

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 I Memon Chairman & Managing Director
- Mr. Babulal Hirani Director
- Mr. Aftab Ahmed Kadri Director
- Mr. Sudhi Ranjan Das Additional Director (w.e.f 14.08.2012)
- Mr. Deepak Raval Additional Director (w.e.f 14.08.2012)
- Mr. Vijay Vora Additional Director (w.e.f 14.08.2012)
- Mr. Siva Ravindran Additional Director (w.e.f 14.08.2012)
- Mr. R.M. Dhar Additional Director (w.e.f 14.08.2012)
- Mr. Kasshee Mayun Additional Director (w.e.f 14.08.2012)

- Bankers of the Company :**
1. Axis Bank, Churchgate Branch
 2. SBI, Navrangpura, Ahmedabad
 3. Axis Bank, Ahmedabad
 4. Bank of Baroda, Ahmedabad

Auditors

M/s. Kirit & Company, Chartered Accountants, Ahmedabad

Registrar & 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 **EIGHTEENTH ANNUAL GENERAL MEETING OF KGN INDUSTRIES LIMITED** will be held at Y.M.C.A International House, Y.M.C.A Road, Near Maratha Mandir, Mumbai Central, Mumbai – 400 008 on Saturday, 29th September, 2012 at 10 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, 2012 and the Balance Sheet as on 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 Mr. Babulal Hirani, 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, 2013;

SPECIAL BUSINESS:

5. To consider and thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution”

“RESOLVED THAT pursuant to provision of Section 260 and all other applicable provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Deepak Raval, CEO & Company Secretary who was appointed as an additional Director in the meeting of Board of Directors and who holds office upto the date of ensuing Annual General Meeting and in respect of whom a notice u/s 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr. Deepak Raval as candidate for the office of Director of the Company be and is hereby appointed as Director of the Company liable to retire by rotation”

6. To consider and thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution”

“RESOLVED THAT pursuant to provision of Section 260 and all other applicable provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Vijay Vora who was appointed as an additional Director in the meeting of Board of Directors and who holds office upto the date of ensuing Annual General Meeting and in respect of whom a notice u/s 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr. Vijay Vora as candidate for the office of Director of the Company be and is hereby appointed as Director of the Company liable to retire by rotation”

7. To consider and thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution”

“RESOLVED THAT pursuant to provision of Section 260 and all other applicable provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Kasshee Mayun who was appointed as an additional Director in the meeting of Board of Directors and who holds office upto the date of ensuing Annual General Meeting and in respect of whom a notice u/s 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr. Kasshee Mayun as candidate for the office of Director of the Company be and is hereby appointed as Director of the Company liable to retire by rotation”

8. To consider and thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution”

“RESOLVED THAT pursuant to provision of Section 260 and all other applicable provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Ravindran Mohan Dhar who was appointed as an additional Director in the meeting of Board of Directors and who holds office upto the date of ensuing Annual General Meeting and in respect of whom a notice u/s 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr. Ravindran Mohan Dhar as candidate for the office of Director of the Company be and is hereby appointed as Director of the Company liable to retire by rotation”

9. To consider and thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution”

“RESOLVED THAT pursuant to provision of Section 260 and all other applicable provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Siva Ravindran who was appointed as an additional Director in the meeting of Board of Directors and who holds office upto the date of ensuing Annual General Meeting and in respect of whom a notice u/s 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr. Siva Ravindran as candidate for the office of Director of the Company be and is hereby appointed as Director of the Company liable to retire by rotation”

10. To consider and thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution”

“RESOLVED THAT pursuant to provision of Section 260 and all other applicable provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Sudhi Ranjan Das who was appointed as an additional Director in the meeting of Board of Directors and who holds office upto the date of ensuing Annual General Meeting and in respect of whom a notice u/s 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr. Sudhi Ranjan Das as candidate for the office of Director of the Company be and is hereby appointed as Director of the Company liable to retire by rotation”

11. 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, Managing Director and Mr. Babulal Hirani, Director 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.”

12. 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.1000 Crores (Rupees One Thousand 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.

“RESOLVED FURTHER THAT the Mr. Arif Memon, Managing Director and Mr. Babulal Hirani, Director 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.”

13. 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.1000 Crore (Rupees one thousand Crore) notwithstanding 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.”

NOTES:

- a) The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of Business under item Nos. 5 to 13 above is annexed hereto. The relevant details of Director seeking appointment / re- appointment under Item No. 5 to 10 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 hrs before the meeting.
- c) The Register of Members and Share Transfer Books of the Company will be closed from 23rd September, 2012 to 29th September, 2012 (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 Friday, 5th October, 2012 to those Members, whose names appear in the Company’s Register of Members as on 22nd September, 2012. 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, 2012 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 in Time India Private Limited (formerly Intime Spectrum Registry Limited) at 211, Sudarshan Complex, Near Mithakhali Under Bridge, Navrangpura, Ahmedabad – 380 009.
- g) 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 Statements set out all material facts relating to Special Business mentioned in the accompanying Notice and should be taken as forming part of the Notice dated 14th August, 2012.

ITEM NO. 5

Mr. Deepak Raval, CEO & Company Secretary was appointed as an Additional Director of the Company by the Board of Directors w.e.f. 14th August, 2012. Pursuant to Section 260 of the Companies Act, 1956, Mr. Deepak Raval holds office only up to the ensuing Annual General Meeting. As required under Section 257 of the said Act, notice has been received from a member along with deposit of ₹ 500/- signifying his intention to propose Mr. Deepak Raval as a candidate for the office of Director.

The appointment of the Director requires the approval of shareholders in General Meeting by way of an Ordinary Resolution.

None of the Directors, except Mr. Deepak Raval, is in any way concerned or interested in this resolution.

ITEM NO. 6

Mr. Vijay Vora was appointed as an Additional Director of the Company by the Board of Directors w.e.f. 14th August, 2012. Pursuant to Section 260 of the Companies Act, 1956, Mr. Vijay Vora holds office only up to the ensuing Annual General Meeting. As required under Section 257 of the said Act, notice has been received from a member along with deposit of ₹ 500/- signifying his intention to propose Mr. Vijay Vora as a candidate for the office of Director.

The appointment of the Director requires the approval of shareholders in General Meeting by way of an Ordinary Resolution.

None of the Directors, except Mr. Vijay Vora, is in any way concerned or interested in this resolution.

ITEM NO. 7

Mr. Kasshee Mayun was appointed as an Additional Director of the Company by the Board of Directors w.e.f. 14th August, 2012. Pursuant to Section 260 of the Companies Act, 1956, Mr. Kasshee Mayun holds office only up to the ensuing Annual General Meeting. As required under Section 257 of the said Act, notice has been received from a member along with deposit of ₹ 500/- signifying his intention to propose Mr. Kasshee Mayun as a candidate for the office of Director.

The appointment of the Director requires the approval of shareholders in General Meeting by way of an Ordinary Resolution.

None of the Directors, except Mr. Kasshee Mayun, is in any way concerned or interested in this resolution

ITEM No.8

Mr. Ravindran Mohan Dhar was appointed as an Additional Director of the Company by the Board of Directors w.e.f. 14th August, 2012. Pursuant to Section 260 of the Companies Act, 1956, Mr. Ravindran Mohan Dhar holds office only up to the ensuing Annual General Meeting. As required under Section 257 of the said Act, notice has been received from a member along with deposit of ₹ 500/- signifying his intention to propose Mr. Ravindran Mahohar Dhar as a candidate for the office of Director.

The appointment of the Director requires the approval of shareholders in General Meeting by way of an Ordinary Resolution.

None of the Directors, except Mr. Ravindran Mohan Dhar, is in any way concerned or interested in this resolution.

ITEM No. 9

Mr. Siva Ravindran was appointed as an Additional Director of the Company by the Board of Directors w.e.f. 14th August, 2012. Pursuant to Section 260 of the Companies Act, 1956, Mr. Siva Ravindran holds office only up to the ensuing Annual General Meeting. As required under Section 257 of the said Act, notice has been received from a member along with deposit of ₹ 500/- signifying his intention to propose Mr. Siva Ravindran as a candidate for the office of Director.

The appointment of the Director requires the approval of shareholders in General Meeting by way of an Ordinary Resolution.

None of the Directors, except Mr. Siva Ravindran, is in any way concerned or interested in this resolution.

ITEM No. 10

Mr. Sudhi Ranjan Das was appointed as an Additional Director of the Company by the Board of Directors w.e.f. 14th August, 2012. Pursuant to Section 260 of the Companies Act, 1956, Mr. Sudhi Ranjan Das holds office only up to the ensuing Annual General Meeting. As required under Section 257 of the said Act, notice has been received from a member along with deposit of ₹ 500/- signifying his intention to propose Mr. Sudhi Ranjan Das as a candidate for the office of Director.

The appointment of the Director requires the approval of shareholders in General Meeting by way of an Ordinary Resolution.

None of the Directors, except Mr. Sudhi Ranjan Das, is in any way concerned or interested in this resolution.

ITEM NO. 11

Your approval under Section 293(1)(a) of the Companies Act, 1956, is 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. 12

The members of the Company has at its meeting held on 14/08/2012, authorised the Board to borrow upto an amount of ₹ 1000 Crores (Rupees One Thousand Crores) in excess of the aggregate paid up capital and free reserves of the Company.

To facilitate capex for future business expansion and to provide resources to meet general corporate funding 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 ₹ 1000 Crores (Rupees One Thousand 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. 12 of the Notice, as Ordinary Resolution for your approval.

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

ITEM No. 13

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 ₹ 1000 Crores (Rupees One Thousand 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 ₹ 1000 Crores (Rupees One Thousand 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 Special Resolution.

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

Date: 14.08.2012

Place: Mumbai

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

**Sd/-
ARIF MEMON
CHAIRMAN & MANAGING DIRECTOR**

DIRECTORS' REPORT

To,

The Members,
KGN INDUSTRIES LIMITED,
 Mumbai, Maharashtra.

Your Directors have great pleasure in presenting their 18th Annual Report of the Company, along with Audited Accounts for the financial year ended 31st March, 2012.

FINANCIAL RESULTS:

(₹ in Lacs)

P A R T I C U L A R	FOR THE YEAR ENDED 31.03.2012	FOR THE YEAR ENDED 31.03.2011
Profit before Depreciation and Amortization Expenses, Finance Cost and Tax Expenses	119.47	
Less : Finance Cost	0.17	1.23
Depreciation and Amortization Expenses	11.55	9.40
Profit before Tax	107.76	92.94
Less : Current Tax	36.71	35.00
Deferred Tax	0.79	1.78
Profit for the year	70.26	56.17
Add : Balance in Profit & Loss Account	347.95	291.78
	418.20	347.95
Less : Appropriation		
Proposed Dividend on Equity Shares	22.25	NIL
Tax on Dividend	3.61	NIL
Balance Carried to Balance Sheet	392.34	347.95

DIVIDEND:

Your Directors are pleased to recommend a final dividend of ₹ 0.01 per Equity Share for the year ended 31st March, 2012.

The Final dividend subject to approval at the AGM on 29th September, 2012 will be paid to those shareholders, whose names appear in the Register of Members as on the date of book closure i.e. 22nd September, 2012.

The Proposed Dividend for the financial year will absorb ₹ 25,86,117.50 including Dividend Distribution Tax of ₹ 3,61,117.50.

RESULTS OF OPERATIONS:

The Company performed reasonably well and the highlights of the performance are as under

- Revenue from operations decreased by 17.74% to ₹ 252.85 Lacs.
- Total Income decreased by 54.91% to ₹ 261.47 Lacs.
- Net Profit after Tax increased by 25.08% to ₹ 70.26 Lacs.

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.

AUDITORS:

The Auditors M/s Kirit & Co. Chartered Accountants, Ahmedabad, retire at the ensuing Annual General Meeting and are being eligible for re-appointment. The retiring Auditors have furnished a certificate of their eligibility for re-appointment under section 224 (IB) of the Companies Act 1956 and that he is not disqualified for reappointment within the meaning of Section 226 of the said Act.

OBSERVATION IN AUDITORS REPORT:

The observation made by the Auditors in the Auditor's Report read with relevant notes given in the notes on Accounts are self explanatory and therefore do not call for any further comments under section 217(3) of the Companies Act, 1956.

SUBSIDIARY COMPANY:

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

In accordance with the general exemption granted by Ministry of Corporate Affairs, Government of India, vide its Circular No. 2/2011 dated February 8, 2011 and in compliance with the conditions enlisted therein, the report and annual accounts of the subsidiary company for the financial year ended March 31, 2012 have not been attached to the Company's Accounts. The Company will make available the Annual Accounts of the Subsidiary Company and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the Subsidiary Company will also be kept open for inspection at the Registered Office of the Company and that of respective Subsidiary Company. The Consolidated Financial Statements presented by the Company include the financial results of its Subsidiary Company.

ENVIRONMENTAL 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:

Mr. Babulal Jethalal Hirani is liable to retire by rotation at the ensuing Annual General Meeting, being eligible, offers himself for re-appointment. Your Directors recommend his re-appointment.

During the year Mr. Deepak Raval, Mr. Vijay Vora, Mr. Kasshee Mayun, Mr. Siva Ravindran, Mr. R.M Dhar, and Mr. S.R. Das have been appointed as Additional Directors of the Company w.e.f 14th August, 2012. The Company has received notice from members pursuant to Section 257 of the Companies Act, 1956, signifying their intention to propose the candidature of Mr. Deepak Raval, Mr. Vijay Vora, Mr. Kasshee Mayun, Mr. Siva Ravindran, Mr. R.M Dhar, and Mr. S.R. Das for the office of Directors. The Board recommends their appointment.

DIRECTOR'S RESPONSIBILITY STATEMENTS:

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

- i) in preparation of the Annual Accounts for the year ended March 31, 2012, the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956, had been followed and there are no material departures from the same;

- ii) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2012 and of the profit of the Company for the year ended on that date;
- iii) the directors have taken proper and sufficient care 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; and
- iv) the directors have prepared the annual accounts of the Company on a 'going concern' basis.

FIXED DEPOSITS:

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

PARTICULARS OF EMPLOYEES:

During the year under review, as there was no employee on the payroll of the Company, drawing salary/remuneration of ₹ 5,00,000/- or more per month, information pertaining to Section 217(2A) of the Companies Act, 1956 is not applicable.

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

- (a) The Additional information required under Sec 217 (1) (e) of the Companies Act, 1956 relating to the conservation of energy and technology absorption need not apply to the company.
- (b) Total Foreign Exchange Used and Earned:
 - (i) CIF Value of Imports NIL
 - (ii) Foreign Exchange Earned NIL
 - (iii) Expenditure in Foreign Currency NIL

ACKNOWLEDGEMENTS:

Your Directors would like to express their appreciation for the assistance and co-operation received from the Government Authorities, Banks, Customers, Vendors and Members during the year under review. The Board wishes to place on record its sincere appreciation for the continued support received from Executives, Staff and Workers of the Company.

Date: 14th August, 2012

Place: Mumbai

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

**Sd/-
ARIF MEMON
CHAIRMAN & MANAGING DIRECTOR**

MANAGEMENT DISCUSSION ANALYSIS

GLOBAL OVERVIEW

As per International Energy Agency (IEA) estimates, global upstream oil and gas investment grew strongly in 2011, hitting a new record of over \$ 550 billion. This capital spending was 9% higher than in 2010 and almost 10% higher than the previous peak in 2008. Annual upstream investment in nominal terms more than quadrupled between 2000 and 2011. It increased by 120% over this period in real terms, i.e., adjusted for cost inflation, as investment shifted to more complex projects with higher costs per barrel per day of capacity added. Crude prices increased by 40% during the year wherein Brent oil prices averaged a record \$ 113/bbl as compared to \$ 86.7/bbl in the previous year.

INDUSTRY OVERVIEW

Oil accounts for 31 per cent of India's total energy consumption and there is unlikely to be any significant scaling down of dependence on these fuels in the next five to ten years. India will account for 13.21 per cent of Asia/Pacific regional oil demand by 2015, while providing 10.41 per cent of supply, as suggested by Business Monitor International in the 'India Oil and Gas Report'. Currently, of the six core industries identified in India, the oil and gas sector has propelled the growth of Indian economy most and the Government is looking for more investors in the sector. India is currently world's fifth biggest energy consumer and the need is continuously growing, according to KPMG's 'Oil and Natural Gas Overview

To keep up to the rising demand the Government of India has initiated policies that have helped investors in the sector and also facilitated exploration and production of oil and gas in the country.

CURRENT BUSINESS REVIEW

KGN Industries limited is listed on Bombay Stock Exchange and forms part of BSE -500 Index. This index represents nearly 93% of the total market capitalization on BSE. BSE-500 covers all 20 major industries of the economy. Company was earlier into the business of trading of agro commodities.

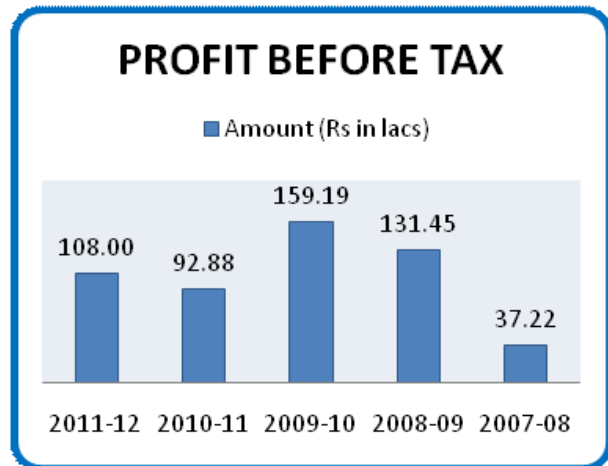
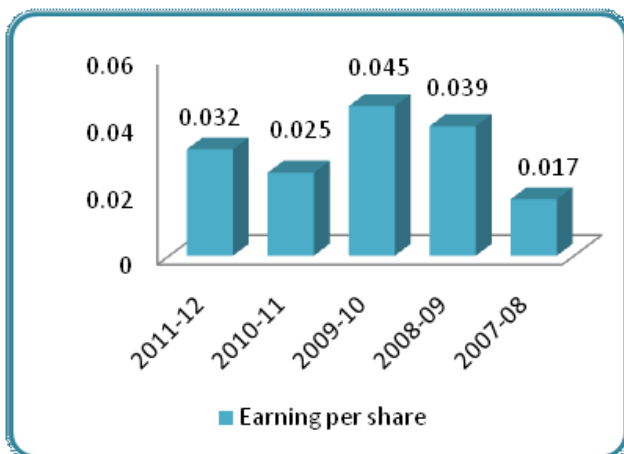
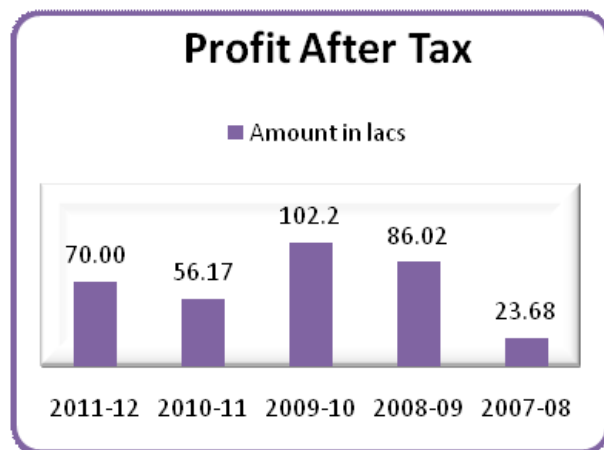
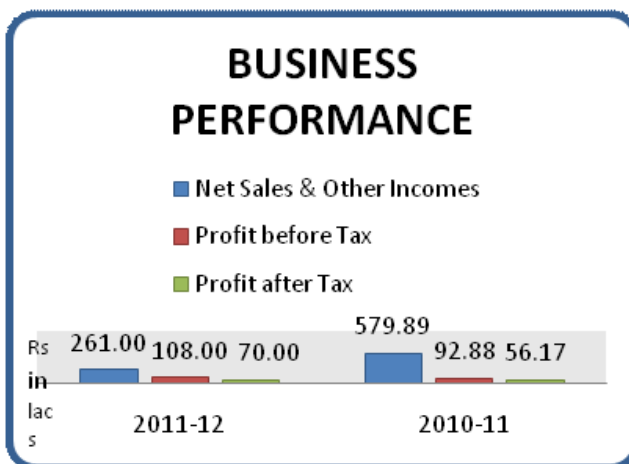
The Company strategized to enter into Oil & Gas sector by participating in New Exploration Licensing Policy (NELP) VIII and Coal Bed Methane (CBM) IV but was not successful. Due its perseverance and due to deliberant to enter into Oil and Gas sector, company participated in NELP IX. It gained momentum in the 9th round of the new exploration license policy and won one block in Vindhyan Madhya Pradesh (VN-ONN-2010/1) having area of 3776 Square Kilometer for which Production Sharing Contract was signed with Government of India.

VINDHYAN BASIN

The Vindhyan basin, occupies an area of about 162,000sq km of which about 80,000sq km extends into Ganga valley in the north and northeast beneath the cover of Tertiary sequences of the Himalayan fore deep. The basin comprises more than 5000 m thick sequence of sandstones, shale's and limestone of Meso- NeoProterozoic to Early Palaeozoic age. The presence of gas indicating hydrocarbon generation potential of Vindhyan when considered together with large thickness of Vindhyan strata deposited in marine environment is an encouraging factor for pursuing exploration in the basin.

NELP IX ADVANTAGE: Huge Capital Investment Plans: Investment worth US\$ 563 billion is expected across the oil and gas value chain under the Government Eleventh Plan (2007–2012). Liberal FDI regime: FDI up-to 100 percent permitted under automatic route i.e. without approval in exploration activities of oil and natural gas fields, infrastructure relating to marketing of petroleum products, actual trading and marketing of petroleum products, market study and formulation. Skilled Workforce: About 130,000 people were employed in the petroleum industry in 2009-10. Enabling Regulation and Policy: There is a special mechanism for the companies entering into production sharing contract with the government under which 100% deduction of exploration and drilling expenses (Both revenue and capital) and other expenses (including production expenditure) allowed under normal provisions of Income tax.

FINANCIAL HIGHLIGHTS:



- ◆ The revenue from operations decreased by 17.74% to 252.82 lacs
- ◆ Total Income decreased by 54.91% to ₹ 261.47 lacs.
- ◆ Net Profit after Tax increased by 25.08% to ₹ 70.26 Lacs.

FUTURE OUTLOOK

- ✓ Company is preparing to participate in the CBM V round and to compete against the giants in the markets with its experience team and human resource properly trained and skilled.
- ✓ Company has also proposed to bid for the Marginal fields offered for outsourcing by ONGC in India. With the changing world oil price scenario, innovative technologies and liberal government regulations, the development of marginal fields will prove important for the company to increase production and profit.
- ✓ The government has planned to launch the first round of Shale gas bidding. In anticipation of the above, Company is having keen interest in Shale Gas. Proper research is being continuously conducted in the company by experts to bid for Shale Gas
- ✓ Company is also reviewing proposals for the strong technical partnerships and tie ups with international companies and proposes to enter International Markets for oil and gas sector.
- ✓ Company plans to foray into the oil and gas services like Field Development of Upstream operation, Operation and Maintenance of process plant, Oil well drilling, Well Completion, Work Over and Well Testing, EPC for Oil and Gas installation and tank farms and Pipeline Pigging services through strategic tie ups
- ✓ In cement production process, cement crusher is very important since most of the raw materials will have to be crushed before being used to process cement, such as limestone, clay, iron ore and coal, etc. Hence Company is reviewing proposal for installation of cement crusher and currently feasibility studies are in process for the cement sector.

SUBSIDIARY COMPANY:

KGN Projects Limited is wholly owned subsidiary of the Company having its presence in infrastructure. Moreover still SRA projects are ongoing. Company has started to generate revenue of ₹ 4,00,00,000 by initiating small projects like contour survey in Rajasthan.

OPPORTUNITIES AND THREATS & RISKS AND CONCERNS:

- There are Opportunities for foreign Investments and Technology Partnerships in the upstream Sector of Oil & Gas to expertise in the markets.
- There are Opportunities for transaction and Partnerships in assets abroad. Many Indian Companies have been aggressively scouting for Oil & Gas assets abroad during the last few years.
- Opportunities in unconventional Oil & Gas as CBM is a proven energy source as it contributes approximately 10% of total natural gas production in USA.
- Upstream talent shortage and ageing workforce is an issue being faced by the global as well as

Indian upstream industry. The industry is especially pressed with shortfall of labour with specialized skills such as reservoir engineering or with experience of developing unconventional gas assets.

- The Indian companies are sometimes constrained by lack of opportunity tracking resources and networks that can spot opportunities early and pass on to the companies. However, the Indian government has taken many diplomatic relationship building initiatives with countries in regions such as Africa. More initiatives are required for strengthening this network so that Indian companies are not at a disadvantage to the international competition.

(Source: IEC)

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 condition, 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 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 pursued.

Date: 14.08.2012

Place: Mumbai

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

**Sd/-
ARIF MEMON
CHAIRMAN & MANAGING DIRECTOR**

CORPORATE GOVERNANCE REPORT

Pursuant to Clause 49 of the listing agreement a Report on Corporate Governance is given below, which forms part of the Annual Report of the Company for the year 2011-12.

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, 2012 there are 3 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 7 Board Meetings were held during the Financial Year 2011-12 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are given hereunder:-

13.05.2011, 12.08.2011, 02.09.2011, 28.09.2011, 15.11.2011, 15.02.2012, 26.03.2012.

Name	Category	No. of Board Meetings attended during 2011-12	Whether attended AGM held on 29th September 2011	No. of Directorships in other public companies as on 31.03.2012		No. of Committee positions held in other public companies as o 31.03.2012	
				Chairman	Member	Chairman	Member
Mr. Arif Memon (Chairman & Managing Director)	Promoter Executive	7	YES	2	2	1	1
Mr. Aftabahmed Kadri	Independent Non Executive	6	YES	0	5	1	3
Mr. Babulal J. Hirani	Professional Non Executive	7	YES	0	6	1	3
Ms. Janki R. Vaghela (ceased. 15.02.2012)	Professional Executive	5	YES	0	2	0	0

Details of Director seeking re-appointment:

At the ensuing Annual General Meeting, Mr. Babulal Hirani, retire by rotation and being eligible offer himself for re-appointment. The brief resume, experience, functional expertise and membership on various Board and committees of the Directors propogosed to be re-appointed/appointed as mentioned in item no. 3 and item no. 5 to 10 of the Notice as per Corporate Governance Code defined under Clause 49 of the Listing Agreement are furnished below:

Name of Director	Mr. Babulal Hirani	Mr. S. R. Das	Mr. Deepak Raval	Mr. Vijay Vora	Mr. Siva Ravindran	Mr. R. M. Dhar	Mr. Kashee Mayun
Date of Birth	23.11.1945	14.09.1950	19.08.1959	07.02.1959	08.03.1952	08.05.1950	15.02.1947
Date of Initial Appointment	10.10.2008	14.08.2012	14.08.2012	14.08.2012	14.08.2012	14.08.2012	14.08.2012
Qualification	B. A.	Petroleum Engineering	B.Com., LLB., CAIIB, FCS	Chemical Engineer	Petroleum Engineer	Petroleum Engineer	Graduate
Expertise in Specific functional area	Banking Sector	Petroleum Engineering, Upstream Oil & Gas Business, production, offshore & onshore drilling, Exploration & development of Geothermal resources etc.	Company Law, Secretarial, Securities Laws, Legal, Capital Market etc.	Chemical Engineering, Lubricating Oil etc.	Petroleum Engineering, Production, Testing and multidisciplinary E & P activities related to oil & Gas.	Petroleum Engineering, Operations, Reservoir, Simulation related to oil & Gas Industry etc.	Finance, Legal, Secretarial, Administration etc.
No. of Shares held in the Company	NIL	NIL	NIL	NIL	NIL	NIL	NIL
List of other Companies in which holds Directorship	13	4	6	5	4	1	4
Chairman/Membership of Committee of Director of the Company	3	NIL	NIL	NIL	NIL	NIL	NIL
Chairman/Membership of Committee of Director of Other Company	3	NIL	NIL	NIL	NIL	NIL	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, 2012

5 (Five) Audit Committee meetings were held during 2011-12. The dates on which the said meetings were held are as follows:

13.05.2011, 12.08.2011, 02.09.2011, 15.11.2011, 15.02.2012.

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

6. SHAREHOLDERS' AND INVESTORS' GRIEVANCE COMMITTEE:

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

NAMES	CATEGORY	NO. OF MEETING HELD	NO. OF 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. Deepak Raval, CEO & Company Secretary is the compliance officer for the Company.

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.

Status of Investors Complaints during the year under review is as follows:

No. of complaints received : Nil

No. of complaints resolved : N.A

No. of complaints pending : N.A

7. GENERAL BODY MEETINGS:

a) Details of last three Annual General Meetings held:

Financial Year	Location	Date	Day	Time	Type of Meeting	Special Resolutions passed
2010-11	23, Vaswani Mansion, 4th Floor, Dinshaw Vaccha Rd., Opp. K.C. College, Churchgate, Mumbai - 400 020.	29 th September, 2011	Thursday	10.00 a.m	AGM	4
2009-10	Patel Restaurant, 95/97, Topiwala Mansion, Masjid Bunder, Mohammed Ali Road, Mumbai 400 003.	29 th September, 2010	Wednesday	11.00 a.m	AGM	3
2008-09	Lions Club (Society) of Ahmedabad Lions Halls, Nr. Mithakhali Six Road, Ellisbridge, Ahmedabad - 06.	30 th September, 2009	Wednesday	11.00 a.m	AGM	1

b) Postal Ballot:

No Special Resolution was passed through postal ballot during the Financial Year 2011-12. In the ensuing Annual General Meeting, there is no business requiring Postal Ballot.

8. DISCLOSURES:

During the financial year 2011-12, 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.

9. MEANS OF COMMUNICATION:

In 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.

10. CEO / CFO CERTIFICATION:

The Chief Executive Officer (CEO) 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 Program of the 18th ANNUAL GENERAL MEETING:

DATE : 29th SEPTEMBER, 2012

DAY : SATURDAY

TIME : 10.00 A.M.

VENUE : Y.M.C.A International House, Y.M.C.A Road, Near Maratha Mandir, Mumbai Central, Mumbai – 400 008

b) FINANCIAL YEAR: 1st April, 2011 to 31st March, 2012.

c) BOOK CLOSURE DATE: 23rd September,2012 to 29th September, 2012 (Both days inclusive)

d) DIVIDEND PAYMENT DATE: 5th October 2012.

e) LISTING ON STOCK EXCHANGES:

The Company's Equity shares are listed on the Bombay Stock Exchange Ltd. (BSE)

f) STOCK CODE:

Bombay Stock Exchange Ltd.: 531612

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

g) MONTHWISE STOCK MARKET PRICE DATA (BSE) RELATING TO EQUITY SHARES OF THE COMPANY FOR THE PERIOD 1ST APRIL, 2011 TO 31ST MARCH, 2012.

PERIOD FROM April, 2011 to March, 2012	PRICE PER SHARE		NO OF SHARES TRADED
	HIGH (₹)	LOW (₹)	
April, 2011	99.10	81.50	19,29,066
May, 2011	84.00	58.00	28,63,848
June, 2011	89.90	63.45	13,75,955
July, 2011	68.90	50.45	14,26,580
August, 2011	52.65	30.00	35,38,480
September, 2011	33.35	19.70	19,47,065
October, 2011	31.50	19.15	6,60,583
November, 2011	20.90	14.10	26,06,168
December, 2011	27.35	13.40	38,65,432
January, 2012	32.90	21.45	44,02,996
February, 2012	29.80	23.00	85,49,964
March, 2012	28.70	15.15	1,51,46,980

(Source- www.bseindia.com)

h) 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

i) 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.

j) DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH, 2012 :

SR. NO.	RANGE OF HOLDING	NO. OF SHARE HOLDERS	NO. OF SHARE	SHARES AMOUNT	% TO CAPITAL
1.	Upto 500	1504	179644	179644	0.081
2.	501 to 1000	220	188258	188258	0.085
3.	1001 to 2000	123	187480	187480	0.084
4.	2001 to 3000	76	193172	193172	0.087
5.	3001 to 4000	39	143727	143727	0.065
6.	4001 to 5000	108	530982	530982	0.239
7.	5001 to 10000	269	2507387	2507387	1.127
8.	Above 10000	849	218569350	218569350	98.233
TOTAL		3188	222500000	222500000	100

K) SHAREHOLDING PATTERN AS ON 31ST MARCH, 2012:

SR. NO.	CATEGORY	NO. SHARE	PERCENTAGE
1.	Indian Public	90150414	40.52%
2.	NRI's / OCBs	14960	0.00%
3.	Mutual Funds and UTI	NIL	NIL
4.	Banks, Financial Institutions and Insurance Companies (Central Institutions)	11970925	5.38%
5.	Clearing Member	1697715	0.76%
6.	Corporate Bodies	5145453	2.31%
7.	Indian Promoters	113520533	51.02%
8.	Forfeiture of Shares	NIL	NIL
TOTAL		222500000	100%

D) DEMATERIALIZATION OF SHARES AND LIQUIDITY:

Percentage of Shares held in Physical form	:	20.28%
Electronic form with NSDL	:	66.82%
Electronic form with CDSL	:	12.90%

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

KG N 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, 2012.

Date : 14.08.2012

Place : Mumbai

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

KG N INDUSTRIES LIMITED

Sd/-

ARIF I MEMON

CHAIRMAN & MANAGING DIRECTOR

AUDITORS' CERTIFICATE

To,
The Members,
KG N 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 KG N Industries Limited for the year ended 31st March, 2012, 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.

Date: 14.08.2012

Place: Mumbai

**FOR : KIRIT & CO.
CHARTERED ACCOUNTANTS**

Sd/-

PROPRIETOR

CERTIFICATION BY CHIEF EXECUTIVE OFFICER OF THE COMPANY :

We, Mr. Arif I. Memon, Chairman & Managing Director and Mr. Aftab Ahmed Kadri, Independent Director & Chairman of the Audit Committee and Deepak Raval, Chief Executive Officer & Company Secretary 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 materiality 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 the existing accounting standards, applicable laws, and regulations.
- (b) There are, to 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 policies 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.
- a) We further declare that all Board Members and Senior Management have affirmed compliance with the Code of Conduct for the current year.

Date : 14th August, 2012

Arif Ismail Memon : Chairman & Managing Director

Place : Mumbai

Aftab Ahmed Kadri : Independent & Chairman Audit Committee

Deepak Raval : Chief Executive Officer & Company Secretary

AUDITORS' REPORT

To,
The Members of,
KGN INDUSTRIES LIMITED,

1. We have audited the attached Balance Sheet of M/s. KGN INDUSTRIES LIMITED, as at 31st March, 2012 and Profit & Loss Account Statement Balance 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.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended Companies (Auditor's Report) (Amended) Order, 2004, issued by the Central Government of India in terms of sub – section (4A) of Section 227 of Companies Act, 1956, we enclose in the Annexure hereto a statement specified in paragraph 4 and 5 of the said order.

We report that:

- (i) 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 ;
- (ii) In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of those books;
- (iii) The Balance Sheet and Profit & Loss Statement Balance dealt with by this report are in agreement with the books of account;
- (iv) On the basis of the written representation received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (v) In our opinion, the Balance Sheet & Profit & Loss Statement Balance complies with the mandatory Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with the notes thereon give the information required by the Companies

Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) In the case of the Balance Sheet, of the state of affairs of the company as on 31st March, 2012.
- b) In the case of the Profit & Loss Account Statement Balance, of the profit for the year ended on 31st March, 2012.
- c) In the case of the Cash Flow Statement, of the Cash Flows for the year ended on 31st March, 2012.

For: Kirit & Co.
Chartered Accountants

Sd/-
Kirit Kumar
Proprietor
M.No. 038047
FRN: 132282W
Place : Ahmedabad
Date : 14th August, 2012

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. There is no Inventories at the beginning as well as at the end of the year.
3. (a) The Company has granted unsecured loan to its Subsidiary Company and other parties covered in the register maintained u/s 301 of the Companies Act, 1956. The Maximum amount granted during the year and year end balance of loan to such subsidiary was as per details given below. The terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.

Sr. No.	Name of the Party	Relation with the Company	Maximum Outstanding (in ₹)	Closing Balance As on 31/03/2012 (in ₹)
1.	KGN Projects Limited	Subsidiary Company	38,82,555/-	24,11,000/-
2.	KGN Enterprises Limited	Associates	24,84,00,535/-	23,99,66,980/-

- (b) The Company has not taken loans, secured or unsecured from the companies or other parties covered in the register maintained u/s 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanation given to us, there is adequate Internal Control Procedure commensurate with 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 notice in the internal control system.
5. (a) In our opinion, and according to the information and explanations given to us, the transactions that need to be entered into 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 arrangement 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 price which are reasonable having regard to prevailing market price at the relevant time.

6. The Company has not accepted deposits from the public, within the meaning of section 58A and 58AA of the Act and rules framed there under.
7. In our opinion, the company has an internal audit system commensurate with the size and nature of the business.
8. As informed to us, the Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 for the Company.
9. (a) According to the information and explanation 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 Insurance, 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 explanation given to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Service Tax, Custom Duty and Excise Duty were in arrears, as at 31st March, 2012 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, Custom 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 has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
11. Based on our examination of the records and 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. Based on our examination or the records and the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities during the year.
13. In our opinion and according to the information and explanation given to us, the Company is not a chit fund or a Nidhi / Mutual benefit fund/society. Accordingly the provisions of the clause 4(xiii) of the said Order are not applicable to the Company.
14. During the year under audit, Company has not dealt or traded in shares, securities, debentures and other investments. Therefore we have no comments to offer under clause (xiv) of the Order.

15. According to the information and explanations given to us, the Company has not given any guarantee for Loans taken by others from bank or financial institutions.
16. The Company has not obtained any term loan during the year and therefore, we have no comments to offer under clause (xvi) of the Order.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, in our opinion funds raised on a short-term basis have not been used for long term investment and vis-a-versa, during the year.
18. The Company has not made any 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. According to the information and explanations given to us, the Company has not issued any debentures during the year.
20. According to the information and explanations given to us, the Company has not raised any money by way of public issue during the year and accordingly the provision of the relevant clause of the order is not applicable to the Company.
21. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For: Kirit & Company
Chartered Accountants

Sd/-

Kirit Kumar

Proprietor

M. No. 038047

FRN : 132282W

Place: Ahmedabad

Date: 14th August, 2012

KGN INDUSTRIES LIMITED
Balance Sheet as at 31st March 2012

(Amount in ₹)

Particulars	Note	As at 31 st March, 2012	As at 31 st March, 2011
I. EQUITY AND LIABILITIES			
1 Shareholders' Funds			
(a) Share Capital	1	222,500,000	222,500,000
(b) Reserves and Surplus	2	389,234,155	384,794,769
2 Non-Current Liabilities			
(a) Deffered Tax Liabilities (Net)	3	292,003	213,196
(b) Long-Term Provisions	4	-	1,468,128
3 Current Liabilities			
(a) Short-Term Borrowings	5	3,500,000	-
(b) Trade Payables		-	-
(c) Other Current Liabilities	6	2,572,687	1,843,206
(d) Short-Term Provisions	7	15,721,204	9,165,545
TOTAL		633,819,999	619,984,844
II. ASSETS			
Non-Current Assets			
1 (a) Fixed Assets			
(i) Tangible Assets	8	6,100,699	6,778,664
(ii) Intangible Assets		177,600	177,600
(b) Non-Current Investments	9	35,259,940	35,259,940
(c) Long-Term Loans and Advances	10	430,959,173	414,853,693
(d) Other Non-Current Assets	11	651,924	977,888
2 Current Assets			
(a) Trade Receivables	12	51,751,371	50,735,029
(b) Cash And Cash Equivalents	13	4,358,806	4,254,171
(c) Short-Term Loans And Advances	14	103,804,146	106,603,998
(d) Other Current Assets	15	756,339	343,861
TOTAL		633,819,999	619,984,844
Significant Accounting Policies & Notes to Accounts	1 to 27		

The Accompanying notes are an Integral Part of Financial Statements

As Per our Report of even date

For and on behalf of the Board of Directors

For Kirit & Company
Chartered Accountants

Sd/-

Sd/-

Arif I Memon**Babulal J Hirani**

Chairman & Managing Director

Director

Kirit Kumar

Proprietor

Membership No. 038047

(FRN. : 132282 W)

Date : 14th August, 2012

Place : Ahmedabad

Sd/-

Deepak Raval

CEO & Company Secretary

Date : 14.08.2012**Place : Mumbai**

KGN INDUSTRIES LIMITED**Profit and Loss statement for the year ended 31st March 2012**

(Amount in ₹)

Particulars		Note	2011-2012	2010-2011
INCOME				
I.	Revenue From Operations	16	25,285,000	30,736,370
II.	Other Income	17	862,495	27,252,418
III.	Total Revenue (I + II)		26,147,495	57,988,788
IV. EXPENDITURE				
	Purchases of Stock-in-Trade		-	31,897,201
	Employee Benefits Expense	18	4,846,050	3,477,557
	Finance Costs	19	16,532	123,219
	Depreciation and Amortization Expense	20	1,155,248	940,195
	Other Expenses	21	9,353,978	12,256,139
	Total Expenses		15,371,808	48,694,311
V	Profit Before Tax (III- IV)		10,775,687	9,294,477
VI	Tax Expense:			
	(1) Current Tax		3,671,377	3,500,000
	(2) Deferred Tax		78,807	177,799
VII	Profit for the Year (V-VI)		7,025,503	5,616,678
VIII	Earnings per Shares of ₹ 1/- each fully paid up (in ₹)			
	Basic		0.032	0.025
	Diluted		0.032	0.025
Significant Accounting Policies & Notes to Accounts		1 to 27		

The Accompanying notes are an Integral Part of Financial Statements

As Per our Report of even date
For Kirit & Company
Chartered Accountants

For and on behalf of the Board of Directors

Sd/-

Sd/-

Kirit Kumar

Proprietor

Membership No. 038047

(FRN. : 132282 W)

Date : 14th August, 2012

Place : Ahmedabad

Arif I Memon

Chairman & Managing Director

Sd/-

Deepak Raval

CEO & Company Secretary

Date : 14.08.2012

Place : Mumbai

Babulal J Hirani

Director

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

1. SHARE CAPITAL

(Amount in ₹)				
	As at 31 st March 2012		As at 31 st March 2011	
	Number		Number	
SHARE CAPITAL				
Authorised Share Capital				
23,00,00,000 Equity shares of ₹ 1 each (P.Y. : 23,00,00,000 Equity shares of ₹ 1 each)	230,000,000	230,000,000	230,000,000	230,000,000
	230,000,000	230,000,000	230,000,000	230,000,000
Issued, Subscribed & Paid up :				
22,25,00,000 Equity shares of ₹ 1 each (P.Y. : 22,25,00,000 Equity shares of ₹ 1 each)	222,500,000	222,500,000	222,500,000	222,500,000
TOTAL	222,500,000	222,500,000	222,500,000	222,500,000

1.1 The Reconciliation of the Number of Shares Outstanding is set out below :

Particulars	As at 31 st March 2012		As at 31 st March 2011	
	Number		Number	
Shares Outstanding at the beginning of the year	222,500,000	222,500,000	222,500,000	222,500,000
Shares Issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	222,500,000	222,500,000	222,500,000	222,500,000

1.2 The details of shareholders holding more than 5% shares :

Name of Shareholder	As at 31 st March 2012		As at 31 st March 2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
KGN Holdings Private Limited	109,089,000	49.03%	109,089,000	49.03%

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

2. RESERVES AND SURPLUS

	As at 31 st March 2012	As at 31 st March 2011
RESERVE & SURPLUS		
A. Share Premium		
Opening Balance	350,000,000	350,000,000
	350,000,000	350,000,000
B. Profit & Loss Statement Balance		
Opening Balance	34,794,769	29,178,091
(+) Current Year Transfer	7,025,503	5,616,678
Less : Appropriation		
Proposed Dividend on Equity Shares (Dividend Per Share ₹ 0.01/- (Previous Year - Nil)	2,225,000	-
Dividend Tax	361,117	
Closing Balance	39,234,155	34,794,769
TOTAL	389,234,155	384,794,769

3. DEFERRED TAX LIABILITIES

	As at 31 st March 2012	As at 31 st March 2011
DEFERRED TAX LIABILITIES(NET)		
Related To Fixed Assets	292,003	213,196
TOTAL	292,003	213,196

4. LONG TERM PROVISIONS

	As at 31 st March 2012	As at 31 st March 2011
LONG TERM PROVISIONS		
(a) Others		
Provision for Income Tax*	-	1,468,128
TOTAL	-	1,468,128

4.1 *Provisions for Income tax for the A.Y. 2009-10.

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

5. SHORT TERM BORROWINGS

	As at 31 st March 2012	As at 31 st March 2011
SHORT TERM BORROWINGS		
Unsecured		
(a) Other	3,500,000	-
TOTAL	3,500,000	-

6. DEFERRED TAX LIABILITIES

	As at 31 st March 2012	As at 31 st March 2011
OTHER CURRENT LIABILITIES		
Provision for Audit Fees	125,400	36,000
Provision for Expenses*	82,086	-
TDS Payable **	507,423	546,647
Sundry Creditor For Expenses	1,857,778	1,260,559
TOTAL	2,572,687	1,843,206

6.1 * Includes Provision for Salary, Telephone, Electricity, Advertisement.

6.2 ** Includes TDS Payable in respect of Professional Fees & Salary.

7. SHORT TERM PROVISIONS

	As at 31 st March 2012	As at 31 st March 2011
SHORT TERM PROVISIONS		
(a) Provision for employee benefits		
Salary & Reimbursements	299,165	-
(b) Others	-	-
Professional Tax	(1,000)	-
Proposed Dividend	2,225,000	-
Tax on Dividend	361,118	-
Provision for Income Tax A.Y. 2012-13	3,671,377	-
Provision for Income Tax*	9,165,545	9,165,545
TOTAL	15,721,204	9,165,545

7.1 * Includes Provision for the Year A.Y. 2010-11 & A.Y. 2011-12.

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

8. FIXED ASSETS

FIXED ASSETS	GROSS BLOCK							ACCUMULATED DEPRECIATION				NET BLOCK	
	BALANCE AS AT 1 ST APRIL 2011	ADDITIONS/ (DISPOSALS)	ACQUIRED THROUGH BUSINESS COMBINATIONS	REVALUATIONS/ (IMPAIRMENTS)	BALANCE AS AT 31 ST MARCH 2012	BALANCE AS AT 1 ST APRIL 2011	DEPRECIATION CHARGE FOR THE YEAR	ADJUSTMENT DUE TO REVALUATIONS	ON DISPOSALS	BALANCE AS AT 31 ST MARCH 2012	BALANCE AS AT 31 ST MARCH 2011		
a													
Tangible Assets													
Furniture and Fixtures(6.33%)	571,510	52,662	-	-	624,172	6,542	39,058	-	-	45,600	578,572	564,968	
Vehicles(9.50%)	6,172,159	-	-	-	6,172,159	892,019	586,355	-	-	1,478,374	4,693,785	5,280,140	
Office equipment (4.75%)	429,324	24,090	-	-	453,414	32,114	35,154	-	-	67,268	386,146	397,210	
Computers (16.21%)	966,263	74,567	-	-	1,040,830	429,917	168,717	-	-	598,634	442,196	536,346	
Total	8,139,256	151,319	-	-	8,290,575	1,360,592	829,284	-	-	2,189,876	6,100,699	6,778,664	
b													
Intangible Assets													
Trade Mark	177,600	-	-	-	177,600	-	-	-	-	-	177,600	177,600	
Total	177,600	-	-	-	177,600	-	-	-	-	-	177,600	177,600	
Total	8,316,856	151,319	-	-	8,468,175	1,360,592	829,284	-	-	2,189,876	6,278,299	6,956,264	

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

9. NON-CURRENT INVESTMENTS

Name of Shareholder	As at 31 st March 2012		As at 31 st March 2011	
	Number of Shares	Amount	Number of Shares	Amount
NON-CURRENT INVESTMENTS				
A. TRADE INVESTMENTS	-	-	-	-
B. OTHER INVESTMENTS				
(A) In Equity Shares of Subsidiary Companies				
UNQUOTED , fully Paid up KGN Projects Limited	99,994	999,940	99,994	999,940
(B) In Preference Shares - KGN Enterprises Limited *	500,000	5,000,000	500,000	5,000,000
(C) In Equity Shares of other Companies				
Asian Logistics Limited		29,250,000		29,250,000
(B) National Saving Certificate		10,000		10,000
		35,259,940		35,259,940
TOTAL (A+B)	599,994	35,259,940	599,994	35,259,940

9.1 * No Market Value of Preference Shares of KGN Enterprise Limited as Shares are not Traded.

10. LONG TERM LOANS AND ADVANCES

	As at 31 st March 2012	As at 31 st March 2011
a. Loans and Advances to Related Parties		
Unsecured, considered good		
KGN Enterprises Limited	239,966,980	208,607,500
KGN Properties Private Limited	141,748,543	157,002,543
b. Others Loans and Advances		
Unsecured, considered good	49,243,650	49,243,650
TOTAL	430,959,173	414,853,693

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

11. OTHER NON-CURRENT ASSETS

	As at 31 st March 2012	As at 31 st March 2011
OTHER NON-CURRENT ASSETS		
Preliminary Expenses not Written Off	651,924	977,888
TOTAL	651,924	977,888

Note : Preliminary Expenses to be written off in the coming year having term more than the Normal Operating Cycle (i.e. 12 months) has shown here.

12. TRADE RECEIVABLE

	As at 31 st March 2012	As at 31 st March 2011
TRADE RECEIVABLE		
(Unsecured and Considered Good)		
Over Six Months	26,466,371	26,477,529
Other	25,285,000	24,257,500
TOTAL	51,751,371	50,735,029

13. CASH AND CASH EQUIVALENTS

	As at 31 st March 2012	As at 31 st March 2011
CASH AND CASH EQUIVALENTS		
a. Balances with banks	1,295,553	1,239,991
b. Cash in hand	63,253	14,180
c. Fixed Deposit with Bank	3,000,000	3,000,000
TOTAL	4,358,806	4,254,171

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

14. SHORT-TERM LOANS AND ADVANCES

	As at 31 st March 2012	As at 31 st March 2011
SHORT-TERM LOANS AND ADVANCES		
a. Security Deposit		
Unsecured, considered good		
Deposit with Government Authority	88,929,250	88,904,250
Mumbai Office Deposit	2,211,300	2,211,300
Electricity Deposit	78,000	78,000
Gas Deposit	3,150	3,150
Telephone Deposit	22,843	22,793
a. Loans and Advances to Related Parties		
Unsecured, considered good		
Deepak Rawal	1,200,000	-
KGN Project Limited	2,411,000	6,150,000
Nazneen Memon	837	-
b. Others (specify nature)		
Unsecured, considered good		
Advance Income Tax	-	500,000
Advance to Employee	138,200	120,500
Balance With Revenue Authority	2,956,022	4,204,139
Biotor Industires Limited	1,720,845	1,720,845
Other	4,132,700	2,689,021
TOTAL	103,804,146.35	106,603,997.95

15. OTHER CURRENT ASSETS

	As at 31 st March 2012	As at 31 st March 2011
OTHER CURRENT ASSETS		
Interest Receivable	248,723	17,897
Other Income Receivable	162,663	-
Prepaid Insurance	18,989	-
Preliminary Expenses not Written Offi	325,964	325,964
TOTAL	756,339	343,861

Note : Preliminary Expenses to be written off during the normal operating cycle (i.e.12 Months) has been shown here.

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012**16. REVENUE FROM OPERATION**

	As at 31 st March 2012	As at 31 st March 2011
REVENUE FROM OPERATION		
Income from Operation	25,285,000	30,736,370
TOTAL	25,285,000	30,736,370

17. OTHER INCOME

	As at 31 st March 2012	As at 31 st March 2011
OTHER INCOME		
Interest on Fixed Deposit	256,476	1,163,711
Dividend Income	585,000	-
Kasar-Vatav	12,042	-
Other Income	8,977	26,088,707
TOTAL	862,495	27,252,418

18. EMPLOYEE BENEFITS EXPENSE

	As at 31 st March 2012	As at 31 st March 2011
EMPLOYEE BENEFITS EXPENSE		
(a) Salaries and Incentives	2,526,691	1,195,032
(b) Directors' Remuneration	2,250,000	2,250,000
(c) Staff Welfare Expenses	69,359	32,525
TOTAL	4,846,050	3,477,557

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

19. FINANCE COST

	As at 31st March 2012	As at 31st March 2011
FINANCE COST		
Bank Charges	16,532	48,219
Handling/Shipping Charges	-	75,000
TOTAL	16,532	123,219

20. DEPRECIATION & AMORTISATION EXPENSES

	As at 31st March 2012	As at 31st March 2011
DEPRECIATION & AMORTISATION EXPENSES		
Depreciation on Fixed Assets	829,284	614,231
Preliminary Expense Written Off during the year	325,964	325,964
TOTAL	1,155,248	940,195

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

21. OTHER EXPENSES

	As at 31 st March 2012	As at 31 st March 2011
OTHER EXPENSES		
A. ADMINISTRATION EXPENSES		
Advertisement Expenses	73,859	64,667
Audit Fees Expenses	96,000	40,000
Bad Debt Written Off	-	161,679
Car Expenses	32,594	-
Conveyance Expenses	55,649	217,445
Commission Expenses	-	397,000
Demat Expenses	785	-
Donation Expenses	11,000	2,689,166
Electricity Expenses	374,154	194,687
Food & Refreshment Expenses	100,294	-
Gift & Voucher Expenses	20,709	-
Government Fee for Trade Mark	3,000	-
Hotel Club & Hospitality Expenses	25,402	398,816
Income Tax Expenses(F.Y. 2007-2008 and F.Y. 2008-09)	420,242	-
Insurance Expenses	17,746	13,564
Kasar & Vatav Expenses	-	53,303
Legal & Professional Fees	289,823	2,074,336
Listing(BSE & ASE) Fees	176,480	145,872
Lodging & Boarding Expenses	580,227	-
Membership Fees Expenses	29,454	-
Miscellaneous Expenses	221,531	107,317
Office Expenses	75,971	269,165
Office Rent, Rate & Taxes Expenses	4,501,146	2,697,186
Petrol Expense	91,424	-
Postage & Courier Expenses	26,407	15,238
Printing & Stationery Expenses	88,297	162,525
Professional Tax	2,500	-
Property Tax	27,005	-
Repair & Maintenance Expenses	73,878	260,219
ROC Expenses	12,625	-
Sales Promotion Expenses	140,907	65,328
Sales Tax Registration Fees	14,540	-
Society Maintenance Expenses	52,436	-
Staff Recruitment Expenses	11,995	-
Stamp Expenses	-	63,930
Subscription Expenses	10,999	-
Telephone & Broadband Expenses	354,946	209,057
Travelling Expenses		
Foreign Travelling Expenses	297,806	170,287
Director Travelling Expenses	701,661	312,355
Other Travelling Expenses	333,559	522,870
Trademark Of Gov Fees	-	24,900
Web Development Expenses	6,926	10,100
(A)	9,353,978	11,341,012
B. DIRECT EXPENSES		
Custom Duties Expenses	-	915,127
(B)	-	915,127
TOTAL	9,353,978	12,256,139
(A+B)		

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

22. In the opinion of the Board of Directors, Current Assets, Non-Current Assets approximate of the value at which these are stated in the Balance Sheet, if realized in the ordinary course of business. Adequate provisions have been made for all known current and non- current liabilities and provisions are not in excess of the amount reasonably necessary.
23. The Revised Schedule VI as notified under the Companies Act, 1956 has become applicable to the company for the presentation of its Financial Statements for the year ending March 31, 2012. The adoption of Revised Schedule VI requirements has significantly modified the presentation disclosure which has been with in these Financial Statements. Previous year figures have been regrouped/rearranged wherever necessary to conform to the current year grouping.
24. Contingent Liability is not provided for is ₹ 'NIL'.
25. All Debit and Credit balance and accounts squared up during the year are subject to confirmation from respective parties.

26. RELATED PARTY DISCLOSURES:

As per Accounting Standard 18, the disclosures of transactions with the related parties are given below:

- (i) **List of Related Parties where control exists and Related Parties with whom transactions have been taken place and relationships :**

S.No.	Name of Related Party	Relationship
1	KGN Projects Limited	Subsidiary
2	KGN Enterprises Limited	Enterprise over which Key Managerial Personnel are able to exercise significant influence
3	KGN Properties Private Limited	Enterprise over which Key Managerial Personnel are able to exercise significant influence
4	Arif I Memon	Key Managerial Personnel Promoter
5	Deepak Raval	CEO & Company Secretary

(i) List of Related Parties where control exists and Related Parties with whom transactions have been taken place and relationships :

S.No.	Nature of Transactions	Key Managerial Personnel	Subsidiaries	Others	Total
1	Net Loans & Advances Given / (Returned)	12,00,000/-	24,11,000/-	NIL	36,11,000/-
2	Employee Benefit Expense	22,50,000/-	NIL	NIL	22,50,000/-

27. Payment to Auditor

Payment to the Auditor	2011-2012	2010-2011
a. For Statutory Audit	40,000	20,000
b. For Tax Audit	20,000	10,000
c. For Consulting Fees	36,000	10,000

For: Kirit & Co.

Chartered Accountants

Sd/-

Kirit Kumar

Proprietor

M.No. 038047

FRN: 132282W

Place : Ahmedabad

Date : 14th August, 2012

27. SIGNIFICANT ACCOUNTING POLICIES:**1. 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.

2. 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 results and estimates are recognized in the period in which the results are known / materialized.

3. FIXED ASSETS:

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

4. 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.

5. INVESTMENTS:

The Non- Current Investments are stated at cost. Provision for diminution in the value of Investments is made only if; such a decline is other than temporary. In the opinion of the management, there are no diminutions in the value of Investment.

6. 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 realizable value whichever is lower.

There are no Inventories at the beginning as well as at the end of the year.

7. PRELIMINARY EXPENDITURE:

Preliminary Expenses is to be written off in equal installment over 5 years from the date of their incurrence.

8. REVENUE RECOGNITION:

All incomes and expenditure are accounted on accrual basis except where stated otherwise. Dividend income is recognized when right to receive is established. Interest income is recognized on time proportion basis taking in to account the amount outstanding and rate applicable.

9. TAXES ON INCOME:

Provision for the current tax is made after taking into consideration benefit admissible under the provision of the Income Tax Act, 1961. Deferred Tax resulting from difference between depreciation as per Companies Act, 1956 and Income Tax Act, 1961. Deferred Tax Asset is recognized and carried forward only to the extent that there is a virtual certainty that the assets will be realised in future.

10. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS:

Provisions involving substantial degree of the estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. There are no such liabilities during the year.

11. BORROWING COSTS:

The Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying assets is one that necessarily take substantial period of time to get ready for its intended use. All other Borrowing Costs are charged to Profit & Loss Account.

There are no borrowing costs during the year.

12. IMPAIRMENT OF ASSETS

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 is estimated. An Impairment loss is recognized whenever Carrying Amount of an asset exceeds its Recoverable Amount. An asset is treated as impaired when the carrying cost exceeds its recoverable value.

There is no Impairment of assets during the year.

13. FOREIGN CURRENCY TRANSACTIONS:

- i. Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction or that approximates the actual rate at the date of 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 recognized 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 recognized as exchange difference.
- iv. In respect of hedging transactions, the premium/discount represented by difference between the exchange rate as the date of inception of the forward exchange contract and forward rate specified in the contract is amortized as expense or income over the life of the contract.

There are no Foreign Currency Transactions during the year.

14. GENERAL ACCOUNTING POLICIES:

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

For Kirit & Company
Chartered Accountants

Sd/-
Kirit Kumar

Proprietor
M. No. 038047
FRN. : 132282 W
Place : Ahmedabad
Date : 14th August, 2012

For and on behalf of the Board

Sd/-
Arif I Memon
Chairman & Managing Director

Sd/-
Babulal J Hirani
Director

Sd/-
Deepak Raval
CEO & CS

Date : 14.08.2012
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, 2012
3.	Number of shares held in Subsidiary Company on the above date	1,00,000
4.	Extent of share holding interest (in %)	99.994%
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	N.A
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	8,29,570
b)	For the Previous Financial Years, Since it became Holding Company's Subsidiary	(21,831)
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 2011-12**

(Amount in ₹)

Particulars	31 st March, 2012	31 st March, 2011
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax as per Profit and Loss Statement Balance	10,775,687	9,294,477
Adjustment For:		
Depreciation and Amortisation Expenses	1,155,248	940,195
Finance Cost	16,532	123,219
Dividend income	(585,000)	-
Interest on Fixed Deposits	(256,476)	(1,163,711)
Operating Profit before Working Capital Changes	330,304	(100,297)
Adjustment For:		
(Increase)/Decrease in Trade Receivable	(1,016,342)	(14,452,026)
(Increase)/Decrease in Other Current Assets	(412,478)	31,897,201
Increase/(Decrease) in Current Liabilities	729,481	(2,866,776)
Increase/(Decrease) in Other Liabilities	1,416,153	-
Changes in Working Capital	716,814	14,578,399
Cash Generated From Operations	11,822,805	23,772,579
Taxes Paid	-	-
Net Cash Flow from Operating Activities	11,822,805	23,772,579
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(151,319)	(2,827,861)
Investment In Shares of Asian Logistic Limited		(35,249,940)
Interest on Fixed Deposits	256,476	1,163,711
Dividend Income	585,000	-
Movement in Long Term Loans And Advances	(13,305,628)	(71,651,693)
Net Cash Used in Investing Activities	(12,615,471)	(108,565,783)
C) CASH FLOW FROM FINANCING ACTIVITIES		
Finance Cost	(16,532)	(123,219)
Dividend and Dividend Distribution Tax	(2,586,118)	(2,603,139)
Movement in Short Term Borrowings	3,500,000	-
Net Cash Used in Financing Activities	897,351	(2,726,358)
Net Cash flow (A+B+C)	104,685	(87,519,562)
Cash & Cash Equivalents at the beginning of the year	4,254,171	91773733
Cash & Cash Equivalents at the end of the year	4,358,806	4,254,171

As Per our Report of even date
For Kirit & Company

Sd/-
Kirit Kumar
 Proprietor
 Membership No. 038047
 (FRN. : 132282 W)
 Date : 14th August, 2012
 Place : Ahmedabad

For and on behalf of the Board of Director

Sd/-
Arif I Memon : Chairman & Managing Director
Babulal J Hirani : Director
Deepak Raval : CEO & Company Secretary
 Date : 14.08.2012
 Place : Mumbai

AUDITORS' REPORT

To,
The Board of Directors of
KGN INDUSTRIES LIMITED,

On the Consolidated Financial Statements

1. We have audited the attached Consolidated Balance Sheet of M/s. KGN INDUSTRIES LIMITED (the "Company") and its Subsidiary; hereinafter referred to as the "Group" as at 31st March, 2012 and Consolidated Profit & Loss Account Statement Balance, Consolidated Cash Flow of the Group 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.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. 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.
4. Base 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.
 - a) In the case of the Consolidated Balance Sheet, of the state of affairs of the Group as on 31st March, 2012.
 - b) In the case of the Consolidated Profit & Loss Account Statement Balance, of the profit of the Group for the year ended on 31st March, 2012.
 - c) In the case of the Consolidated Cash Flow Statement, of the Cash Flows of the Group for the year ended on 31st March, 2012.

For : Kirit & Company
Chartered Accountant

Sd/-

Kirit Kumar

Proprietor

M.No. 038047

FRN: 132282W

Place : Ahmedabad

Date : 14th August, 2012

KGN INDUSTRIES LIMITED
Consolidated Balance Sheet as at 31st March 2012

(Amount in ₹)

Particulars	Note	As at 31 st March, 2012	As at 31 st March, 2011
I. EQUITY AND LIABILITIES			
1 Shareholders' Funds			
(a) Share Capital	1	222,500,000	222,500,000
(b) Reserves and Surplus	2	390,041,894	384,772,938
2 Non-Current Liabilities			
(a) Deffered Tax Liabilities (Net)	3	292,003	213,196
(b) Long-Term Provisions	4	-	1,468,128
3 Current Liabilities			
(a) Short-Term Borrowings	5	3,541,396	41,396
(b) Trade Payables		2,563,315	-
(c) Other Current Liabilities	6	2,583,865	1,848,766
(d) Short-Term Provisions	7	16,092,171	9,165,545
TOTAL		637,614,594	620,009,969
II. ASSETS			
Non-Current Assets			
1 (a) Fixed Assets			
(i) Tangible Assets	8	6,100,699	6,778,664
(ii) Intangible Assets		177,600	177,600
(b) Non-Current Investments	9	34,260,000	34,260,000
(c) Long-Term Loans and Advances	10	430,959,173	414,853,693
(d) Other Non-Current Assets	11	669,382	1,004,075
2 Current Assets			
(a) Trade Receivables	12	51,751,371	50,735,029
(b) Cash And Cash Equivalents	13	4,500,205	5,385,591
(c) Short-Term Loans And Advances	14	107,393,146	106,453,998
(d) Other Current Assets	15	1,803,017	361,319
TOTAL		637,614,594	620,009,969
Significant Accounting Policies & Notes to Accounts	1 to 27		

The Accompanying notes are an Integral Part of Financial Statements

As Per our Report of even date

For and on behalf of the Board of Directors

For Kirit & Company
Chartered Accountants

Sd/-

Sd/-

Arif I Memon**Babulal J Hirani**

Chairman & Managing Director

Director

Kirit Kumar

Proprietor

Membership No. 038047

(FRN. : 132282 W)

Date : 14th August, 2012

Place : Ahmedabad

Sd/-

Deepak Raval

CEO & Company Secretary

Date : 14.08.2012**Place : Mumbai**

KGN INDUSTRIES LIMITED**Consolidated Profit and Loss statement for the year ended 31st March 2012**

(Amount in ₹)

Particulars	Note	2011-2012	2010-2011
INCOME			
I. Revenue From Operations	16	72,336,200	30,736,370
II. Other Income	17	862,495	27,252,418
III. Total Revenue (I + II)		73,198,695	57,988,788
IV. EXPENDITURE			
Purchases of Stock-in-Trade		-	31,897,201
Employee Benefits Expense	18	5,590,050	3,477,557
Finance Costs	19	60,297	123,550
Depreciation and Amortization Expense	20	1,172,706	940,195
Other Expenses	21	54,399,418	12,277,639
Total Expenses		61,222,471	48,716,142
V Profit Before Tax (III- IV)		11,976,224	9,272,646
VI Tax Expense:			
(1) Current Tax		4,042,344	3,500,000
(2) Deferred Tax		78,807	177,799
VII Profit for the Year (V-VI)		7,855,073	5,594,847
VIII Earnings per Shares of ₹ 1/- each fully paid up (in ₹)			
Basic		0.035	0.025
Diluted		0.035	0.025
Significant Accounting Policies & Notes to Accounts	1 to 27		

The Accompanying notes are an Integral Part of Financial Statements

As Per our Report of even date

For Kirit & Company

Chartered Accountants

Kirit Kumar

Proprietor

Membership No. 038047

(FRN. : 132282 W)

Date : 14th August, 2012

Place : Ahmedabad

For and on behalf of the Board of Directors

Sd/-

Arif I Memon

Chairman & Managing Director

Sd/-

Babulal J Hirani

Director

Sd/-

Deepak Raval

CEO & Company Secretary

Date : 14.08.2012**Place : Mumbai**

**NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST MARCH, 2012**

1. SHARE CAPITAL

(Amount in ₹)				
	As at 31 st March 2012		As at 31 st March 2011	
	Number		Number	
SHARE CAPITAL				
Authorised Share Capital				
23,00,00,000 Equity shares of ₹ 1 each (P.Y. : 23,00,00,000 Equity shares of ₹ 1 each)	230,000,000	230,000,000	230,000,000	230,000,000
	230,000,000	230,000,000	230,000,000	230,000,000
Issued, Subscribed & Paid up :				
22,25,00,000 Equity shares of ₹ 1 each (P.Y. : 22,25,00,000 Equity shares of ₹ 1 each)	222,500,000	222,500,000	222,500,000	222,500,000
TOTAL	222,500,000	222,500,000	222,500,000	222,500,000

1.1 The Reconciliation of the Number of Shares Outstanding is set out below :

Particulars	As at 31 st March 2012		As at 31 st March 2011	
	Number		Number	
Shares Outstanding at the beginning of the year	222,500,000	222,500,000	222,500,000	222,500,000
Shares Issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	222,500,000	222,500,000	222,500,000	222,500,000

1.2 The details of shareholders holding more than 5% shares :

Name of Shareholder	As at 31 st March 2012		As at 31 st March 2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
KGN Holdings Private Limited	109,089,000	49.03%	109,089,000	49.03%

**NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST MARCH, 2012**

2. RESERVES AND SURPLUS

	As at 31 st March 2012	As at 31 st March 2011
RESERVE & SURPLUS		
A. Share Premium		
Opening Balance	350,000,000	350,000,000
	350,000,000	350,000,000
B. Profit & Loss Statement Balance		
Opening Balance	34,772,938	29,178,091
(+) Current Year Transfer	7,855,073	5,594,847
Less : Appropriation		
Proposed Dividend on Equity Shares (Dividend Per Share ₹ 0.01/- (Previous Year - Nil)	2,225,000.00	-
Dividend Tax	361,118	
Closing Balance	40,041,894	34,772,938
TOTAL	390,041,894	384,772,938

3. DEFERRED TAX LIABILITIES

	As at 31 st March 2012	As at 31 st March 2011
DEFERRED TAX LIABILITIES(NET)		
Related To Fixed Assets	292,003	213,196
TOTAL	292,003	213,196

4. LONG TERM PROVISIONS

	As at 31 st March 2012	As at 31 st March 2011
LONG TERM PROVISIONS		
(a) Others		
Provision for Income Tax*	-	1,468,128
TOTAL	-	1,468,128

4.1 *Provisions for Income tax for the A.Y. 2009-10.

**NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST MARCH, 2012**

5. SHORT TERM BORROWINGS

	As at 31 st March 2012	As at 31 st March 2011
SHORT TERM BORROWINGS		
Unsecured		
(a) Loans and Advances From Related Parties		
Arif Memon	41,396	41,396
(b) Other		
Others	3,500,000	-
TOTAL	3,541,396	41,396

6. DEFERRED TAX LIABILITIES

	As at 31 st March 2012	As at 31 st March 2011
OTHER CURRENT LIABILITIES		
Provision for Audit Fees	136,518	41,500
Provision for Expenses*	82,086	-
TDS Payable **	507,423	546,647
Sundry Creditor For Expenses	1,857,838	1,260,619
TOTAL	2,583,865	1,848,766

6.1 * Includes Provision for Salary, Telephone, Electricity, Advertisement.

6.2 ** Includes TDS Payable in respect of Professional Fees & Salary.

7. SHORT TERM PROVISIONS

	As at 31 st March 2012	As at 31 st March 2011
SHORT TERM PROVISIONS		
(a) Provision for employee benefits		
Salary & Reimbursements	299,165	-
(b) Others		
Professional Tax	(1,000)	-
Proposed Dividend	2,225,000	-
Tax on Dividend	361,118	-
Provision for Income Tax A.Y. 2012-13	4,042,344	-
Provision for Income Tax*	9,165,545	9,165,545
TOTAL	16,092,171	9,165,545

7.1 * Includes Provision for the A.Y. 2010-11 & A.Y. 2011-12.

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

8. FIXED ASSETS

FIXED ASSETS	GROSS BLOCK								ACCUMULATED DEPRECIATION				NET BLOCK	
	BALANCE AS AT 1 ST APRIL 2011	ADDITIONS/ (DISPOSALS)	ACQUIRED THROUGH BUSINESS COMBINATIONS	REVALUATIONS/ (IMPAIRMENTS)	BALANCE AS AT 31 ST MARCH 2012	BALANCE AS AT 1 ST APRIL 2011	DEPRECIATION CHARGE FOR THE YEAR	ADJUSTMENT DUE TO REVALUATIONS	ON DISPOSALS	BALANCE AS AT 31 ST MARCH 2012	BALANCE AS AT 31 ST MARCH 2011	BALANCE AS AT 31 ST MARCH 2012	BALANCE AS AT 31 ST MARCH 2011	
a														
Tangible Assets														
Furniture and Fixtures(6.33%)	571,510	52,662	-	-	624,172	6,542	39,058	-	-	45,600	578,572	564,968		
Vehicles(9.50%)	6,172,159	-	-	-	6,172,159	892,019	586,355	-	-	1,478,374	4,693,785	5,280,140		
Office equipment (4.75%)	429,324	24,090	-	-	453,414	32,114	35,154	-	-	67,268	386,146	397,210		
Computers (16.21%)	966,263	74,567	-	-	1,040,830	429,917	168,717	-	-	598,634	442,196	536,346		
Total	8,139,256	151,319	-	-	8,290,575	1,360,592	829,284	-	-	2,189,876	6,100,699	6,778,664		
Intangible Assets														
Trade Mark	177,600	-	-	-	177,600	-	-	-	-	-	177,600	177,600		
Total	177,600	-	-	-	177,600	-	-	-	-	-	177,600	177,600		
Total	8,316,856	151,319	-	-	8,468,175	1,360,592	829,284	-	-	2,189,876	6,278,299	6,956,264		

**NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST MARCH, 2012**

9. INVESTMENTS

Name of Shareholder	As at 31 st March 2012		As at 31 st March 2011	
	Number of Shares	Amount	Number of Shares	Amount
NON-CURRENT INVESTMENTS				
A. TRADE INVESTMENTS	-	-	-	-
B. OTHER INVESTMENTS				
(A) In Preference Shares - KGN Enterprises Limited *	500,000	5,000,000	500,000	5,000,000
(B) In Equity Shares of other Companies Asian Logistics Limited		29,250,000		29,250,000
(B) National Saving Certificate		10,000		10,000
		34,260,000		34,260,000
TOTAL (A+B)	500,000	34,260,000	500,000	34,260,000

9.1 * No Market Value of Preference Shares of KGN Enterprise Limited as Shares not Traded.

10. LONG TERM LOANS AND ADVANCES

	As at 31 st March 2012	As at 31 st March 2011
a. Loans and Advances to Related Parties		
Unsecured, considered good		
KGN Enterprises Limited	239,966,980	208,607,500
KGN Properties Private Limited	141,748,543	157,002,543
b. Others Loans and Advances		
Unsecured, considered good	49,243,650	49,243,650
Others		
TOTAL	430,959,173	414,853,693

**NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST MARCH, 2012**

11. OTHER NON-CURRENT ASSETS

	As at 31st March 2012	As at 31st March 2011
OTHER NON-CURRENT ASSETS Preliminary Expenses not Written Off	669,382	1,004,075
TOTAL	669,382	1,004,075

Note : Preliminary Expenses to be written off in the coming year having term more than the Normal Operating Cycle (i.e. 12 months) has shown here.

12. TRADE RECEIVABLE

	As at 31st March 2012	As at 31st March 2011
TRADE RECEIVABLE (Unsecured and Considered Good) Over Six Months Other	26,466,371 25,285,000	26,477,529 24,257,500
TOTAL	51,751,371	50,735,029

13. CASH AND CASH EQUIVALENTS

	As at 31st March 2012	As at 31st March 2011
CASH AND CASH EQUIVALENTS a. Balances with banks b. Cash in hand c. Fixed Deposit with Bank	1,401,570 98,635 3,000,000	1,375,021 1,010,570 3,000,000
TOTAL	4,500,205	5,385,591

**NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST MARCH, 2012**

14. SHORT-TERM LOANS AND ADVANCES

	As at 31 st March 2012	As at 31 st March 2011
SHORT-TERM LOANS AND ADVANCES		
a. Security Deposit		
Unsecured, considered good		
Deposit with Government Authority	88,929,250	88,904,250
Mumbai Office Deposit	2,211,300	2,211,300
Electricity Deposit	78,000	78,000
Gas Deposit	3,150	3,150
Telephone Deposit	22,843	22,793
a. Loans and Advances to Related Parties		
Unsecured, considered good		
Deepak Rawal	1,200,000	-
Nazneen Memon	837	-
b. Others (specify nature)		
Unsecured, considered good		
Advance Income Tax	-	500,000
Advance to Employee	138,200	120,500
Balance With Revenue Authority	2,956,022	4,204,139
Biotor Industires Limited	1,720,845	1,720,845
Others	10,132,700	8,689,021
TOTAL	107,393,146	106,453,997.95

15. OTHER CURRENT ASSETS

	As at 31 st March 2012	As at 31 st March 2011
OTHER CURRENT ASSETS		
Interest Receivable	248,723	17,897
Other Income Receivable	162,663	-
Prepaid Insurance	18,989	-
Preliminary Expenses not Written Off	334,693	343,422
TDS Receivable A.Y. 2012-13	1,037,949	-
TOTAL	1,803,017	361,319

Note : Preliminary Expenses to be written off during the normal operating cycle (i.e.12 Months) has been shown here.

**NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST MARCH, 2012**

16. REVENUE FROM OPERATION

	As at 31st March 2012	As at 31st March 2011
REVENUE FROM OPERATION		
Income From Operation	25,285,000	30,736,370
Income From Services	47,051,200	-
TOTAL	72,336,200	30,736,370

17. OTHER INCOME

	As at 31st March 2012	As at 31st March 2011
OTHER INCOME		
Interest on Fixed Deposit	256,476	1,163,711
Dividend Income	585,000	-
Kasar-Vatav	12,042	-
Other Income	8,977	26,088,707
TOTAL	862,495	27,252,418

18. EMPLOYEE BENEFITS EXPENSE

	As at 31st March 2012	As at 31st March 2011
EMPLOYEE BENEFITS EXPENSE		
(a) Salaries and Incentives	3,246,691	1,195,032
(b) Directors' Remuneration	2,250,000	2,250,000
(c) Staff Welfare Expenses	93,359	32,525
TOTAL	5,590,050	3,477,557

**NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST MARCH, 2012**

19. FINANCE COST

	As at 31st March 2012	As at 31st March 2011
FINANCE COST		
Bank Charges	17,525	48,550
Handling/Shipping Charges	-	75,000
Interest Expenses	42,772	
TOTAL	60,297	123,550

20. DEPRECIATION & AMORTISATION EXPENSES

	As at 31st March 2012	As at 31st March 2011
DEPRECIATION & AMORTISATION EXPENSES		
Depreciation on Fixed Assets	829,284	614,231
Preliminary Expense Written Off during the year	343,422	325,964
TOTAL	1,172,706	940,195

**NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST MARCH, 2012
21. OTHER EXPENSES**

	As at 31 st March 2012	As at 31 st March 2011
OTHER EXPENSES		
A. ADMINISTRATION EXPENSES		
Advertisement Expenses	73,859	64,667
Audit Fees Expenses	101,618	45,500
Bad Debt Written Off	-	161,679
Car Expenses	32,594	-
Conveyance Expenses	128,849	217,445
Commission Expenses	-	397,000
Demat Expenses	785	-
Donation Expenses	11,000	2,689,166
Electricity Expenses	374,154	194,687
Food & Refreshment Expenses	100,294	-
Gift & Voucher Expenses	20,709	-
Government Fee for Trade Mark	3,000	-
Hotel Club & Hospitality Expenses	25,402	398,816
Income Tax Expenses(F.Y. 2007-2008 and F.Y. 2008-09)	420,242	-
Insurance Expenses	17,746	13,564
Inter State Services	44,810,813	-
Kasar & Vatav Expenses	-	53,303
Legal & Professional Fees	289,973	2,074,336
Listing(BSE & ASE) Fees	176,480	145,872
Lodging & Boarding Expenses	580,227	-
Membership Fees Expenses	29,454	-
Miscellaneous Expenses	238,472	123,317
Office Expenses	123,771	269,165
Office Rent, Rate & Taxes Expenses	4,501,146	2,697,186
Petrol Expense	91,424	-
Postage & Courier Expenses	26,407	15,238
Printing & Stationery Expenses	135,097	162,525
Professional Tax	2,500	-
Property Tax	27,005	-
Repair & Maintenance Expenses	73,878	260,219
ROC Expenses	13,543	-
Sales Promotion Expenses	140,907	65,328
Sales Tax Registration Fees	14,540	-
Society Maintenance Expenses	52,436	-
Staff Recruitment Expenses	11,995	-
Stamp Expenses	-	63,930
Subscription Expenses	10,999	-
Telephone & Broadband Expenses	354,946	209,057
Travelling Expenses	-	-
Foreign Travelling Expenses	297,806	170,287
Director Travelling Expenses	701,661	312,355
Other Travelling Expenses	376,759	522,870
Trademark Of Gov Fees	-	24,900
Web Development Expenses	6,926	10,100
(A)	54,399,418	11,362,512
B. DIRECT EXPENSES		
Custom Duties Expenses	-	915,127
(B)	-	915,127
TOTAL	(A+B)	12,277,639

NOTES ON CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

22. In the opinion of the Board of Directors, Current Assets, Non-Current Assets approximate of the value at which these are stated in the Balance Sheet, if realized in the ordinary course of business. Adequate provisions have been made for all known current and non-current liabilities and provisions are not in excess of the amount reasonably necessary.
23. The Revised Schedule VI as notified under the Companies Act, 1956 has become applicable to the company for the presentation of its Financial Statements for the year ending March 31, 2012. The adoption of Revised Schedule VI requirements has significantly modified the presentation disclosure which has been with in these Financial Statements. Previous year figures have been regrouped/rearranged wherever necessary to conform to the current year grouping.
24. Contingent Liability is not provided for is ₹ 'NIL'.
25. All Debit and Credit balance and accounts squared up during the year are subject to confirmation from respective parties.

26. RELATED PARTY DISCLOSURES:

As per Accounting Standard 18, the disclosures of transactions with the related parties are given below:

(i) List of Related Parties where control exists and Related Parties with whom transactions have been taken place and relationships :

S.No.	Name of Related Party	Relationship
1	KGN Projects Limited	Subsidiary
2	KGN Enterprises Limited	Enterprise over which Key Managerial Personnel are able to exercise significant influence
3	KGN Properties Private Limited	Enterprise over which Key Managerial Personnel are able to exercise significant influence
4	Arif I Memon	Key Managerial Personnel
5	Deepak Raval	CEO & Company Secretary

(i) List of Related Parties where control exists and Related Parties with whom transactions have been taken place and relationships :

S.No.	Nature of Transactions	Key Managerial Personnel	Subsidiaries	Others	Total
1	Net Loans & Advances Given / (Returned)	12,41,396/-	24,11,000/-	NIL	36,52,396/-
2	Employee Benefit Expense	22,50,000/-	NIL	NIL	22,50,000/-

27. Payment to Auditor

Payment to the Auditor	2011-2012	2010-2011
a. For Statutory Audit	45,618	25,500
b. For Tax Audit	20,000	10,000
c. For Consulting Fees	36,000	10,000

For Kirit & Company
Chartered Accountants
Sd/-
Kirit Kumar
Proprietor
Membership No. 038047
(FRN. : 132282 W)
Date : 14th August, 2012
Place : Ahmedabad

For and on behalf of Directors
Sd/-
Arif I Memon
Chairman & Managing Director
Sd/-
Deepak Raval
CEO & Company Secretary
Sd/-
Babulal J Hirani
Director
Date : 14.08.2012
Place : Mumbai

SIGNIFICANT ACCOUNTING POLICIES:

1. BASIS OF CONSOLIDATION:

The Consolidated Financial Statements comprises of the Financial Statements of KGN Industries (the Holding Company) and its Subsidiary. 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 Company have been combined on a line by line basis adding together like items of Assets, Liabilities, Income and Expenses. The Intra-Group Balances, Intra-Group Transactions and Unrealized Profit and Losses thereon have been fully eliminated.
- ii. The Financial Statements of the Subsidiary 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 recognized as “Goodwill” and is not being amortized.

The Subsidiary Company considered in the Consolidated Financial Statements is:

Subsidiary	Country of Incorporation	% of Voting Power as at 31st March 2012(Including Beneficial Interest)
KGN Projects Limited	India	99.99%

2. 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 results and estimates are recognized in the period in which the results are known / materialized.

3. FIXED ASSETS:

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

4. 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.

5. INVESTMENTS:

The Non- Current Investments are stated at cost. Provision for diminution in the value of Investments is made only if; such a decline is other than temporary, in the opinion of the management. There is no diminution in the value of Investment.

6. 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 realizable value whichever is lower.

There are no Inventories at the beginning as well as at the end of the year.

7. PRELIMINARY EXPENDITURE:

Preliminary Expenses is to be written off in equal installment over 5 years from the date of their incurrence.

8. REVENUE RECOGNITION:

All incomes and expenditure are accounted on accrual basis except where stated otherwise. Dividend income is recognized when right to receive is established. Interest income is recognized on time proportion basis taking in to account the amount outstanding and rate applicable.

9. TAXES ON INCOME:

Provision for the current tax is made after taking into consideration benefit admissible under the provision of the Income Tax Act, 1961. Deferred Tax resulting from difference between depreciation as per Companies Act, 1956 and Income Tax Act, 1961. Deferred Tax Asset is recognized and carried forward only to the extent that there is a virtual certainty that the assets will be realised in future.

10. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS:

Provisions involving substantial degree of the estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. There are no such liabilities during the year.

11. BORROWING COSTS

The Borrowing costs that are attributable to the acquisition or construction of qualifying assets

are capitalized as part of the cost of such assets. A qualifying assets is one that necessarily take substantial period of time to get ready for its intended use. All other Borrowing Costs are charged to Profit & Loss Account.

There are no borrowing costs during the year.

12. IMPAIRMENT OF ASSETS

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 is estimated. An Impairment loss is recognized whenever Carrying Amount of assets exceeds its Recoverable Amount. An asset is treated as impaired when the carrying cost exceeds its recoverable value.

There is no Impairment of assets during the year.

13. FOREIGN CURRENCY TRANSACTIONS:

- I. Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction or that approximates the actual rate at the date of 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 recognized 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 recognized as exchange difference.
- IV. In respect of hedging transactions, the premium/discount represented by difference between the exchange rate as the date of inception of the forward exchange contract and forward rate specified in the contract is amortized as expense or income over the life of the contract.

There are no Foreign Currency Transactions during the year.

14. GENERAL ACCOUNTING POLICIES

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

For Kirit & Company
Chartered Accountants

Kirit Kumar
Proprietor
Membership No. 038047
(FRN. : 132282 W)
Date : 14th August, 2012
Place : Ahmedabad

For and on behalf of Directors

Sd/-
Arif I Memon
Chairman & Managing Director

Sd/-
Babulal J Hirani
Director

Sd/-
Deepak Raval
CEO & Company Secretary

Date : 14.08.2012
Place : Mumbai

DETAILS OF SUBSIDIARY COMPANY 2011-12 (in ₹)

Name of the Subsidiary Financial Years Ends On	KGN Projects Limited 31 st March, 2012
Share Capital	10,00,000
Reserves	8,07,739
Borrowings	24,52,396
Other Liabilities	29,45,400
Total Liabilities	72,05,535
Cash & Cash Equivalents	1,41,399
Loans & Advances	60,00,00
Other Assets	10,64,136
Total Assets	72,05,535

Turnover	4,70,51,200
Total Income	4,70,51,200
Employee Benefit Expense	7,44,000
Depreciation And Amortisation Expense	17,458
Other Expense	4,50,89,205
Total Expenses	4,58,50,663
Profit before Taxation	12,00,537
Provision for Taxation	3,70,967
Profit After Taxation	8,29,570
Proposed Dividend	NIL
Basic (E.P.S.)	8.30
Diluted (E.P.S.)	8.30

On Behalf of the Board of Directors
Sd/-
Arif I Memon
Chairman & Managing Director

KGN INDUSTRIES LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 2011-12

(Amount in ₹)

Particulars	2011- 2012	2010-2011
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax as per Profit and Loss Statement Balance	11,976,224	9,272,646
Adjustment For:		
Depreciation and Amortisation Expenses	1,172,706	940,195
Finance Cost	42,772	-
Dividend Income	(585,000)	-
Interest on Fixed Deposits	(256,476)	(1,163,711)
Operating Profit before Working Capital Changes	374,002	(223,516)
Adjustment For:		
(Increase)/Decrease in Trade Receivable	(1,016,342)	(14,452,026)
(Increase)/Decrease in Other Current Assets	(1,450,427)	31,853,556
Increase/(Decrease) in Trade Payable	2,563,315	-
Increase/(Decrease) in Other Liabilities	2,151,253	(2,861,276)
Changes in Working Capital	2,247,799	14,540,254
Cash Generated From Operations	14,598,025	23,589,384
Taxes Paid	-	-
Net Cash Flow from Operating Activities	14,598,025	23,589,384
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(151,319)	(2,827,861)
Long Term Investment Purchased	-	(34,250,000)
Interest on Fixed Deposits	256,476	1,163,711
Dividend Income	585,000	-
Movement in Loans And Advances	(17,044,628)	(71,501,693)
Net Cash Used in Investing Activities	(16,354,471)	(107,415,843)
C) CASH FLOW FROM FINANCING ACTIVITIES		
Finance Cost	(42,772)	-
Dividend and Dividend Distribution Tax	(2,586,118)	(2,603,139)
Proceeds From Equity Shares	-	60
Movement in Short Term Borrowings	3,500,000	41,396
Net Cash Used in Financing Activities	871,110	(2,561,683)
Net Cash flow (A+B+C)	(885,336)	(86,388,142)
Cash & Cash Equivalents at the beginning of the year	5,385,591	91773733
Cash & Cash Equivalents at the end of the year	4,500,205	5,385,591

As Per our Report of even date
For Kirit & Company

Sd/-
Kirit Kumar
Proprietor
Membership No. 038047
(FRN. : 132282 W)
Date : 14th August, 2012
Place : Ahmedabad

For and on behalf of the Board

Sd/-
Arif I Memon : Chairman & Managing Director
Babulal J Hirani : Director
Deepak Raval : CEO & Company Secretary
Date : 14.08.2012
Place : Mumbai

KGN INDUSTRIES LIMITED

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 N0.: _____

DP/Client ID No.: _____

No of Shares Held.: _____

I/We _____ hereby record my/our presence at the 18th Annual General Meeting of the Company held on Saturday, 29th day of September, 2012 at 10.00 a.m. at Y.M.C.A International House, Y.M.C.A Road, Near Maratha Mandir, Mumbai Central, Mumbai – 400 008.

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 N0.: _____

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 18th Annual General Meeting of the Company held on Saturday, 29th day of September, 2012 at 10.00 a.m. Y.M.C.A International House, Y.M.C.A Road, Near Maratha Mandir, Mumbai Central, Mumbai – 400 008 and at any adjournment thereof.

Affix RevenueStamp

Signed this _____ day of _____ 2012.

Signature _____

Affix
Revenue
Stamp

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.