDS:			
(1) Shareholders' Funds			
(a) Share Capital	1	222500060	222500000
(b) Reserves & Surplus	2	384772938	379178091
(2) Loans (Liabilities)	3	41396	0
(3) Deferred Tax Liability		213196	35397
TOTAL		607527590	601713488
APPLICATION OF FUNDS:			
(1) Fixed Assets	4		
Gross Block		8319656	5491796
Less: Depreciation		1363392	749161
Net Block		6956264	4742635
(2) Investment	5	34260000	10000
(3) Current Assets, Loans & Advances			
(a) Stock in trade		0	31897201
(b) Sundry Debtors	6	50735029	36283002
(c) Cash & Bank Balances	7	5385591	91773733
(d) Loans & Advances	8	519010346	449823895
(e) Deposits		2315242	0
		577446208	609777831
Less:			
Current Liabilities & Provisions (b)	9	12482379	14446794
Net Current Assets		564963829	595331037
(4) Miscellaneous Expenditure (To the extent not written off or adjusted)	10	1347497	1629816
TOTAL		607527590	601713488
Significant Accounting Policies & Notes to Accounts	17		

Schedules referred to above form an integral part of the financial statements

As per our attached report of even date

For, Kirit & Company
F. R. No. 132282W
Chartered Accountants

For, and on behalf of the Board of Directors

Sd/-
Proprietor
M. No. 038047

Sd/-
Chairman & Managing Director

Sd/-
Director

Date : 2nd September, 2011
Place : Mumbai

Date : 2nd September, 2011
Place : Mumbai

KGN Industries Limited Annual Report 2010-2011
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2011

(Amount in ₹)

	Schedule	2010-11	2009-10
INCOME			
Sales		30736370	621974159
Other Income	11	27252418	12997313
TOTAL		57988788	634971472
EXPENDITURE			
Cost of Goods Sold	12	31897201	601387598
Bank and Financial Charges	13	123550	963242
Employee Emoluments	14	3477557	3229107
Direct Expenses	15	915127	7311972
Administrative & Selling Expenses	16	11362512	5460015
Depreciation	4	614231	374858
Preliminary Expenses written off	10	325964	325964
TOTAL		48716142	619052756
Profit Before Tax		9272646	15918716
Provision For Taxation			
Less: Provision for Income Tax		3500000	5665545
Less: Provision for Deferred Tax		177799	35397
Profit After Tax		5594847	10217774
Balance brought forward		29178091	21563456
Amount available for Appropriations		34772938	31781230
APPROPRIATIONS			
Proposed Dividend		0	2225000
Tax on Dividend		0	378139
Balance carried forward to Balance Sheet		34772938	29178091
Basic and Diluted Earnings Per Share		0.03	0.05
Significant Accounting Policies & Notes to Accounts	17		

Schedules referred to above form an integral part of the financial statements

As per our attached report of even date

For, Kirit & Company
F. R. No. 132282W
Chartered Accountants

For, and on behalf of the Board of Directors

Sd/-
Proprietor
M. No. 038047

Sd/-
Chairman & Managing Director

Sd/-
Director

Date : 2nd September, 2011
Place : Mumbai

Date : 2nd September, 2011
Place : Mumbai

KGN Industries Limited Annual Report 2010-2011
CONSOLIDATED SCHEDULE ANNEXED TO AND FORMING PART OF
BALANCE SHEET AS AT 31ST MARCH, 2011

(Amount in ₹)

	AS AT 31-Mar-11	AS AT 31-Mar-10
SCHEDULE : 1 SHARE CAPITAL:		
AUTHORISED 230000000 Equity Shares of ₹ 1/- Each (Previous Year 230000000 Equity Shares of ₹ 1/- Each)	230000000	230000000
ISSUED, SUBSCRIBED & PAID UP CAPITAL 222500000 Equity Shares of Rs.1/- Each (Previous Year 222500000 Equity Shares of ₹1/- Each) 100000 Equity Shares of Rs.10/- Each	222500000	222500000
	60	
TOTAL	222500060	222500000
SCHEDULE : 2 RESERVES & SURPLUS :		
Share Premium	350000000	350000000
Profit & Loss Account Balance	34772938	29178091
TOTAL	384772938	379178091
SCHEDULE : 3 LOANS (LIABILITIES) :		
Arif Ismail Memon	41396	0
	41396	0

KGN INDUSTRIES LIMITED

CONSOLIDATED SCHEDULE ANNEXED TO AND FORMING PART OF
BALANCE SHEET AS AT 31ST MARCH, 2011

SCHEDULE : 4 FIXED ASSETS :

(Amount in ₹)

DEPRECIATION OF KGN INDUSTRIES LIMITED AS ON 31ST MARCH, 2011										
S.No.	Particulars	Gross Block			Depreciation			Net Block		
		As On 31.3.2010	Addition	Deduction	As On 31.3.2011	Upto 31.3.2010	For The Year	Upto 31.3.2011	As On 31.3.2011	As On 31.3.2010
1	Air Conditionar	-	1,40,518	-	1,40,518	-	1,963	1,963	1,38,555	-
2	Computer & Peripherals	5,59,563	4,06,700	-	9,66,263	3,09,999	1,19,918	4,29,917	5,36,346	2,49,564
3	Office Equipments	1,06,576	-	-	1,06,576	12,631	5,062	17,693	88,883	93,945
4	Mobile Phones	97,630	50,400	-	1,48,030	6,441	5,622	12,063	1,35,967	91,190
5	Motor Car	45,47,626	16,24,533	-	61,72,159	4,17,290	4,74,729	8,92,019	52,80,140	41,30,336
6	Cycle	2,800	-	-	2,800	2,800	-	2,800	-	-
7	Trade Mark	1,77,600	-	-	1,77,600	-	-	-	1,77,600	1,77,600
8	Furniture & Fixture	-	5,71,510	-	5,71,510	-	6,542	6,542	5,64,968	-
9	Refrigarator	-	12,200	-	12,200	-	238	238	11,962	-
10	Electric Installation	-	22,000	-	22,000	-	157	157	21,843	-
	TOTAL	54,91,795	28,27,861	-	83,19,656	7,49,161	6,14,231	13,63,392	69,56,264	47,42,635
	Previous Year	19,69,315	35,22,481	-	54,91,796	3,74,303	3,74,858	7,49,161	47,42,635	-

KGN Industries Limited Annual Report 2010-2011
CONSOLIDATED SCHEDULE ANNEXED TO AND FORMING PART OF
BALANCE SHEET AS AT 31ST MARCH, 2011

(Amount in ₹)

	AS AT 31-Mar-11	AS AT 31-Mar-10
SCHEDULE : 5 INVESTMENTS :		
National Saving Certificate	10000	10000
Unquoted		
Preference Shares of KGN Enterprises Limited [500000 Equity Shares @ Rs. 10/- per share (at par)]	5000000	0
Asian Logistics Limited	29250000	0
TOTAL	34260000	10000
SCHEDULE : 6 SUNDRY DEBTORS :		
(Unsecured, Considered Good)		
(a) More than Six Months	26477529	35381752
(b) Other Receivables	24257500	901250
TOTAL	50735029	36283002
SCHEDULE : 7 CASH & BANK BALANCES :		
Cash on Hand	1010570	6335
Balance With Scheduled Banks :		
In Current Accounts	1375021	10750055
In Fixed Deposit Accounts	3000000	81017343
TOTAL	5385591	91773733
SCHEDULE : 8 LOANS & ADVANCES :		
(Unsecured, Considered Good)		
Advance recoverable in cash or in kind or for value to be received	514678606	445494148
TDS Receivable (2008-2009)	1773768	1773768
TDS Receivable (2009-2010)	2055979	2055979
TDS Receivable (2010-2011)	1993	0
Advance Tax (2009-2010)	500000	500000
TOTAL	519010346	449823895
SCHEDULE : 9 CURRENT LIABILITIES & PROVISIONS :		
Current Liabilities :		
Sundry Creditors		
For Goods (Due to SSI NIL)	0	4327223
For Expenses	144578	203343
For Others	1115981	140689
Provisions:		
Provision For Taxation (F.Y. 2008-2009)	1468128	1468128
Provision For Taxation (F.Y. 2009-2010)	5665545	5665545
Provision For Taxation (F.Y. 2010-2011)	3500000	0
Provision For Audit Fees	41500	30000
Proposed Dividend	0	2225000
Tax on Dividend	0	378139
TDS Payable	546647	8727
TOTAL	12482379	14446794
SCHEDULE : 10 MISCELLANEOUS EXPENDITURE :		
(To the extent not written off or adjusted)		
Preliminary Expenses	1673461	1955780
Less : Written off during the year	325964	325964
TOTAL	1347497	1629816

KGN Industries Limited Annual Report 2010-2011**CONSOLIDATED SCHEDULE ANNEXED TO AND FORMING PART OF PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED ON 31ST MARCH,2011****(Amount in ₹)**

	AS AT 31-Mar-11	AS AT 31-Mar-10
SCHEDULE : 11 OTHER INCOME :		
Interest Income	1163711	9181455
Other Income	24489230	3815858
Discount On Sales	1500960	0
Foreign Exchange Fluctuation	98517	0
TOTAL	27252418	12997313
SCHEDULE : 12 COST OF GOODS SOLD :		
Opening Stock	31897201	0
Add : Purchase of Goods	0	633284799
	31897201	633284799
Less : Closing Stock	0	31897201
TOTAL	31897201	601387598
SCHEDULE : 13 BANK AND FINANCIAL CHARGES :		
Bank Charges	48550	438029
Handling\Shiping Charges	75000	0
Processing Fees Expenses	0	4575
Other Expenses	0	93508
Letter of Credit Retirement Charges	0	377495
Usance Charges	0	49635
TOTAL	123550	963242
SCHEDULE : 14 EMPLOYEE EMOLUMENTS :		
Salary, Wages,Bonus etc	1195032	956855
Directors' Remuneration	2250000	2250000
Staff Welfare Expenses	32525	22252
TOTAL	3477557	3229107
SCHEDULE : 15 DIRECT EXPENSES		
Cold Storage Rent Expenses	0	212920
Custom Duties Expenses	915127	1164963
Foreign Exchange Fluctuation Expenses	0	5686419
Inward Carrige Expenses	0	92920
Laboratory Expenses	0	28678
Loading & Unloading Charges	0	3780
Shipping & Custodian Charges	0	122292
TOTAL	915127	7311972

KGN Industries Limited Annual Report 2010-2011

CONSOLIDATED SCHEDULE ANNEXED TO AND FORMING PART OF PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED ON 31ST MARCH,2011

(Amount in ₹)

	AS AT 31-Mar-11	AS AT 31-Mar-10
SCHEDULE : 16 ADMINISTRATIVE & SELLING EXPENSES :		
Advertisement Expenses	64667	26136
Audit Fees	45500	30000
Bad Debt Written Off.	161679	0
Bank Interest	0	12545
Brokerage/Commission Expenses	397000	87269
Conectivity Charges	0	30033
Conveyance & Petrol Expenses	217445	179095
Delisting Fees	0	10000
Donation Expenses	2689166	1186485
Electricity Expenses	194687	105281
Hotel Club & Hospitality Expenses	398816	139029
Income Tax (A.Y. 2003-04 to 2006-07) Expenses	0	260494
Insurance Expenses	13564	30723
Kasar & Vatav Expenses	53303	0
Legal & Professional Fees	2074336	482217
Listing (BSE & ASE) Fees	145872	647168
Miscellaneous Expenses	123317	41733
Office Expenses	269165	179849
Post & Courier Expenses	15238	23339
Rent Rates & Taxes Expenses	2697186	106018
Repairs & Maintenance Expenses	260219	63646
Sales Promotion Expenses	65328	161059
Share Split Expenses	0	21529
Stamp Charges	63930	7610
Stationery & Printing Expenses	162525	75922
Telephone Expenses	209057	286567
Travelling Expenses		
Foreign Travelling Expense	170287	397919
Director Travelling Expenses	312355	268642
Other Travelling Expenses	522870	599707
Trademark of Gov. Fees	24900	0
Web Designing Exp	10100	0
TOTAL	11362512	5460015

SCHEDULE '17' NOTES FORMING PART OF THE ACCOUNTS

SIGNIFICANT ACCOUNTING POLICIES:

Basis of Consolidation:

The Consolidated financial statements comprises of the financial statements of KGN Industries Limited (the Holding Company) and its subsidiaries. The Consolidated financial statements are prepared in accordance with Accounting Standard 21 on "Consolidated Financial Statements"

- (i) The financial statements of the Holding Company and its Subsidiary Companies have been combined on a line by line basis by adding together like items of assets, liabilities, income and expenses. The intra-group balances, intra-group transactions and unrealized profit or losses thereon have been fully eliminated.
- (ii) The financial statements of the subsidiaries used in the consolidation are drawn up to the same reporting date as that of the Holding Company.
- (iii) The excess value of the consideration given over the net value of the identifiable assets acquired in one of the subsidiary company is recognised as "Goodwill" and is not being amortised.

The subsidiary companies considered in the consolidated financial statements are:

Subsidiaries	Country of Incorporation	% of Voting Power as at 31St March 2011{Including Beneficial Interest}
KGN Projects Limited	India	99.99%

a. 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 date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known / materialized.

b. Fixed Assets:

Fixed Assets are stated at cost, net of modvat, less accumulated depreciation. All cost including financing costs till commencement of commercial production, net charges on foreign exchange contracts and adjustments arising from exchange rate variations relating to borrowings attributable to the fixed assets are capitalized.

c. Depreciation:

Depreciation has been provided on Straight Line Method in accordance with the provision of Section 205(2)(b) of the Companies Act, 1956 at the rates prescribed in Schedule XIV of the Companies Act, 1956. In case of addition the depreciation is being provided on pro-rata basis with reference to the month of acquisition/ installation.

d. Investments:

Long-term investments are stated at cost. Provision for diminution in the value of long-term investments is made only if; such a decline is other than temporary, in the opinion of the management.

e. Inventories :

- I. Valuation of Inventories is inclusive of taxes or duties incurred and on FIFO basis except otherwise stated.
- II. Finished Stocks are being valued at direct cost or net realisable values whichever is lower.

f. Impairment of Fixed Assets :

- (1) Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.
- (2) Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exists or has decreased.

g. Revenue Recognition :

- I. Sales are inclusive of all the duties and taxes.
- II. Revenue in respect of other income is recognized when a reasonable certainty as to its realization exists.

h. Foreign Currency Transactions:

- I. Transactions including transactions of acquiring fixed assets, in foreign currency are recorded by applying the exchange rates at the date of the transactions.
- II. Monetary Items denominated in foreign currency remaining unsettled at the end of the year, are reported using the closing rates. The exchange difference arising as a result of the above is recognised in the profit and loss account.
- III. In case the monetary items are covered by the foreign exchange contracts, the difference between the year end rate and the exchange rate at the date of the inception of the forward exchange contract is recognised as exchange difference.
- IV. In respect of hedging transactions, the premium/discount represented by difference between the exchange rate at the date of the inception of the forward exchange contract and forward rate specified in the contract is amortised as expense or income over the life of the contract.

i. Borrowing costs :

The company capitalises interest and other costs incurred by it in connection with funds borrowed for the acquisition of fixed assets. Where specific borrowings are identified to

a fixed asset or a new unit, the company uses the interest rates applicable to that specific borrowing as the capitalisation rate. Where borrowing cannot be specifically identified to fixed assets, the capitalisation rate applied is the interest rate applicable to working capital loans of the company. Capitalisation of borrowing costs ceases when all the activities necessary to prepare the fixed assets for their intended use are substantially complete. Other borrowing costs are charged to profit and loss account.

j. Taxes on Income :

Income tax expense for the year comprises of current tax, and fringe benefit tax. Current tax provision is determined on the basis of reliefs deductions etc. available under the income tax act. No Provision is required for deferred tax as the depreciation as per Companies Act is higher than the depreciation as per Income Tax Act.

k. Deferred Tax :

Deferred Tax is recognised using the liability method, at the current rate of taxation, on all timing differences to the extent it is probable that a liability or asset will crystallise. Deferred Tax Assets are recognised subject to consideration of prudence and are periodically reviewed to reassess realisation thereof.

l. Preliminary Expenses :

Preliminary expenses have been amortised in equal installment over a period of ten years.

m. General Accounting Policies:

Accounting policies not specifically referred to are consistent with generally accepted accounting practices.

NOTES TO THE ACCOUNTS:

- 1) Contingent Liabilities not provided for is ₹ Nil.
- 2) All debit and credit balance and accounts squared up during the year are subject to confirmation from respective parties.
- 3) Figures in Balance Sheet have been regrouped and rearranged wherever necessary to make them comparative with current year's figures.
- 4) Figures in Balance Sheet are rounded off to the nearest of the Rupees.
- 5) Balances of receivables, payables and loans and advances parties are subject to confirmations. These balances are therefore, subject to adjustments, if any, as may be required on settlement of these balances with the parties.
- 6) The amount ₹. 2,36,44,463 /- receivable from the Motorola (I) Ltd. And ₹. 4,92,43,650/- receivable from Sahara Packaging Private Limited are expected to be recovered.

7) There are number of Micro, Small & Medium Enterprises to whom the company owes dues which are outstanding for more than 45 days as at 31.03.2011. This information is required to be disclosed under the Micro, Small & 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. This has been relied upon by the auditors.

8) *The shareholders dissented to the payment of Dividend in Annual General Meeting and therefore, it was unanimously decided that no Dividend be declared for the year ended 31st March, 2011.

9) Profit and Loss Account includes Auditors' Remuneration as under :

Particulars	2010-11 Amount (in ₹)	2009-10 Amount (in ₹)
Fees For Audit Work	20000	10000
Fees For Tax Audit/Taxation work	10000	10000
Fees For Certification/Others	10000	10000
Total	<u>40000</u>	<u>30000</u>

10) Remuneration paid/payable to directors :

Particulars	2010-11 Amount (in ₹)	2009-10 Amount (in ₹)
Remuneration	2250000	2250000
Contribution to P.F.	NIL	NIL
Perquisites	NIL	NIL
Total	<u>2250000</u>	<u>2250000</u>

11) Related Party Disclosures :

Name of the Related Parties:

Subsidiary Company	KGN Projects Limited
Joint Venture Company	Nil
Key Managerial Personnel/Relatives Of Key Managerial Personnel	Mr. Arif Memon Mr. Babulal Hirani Ms. Janki Vaghela Mr. Aftab Ahmed Kadri

Summary of the transactions with the above related parties:

Name of Party	Nature of Transactions	Amount (in ₹)
Mr. Arif Memon	Directors' Remuneration	22, 50,000/-

12) The Company is Primarily engaged in the business of trading of agro commodities like castor seeds and castor oil and also in trading of Precious Stones, as the basic nature of activity is governed by same set of risks and returns, this has been grouped as single segment as per Accounting Standard (AS) – 17 dealing with “Segment Reporting” issued by The Institute of Chartered Accountants of India.

13) The Earning per share, computed as per requirement under Accounting Standard-20 on Earning per Share, Issued by the Institute of Chartered Accountants of India as under :

Particulars	2010-11	2009-10
Net Profit after Tax (Amount in ₹)	5594847	10217774
Weighted Average Nos. of Shares	222500000	222500000
Basic Earnings per Share on nominal value of ₹ 1/- per share (Previous Year 222500000 Equity Shares of ₹1/- Each)	0.03	0.05

14) (a) Information Regarding the status of Creditors in respect of small scale industries are not available.

(b) No amount is due for credit to Investor Education and Protection Fund.

15) **Deferred Tax Liability Calculation** **Amount (In ₹)**

Depreciation as per book	6,14,231/-
Depreciation as per Income tax	11,37,322/-
Excess Depreciation as per Income Tax	5,23,094/-
Deferred tax	1,77,799/-

16) Information pursuant to provisions of para 3,4c & 4d of part II of schedule VI to the Companies Act, 1956.

a) Purchase, Sales and Stocks :

i. Castor Oil (FSG), Castor Oil Refined and Castor Oil Commercial.

	2010-11		2009-10	
	Quantity (In Tones)	Amount (In Lacs)	Quantity (In Tones)	Amount (In Lacs)
Opening stocks				
Castor Oil (FSG)	Nil	Nil	Nil	Nil
Castor Oil Refined	Nil	Nil	Nil	Nil
Castor Oil Commercial	Nil	Nil	Nil	Nil
Purchases				
Castor Oil (FSG)	Nil	Nil	4408.595	2352.18

Castor Oil (Refined)	Nil	Nil	6297.025	3579.59
Castor Oil (Commercial)	Nil	Nil	45.045	21.49

Sales

Castor Oil (FSG)	Nil	Nil	4408.595	2432.38
Castor Oil (Refined)	Nil	Nil	6297.025	3689.52
Castor Oil (Commercial)	Nil	Nil	45.045	22.84

Closing Stock

Castor Oil (FSG)	Nil	Nil	Nil	Nil
Castor Oil Refined	Nil	Nil	Nil	Nil
Castor Oil Commercial	Nil	Nil	Nil	Nil

ii. Polene Eva

	2010-11		2009-10	
	Quantity (In Tones)	Amount (` In Lacs)	Quantity (In Tones)	Amount (` In Lacs)
Opening stocks				
Polene Eva	Nil	Nil	Nil	Nil
Purchases				
Polene Eva	Nil	Nil	85.000	60.63
Sales				
Polene Eva	Nil	Nil	85.000	75.02
Closing Stock				
Polene Eva	Nil	Nil	Nil	Nil

iii. Eva Traisox

	2010-11		2009-10	
	Quantity (In Tones)	Amount (` In Lacs)	Quantity (In Tones)	Amount (` In Lacs)
Opening stocks				
Eva Traisox	Nil	Nil	Nil	Nil
Purchases				
Eva Traisox	Nil	Nil	45.000	43.28
Sales				
Eva Traisox	45.000	54.00	Nil	Nil
Closing Stock				
Eva Traisox	Nil	Nil	45.000	43.28

iv. Ground Nut Seeds

	2010-11		2009-10	
	Quantity (In Tones)	Amount (In Lacs)	Quantity (In Tones)	Amount (In Lacs)
Opening stocks				
Ground Nut Seeds	Nil	Nil	Nil	Nil
Purchases				
Ground Nut Seeds	Nil	Nil	571.968	275.70
Sales				
Ground Nut Seeds	571.968	255.16	Nil	Nil
Closing Stock				
Ground Nut Seeds	Nil	Nil	571.968	275.70

b) Value of imported and indigenous goods traded :

	Amount (in ₹)	
	<u>2010-11</u>	<u>2009-10</u>
Imported	Nil	10389387
Indigenous	Nil	622894912
Total		<u>633284299</u>

As Per Our Report of Even Date

For, Kirit & Company
F. R. No. 132282W
Chartered Accountants

For, and on behalf of the Board of Directors

Sd/-
Proprietor
M. No. 038047
Date : 2nd September, 2011
Place: Mumbai

Sd/-
Chairman & Managing Director

Sd/-
Director

Date : 2nd September, 2011
Place: Mumbai

KGN Industries Limited Annual Report 2010-2011

Part - IV of Schedule VI of The Companies Act, 1956
Balance Sheet, Abstract and Company's General Business Profile

I. Registration Details

Registration No. 04/23288/94-95 State Code 11
Balance Sheet date 31 03 2011

II. Capital Raised During The Year (Amt. ₹ .in Thousands)

Public Issue	Right Issue
<input type="text" value="NIL"/>	<input type="text" value="NIL"/>
Bonus Issue	Private Placement
<input type="text" value="NIL"/>	<input type="text" value="NIL"/>

III. Position of Mobilisation and deployment of funds (Amt. ₹ .in Thousands)

Total Liabilities	Total Assets
<input type="text" value="620009"/>	<input type="text" value="620009"/>
Sources of Funds	
Paid up Capital	Reserve & Surplus
<input type="text" value="222500"/>	<input type="text" value="384773"/>
Secured Loans	Other Liabilities
<input type="text" value="0"/>	<input type="text" value="213"/>
Application of Funds	
Net Fixed Assets	Investments
<input type="text" value="6956"/>	<input type="text" value="34260"/>
Net Current Assets	Misc. Expenditure
<input type="text" value="564964"/>	<input type="text" value="1347"/>
Accumulated Losses	
<input type="text" value="NIL"/>	

IV. Performance of Company (Amt. ₹ in Thousands)

Turnover	Total Expenditure
<input type="text" value="57989"/>	<input type="text" value="48716"/>
+ - Profit /loss before tax	Profit /loss after tax
+ <input type="text" value="9273"/>	<input type="text" value="5595"/>
(Please tick appropriate box + for Profit - for Loss)	
Earning Per Share in Rs.	Dividend Rate %
<input type="text" value="0.03"/>	<input type="text" value="0"/>

V. Generic Names of Principal Products/Services of Company. (As per Monetary terms)

Item Code No.
(ITC Code)
Product
Description

As per our report of even date

For, Kirit & Company
F. R. No. 132282W
Chartered Accountants

For, and on behalf of the Board of Directors

Sd/-
Proprietor
M. No. 038047

Sd/-
Chairman & Managing Director
Sd/-
Director

Date : 2nd September, 2011
Place : Mumbai

Date : 2nd September, 2011
Place : Mumbai

DETAILS OF SUBSIDIARY COMPANIES FOR 2010-11

Name of the Subsidiary	KGN Projects Limited
Financial Year ends on	31st March 2011
Share Capital	10,00,000
Reserves	0
Total Assets	71,31,420
Miscellaneous Expenditure and Debit Balance of Profit & Loss A/c	65,476
Total Liabilities	5,500
Details of Investments	0
Investment in Equity shares	0
Turnover	0
Profit before Taxation	(21,831)
Provision for Taxation	0
Profit After Taxation	(21,831)
Proposed Dividend	0

On behalf of the Board of Directors

**Sd/-
Arif Memon
Chairman & Managing Director**

KGN Industries Limited Annual Report 2010-2011

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

Particulars	(Amount in ₹)	
	31.03.2011	31.03.2010
A CASH FLOW FROM OPERATING ACTIVITIES :		
Profit Before Tax	9272646	15918716
Adjustment For :		
Depreciation	614231	374858
Preliminary Expenses Written Off	325964	325964
Interest and Dividend Income	(1163711)	(9181455)
Operating Profit Before Working Capital Changes		
Adjustment For :		
(Increase)/Decrease in Inventories	31897201	(31897201)
(Increase)/Decrease in Sundry Debtors	-14452026	489989931
(Increase)/Decrease in Loans & Advances	(69186451)	(396244498)
(Increase)/Decrease in Deposit	(2315242)	17343
(Increase)/Decrease in Misc. Exp Not Written Off	(43645)	
Increase/(Decrease) in Current Liabilities	(2861276)	(131013519)
Cash Generated From Operation	(47912309)	(61709861)
Direct Taxes Paid	0	5642924
Net Cash From Operating Activities (A)	(47912309)	(67352785)
B CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(2827861)	(3522481)
Sale of Fixed Assets/ Investments	0	74684000
Long Term Investment Purchased	(34250000)	0
Interest & Dividend Income	1163711	9181455
Other Investing Activities	0	0
Net Cash Used in Investing Activities (B)	(35914150)	80342974
C CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds From Long Term Borrowings	0	0
Repayment of Long Term Borrowings	0	(296329394)
Proceeds From Short Term Borrowings	41396	0
Equity Shares	60	0
Dividend Paid	(2225000)	(2225000)
Corporate Dividend Tax	(378139)	(378139)
Net Cash Used in Financing Activities (C)	(2561683)	(298932533)
NET (DECREASE)/INCREASE IN CASH & CASH EQUIVALENTS (A+B+C)	(86388142)	(285942344)
Cash & Cash Equivalents at the beginning of the year	91773733	377716077
Cash & Cash Equivalents at the end of the year	5385591	91773733
	(86388142)	(285942344)

*As per our attached report of even date
For, Kirit & Company
F. R. No. 132282W
Chartered Accountants*

For, and on behalf of the Board of Directors

*Sd/-
Proprietor
M. No. 038047*

*Sd/-
Chairman & Managing Director*

*Sd/-
Director*

*Date : 2nd September, 2011
Place : Mumbai*

*Date : 2nd September, 2011
Place : Mumbai*

KGN INDUSTRIES LITMITED

Registered Office: 23, Vaswani Mansion, 4th Floor, Dinshaw Vaccha Road,
Churchgate, Mumbai-400 020.

ATTENDANCE SLIP

Member(s)/Proxy (ies) are requested to bring the Attendance Slip duly filled-in and signed at the Meeting and hand it over at the entrance of the Meeting hall.

Folio NO.: _____

DP/Client ID No.: _____

No of Shares Held.: _____

I/We _____ hereby record my/our presence at the 17th Annual General Meeting of the Company held on Thursday, 29th day of September, 2011 at 10.00 a.m. at Time , 23, Vaswani Mansion, 4th Floor, Dinshaw Vaccha Road, Churchgate, Mumbai-400 020.

Signature of the Member / Proxy

(To be signed at the time of handing over this slip)

KGN INDUSTRIES LIMITED

Registered Office 23, Vaswani Mansion, 4th Floor, Dinshaw Vaccha Road,
Churchgate, Mumbai-400 020.

PROXY FORM

Member(s)/Proxy (ies) are requested to bring the Attendance Slip duly filled-in and signed at the Meeting and hand it over at the entrance of the Meeting hall.

Folio NO.: _____

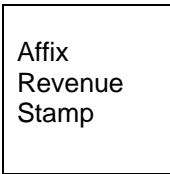
DP/Client ID No.: _____

No of Shares Held.: _____

I/We _____ of _____ being member(s) of KGN Industries Limited, hereby appoint _____ of _____ or failing him/her, _____ of _____ as my/our proxy to attend and vote for me/ us on my/ our behalf at the 17th Annual General Meeting of the Company held on Thursday, 29th day of September, 2011 at 10.00 a.m. at, 23, Vaswani Mansion, 4th Floor, Dinshaw Vaccha Road, Churchgate, Mumbai- 400 020. and at any adjournment thereof.

Signed this _____ day of _____ 2011.

Signature _____



Notes:

- 1. The proxy to be effective should be duly stamped, signed and deposited at the Registered Office of the Company at the address mentioned above at least 48 hours before the commencement of the aforesaid Meeting.
- 2. The Proxy need NOT be a member of the Company.

BOOK POST

If undelivered, Please return to :

KGN INDUSTRIES LIMITED

Regd. Office: -

23, Vaswani Mansion,
4th Floor, Dinshaw Vaccha Road,
Opp. K.C.College,
Churchgate. 400 020.