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KREON FINNANCIAL SERVICES LIMITED

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BOARD OF DIRECTORS

| | |
|---|---|
| Chairman | : Shri. S. Pannalal Tatia |
| Directors | : Shri. E. Subbarayan : Shri. Bharat Jain Tatia (Resigned w.e.f. 04-04-2012) : Shri. M. Mohan (Resigned w.e.f. 04-04-2012) : Shri : Rajesh Jain : Ms. C. Hemamalini |
| Auditors | : M/s. K. Subramanyam & Co. Chartered Accountants No.252, Mugappair ERI Scheme Third Main Road, Chennai - 600 037. |
| Registered Office | : 'Prince Tatia Info Park' No.81 B, Second Main Road, Ambattur Industrial Estate, Chennai - 600 058, email : tatia@vsnl.com |
| Bankers | : State Bank of Travancore Commercial Branch Teynampet, Chennai - 600 018. HDFC Bank Ltd., No. 40 Nungambakkam High Road, Chennai - 600 034. |
| Share Transfer Agents (For Demat Mode-CDSL) | : Cameo Corporate Services Ltd., No.1, Club House Road, Subramanian Building, Chennai - 600 002. |
| Share Transfer Agent (For a Demat Mode - NSDL) | : Knack Corporate Services Private Limited No. 6/18, , First Floor, Poes Road , First Street Teynampet, Chennai -600 018. |
| Share Transfer System (For Physical Mode) | : Inhouse |

KREON FINANCIAL SERVICES LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Shareholders of Kreon Financial Services Limited will be held at Samudaya Koodam Hall, Moraianjal, Chennai – 600 055 ,on Thursday, 27th September 2012, at 10.00 a.m. to transact the following business :

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2012, the Profit & Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. .C. Hemamalini , who retires by rotation and being eligible, offers herself for reappointment.
3. To appoint a Director in place of Mr. S. Pannalal Tatia , who retires by rotation and being eligible, offers himself for reappointment.
4. To re- appoint M/s K. Subramanyam & Co., Chartered Accountants, Chennai as the Auditors of the Company and to authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit to pass with or without modification(s) the following resolution as ordinary.

“ **RESOLVED THAT** Mr. Rajesh Jain , who was appointed as an Additional Director at the meeting of Board of Directors of the Company held on 4th April 2012 and who holds office up to the date of this Annual General meeting and in respect of whom the company has received a notice in writing under section 257 of the Companies Act 1956 from a member proposing his candidature for the office of the Director be and is hereby appointed as the Director of the Company, he is liable to retire by rotation.”

Explanatory Statement Pursuant To Section 173(2) Of The Companies Act, 1956

Mr. Rajesh Jain was appointed as an Additional Director by the Board of Directors w.e.f. 04th April, 2012 in accordance with the provisions of Section 260 of the Companies Act, 1956 and the Articles of Association of the Company.

Pursuant to Section 260 of the Companies Act, 1956 the above director holds office up to the date of the ensuing Annual General Meeting. In this regard the Company has received request in writing from a member of the company proposing his candidature for appointment as Director of the Company in accordance with the provisions of Section 257 and all other applicable provisions of the Companies Act, 1956.

The Board feels that the presence of Mr. Rajesh Jain on the Board is desirable and would be beneficial to the company and hence recommend this resolution for adoption.

None of the Directors, except Mr. Rajesh Jain is concerned or interested in this resolution.

By order of the Board of Directors
For KREON FINANCIAL SERVICES LIMITED
Sd/-

Place : Chennai
Date : 30th August 2012

S. PANNALAL TATIA
Chairman cum Executive Director

Registered office
81-B 2nd Main Road, Ambattur Industrial Estate
Chennai – 600 058

NOTES:-

- i) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/herself, and a proxy need not be a member of the company.
- ii) The Proxy form duly completed must reach the Registered Office of the Company not later than forty eight hours before the time appointed for holding the meeting.
- iii) The Register of Members and the Share Transfer books shall remain closed from 21.09.2012 to 27.09.2012 (both days inclusive).
- iv) Members are requested to notify immediately any change in the address
- To the respective Depository Participants (DP's) in respect of their electronic share accounts.
 - To the registered office at No. 81 B, 2nd Main Road Ambattur Industrial Estate, Chennai – 600 058 in respect to their physical share folios.
- v) For the convenience of the shareholders attendance slip is annexed to the proxy form the members are requested to bring the attendance slips duly filled in along with their copies of the annual reports to the meeting. Members who hold shares in dematerialized form are requested to bring their client ID and DP ID for easy identification of attendance at the meeting.
- vi) The Securities and Exchange Board of India notified your company's equity shares for compulsory trading in dematerialized form. Shareholders may avail such facility.
- vii) The equity shares of the Company are listed on Bombay Stock Exchange Limited and Madras Stock Exchange Limited.
- viii) Members having any specific query on the financial statements of the company are requested to mail their queries directly to the company.
- ix) Shareholders are requested to furnish the email ID's to enable the company forward information in relation to the company.
- x) The Company has designated an email ID called tatia@vsnl.com for redressal of shareholder's complaints/grievances. In case you have any queries/ complaints or grievance, then please write to us at our mail ID provided above.
- xi) Members who hold shares in physical form in multiple folios in identical names or joint accounts in the same order or names are requested to send the share certificates to the Companies Registered Office at 81-B, 2nd Main Road, Ambattur Industrial Estate, Chennai - 600 058 for consolidation into one folio.
- xii) The shares of the Company are tradable compulsorily in electronic form and your company has established connectivity with both the depositories i.e. National Securities Depositories Limited (NSDL) and Central Securities Depositories Limited (CSDL). In view of the enormous advantages offered by the Depository Systems, Members are requested to avail the facilities of dematerialization of the Company's Shares on either of the depositories as aforesaid.
- xiii) Request to Members as a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report to the meeting. They are further requested to occupy the seats at least fifteen minutes before the scheduled time for the commencement of the meeting to avoid interruption in proceedings.
- xiv) The Securities and Exchange Board of India (SEBI) vide Circular Ref. No. MRD/DOP/Cir- 05/ 2007 Dt. 27.04.2007 made PAN the sole identification number for all participants transacting in the securities market, irrespective of the amount of such transaction. In continuation of the aforesaid circular, it is hereby clarified that for securities market transactions and off market/ private transactions involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee(s) to furnish copy of PAN card to the Company/ Company/ RTA for registration of such transfer of shares.

xv) INFORMATION PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT FOR RE-APPOINTMENT OF DIRECTOR

| S.No | Name of the Director | Ms. C. Hemamalini | S. Pannalal Jain Tatia |
|------|---|--|---|
| a. | Age | 25 years | 63 years |
| b. | Date of Appointment | 31.03.2010 | 09.05.1991 |
| c. | Qualification | B.Com., | B.Com., F.C.A. |
| d. | Experience | 5 years | 38 years |
| e. | No. of Shares held in the Company | 100 | 100 |
| f. | Expertise | Accounts & Finance | Accounts & Finance |
| g. | Directorship held in other Companies* | ASHRAM ONLINE . COM LTD., LEELA BIOTECH & INDUSTRIES LIMITED | TATIA GLOBAL VENNTURE LIMITED ASHRAM ONLINE .COM LIMITED |
| h. | Chairman/Member of Committees of other companies** (as on 31 st March 2012) | Member in Audit Committee of Ashram Online .Com Limited | Member in Audit and Remuneration Committee of Tatia Global Vennture Ltd., and Member in Audit committee of Ashram Online .com Limited |

Note:

* Excludes private limited companies, Foreign companies and Alternate Directorships.

** Memberships in Audit Committee and Share Transfer cum Investor Relation Committee are reckoned for this purpose

Brief particulars of Director's seeking appointment :

| S.No | Name of the Director | Rajesh Jain |
|------|--|--|
| a. | Age | 43 years |
| b. | Date of Appointment | 04.04.2012 |
| c. | Qualification | B.Com., |
| d. | Experience | 15 years |
| e. | No. of Shares held in the Company | 100 |
| f. | Expertise | Accounts , Industrial & Public Relations |
| g. | Directorship held in other Companies * | NIL |
| h. | Chairman/Member of Committees of other companies** | NIL |

Note:

* Excludes private limited companies, Foreign companies and Alternate Directorships.

** Chairmanships / Memberships in Audit Committee and Share Transfer cum Investor Relation Committee are reckoned for this purpose.

DIRECTORS' REPORT

Dear Stockholders,

Your Directors have great pleasure in presenting the Eighteenth Annual Report together with the Audited Accounts of your Company for the financial year ended 31st March 2012.

1. OPERATIONS

The financial results of the Company for the year ended 31st March 2012 is summarized below:

| Particulars | Year ended 31 st March 2012 | Year ended 31 st March 2011 | Year ended 31 st March 2012 | Year ended 31 st March 2011 |
|----------------------------------|--|--|--|--|
| | Standalone | Standalone | Consolidated | Consolidated |
| Income from Operations | NIL | 72.98 | 1785.54 | NIL |
| Non-operating Income | 57.60 | 0.38 | 43.83 | NIL |
| Total Income | 57.60 | 73.36 | 1829.37 | NIL |
| Total Expenditure | 52.78 | 67.42 | 175.38 | NIL |
| Profit/Loss before Depreciation | | | 62.55 | |
| Interest and Taxation | 52.55 | 5.94 | 108.03 | NIL |
| Interest & Finance Charges | 0.04 | 0.01 | 107.49 | NIL |
| Depreciation | 0.23 | 2.41 | 12.99 | NIL |
| Profit/Loss before Tax | 4.82 | 3.52 | 75.54 | NIL |
| Provision for Current Taxes | NIL | 0.0 | 18.98 | NIL |
| Provision for Deferred Taxes | 0.07 | 0.0 | -2.84 | NIL |
| Profit/Loss after Tax | 4.89 | 3.52 | 59.39 | NIL |
| Statutory Reserve | 0.98 | 0.70 | 14.11 | NIL |
| Balance in Profit & Loss Account | 3.91 | 2.82 | 30.29 | NIL |
| Balance carried to Balance Sheet | -57.12 | -72.46 | -95.52 | NIL |

Your Company has incurred a Standalone profit of Rs. 4.89 lacs for the financial year 2011-12 as compared to Standalone profit of Rs.3.52 in the previous year 2010-11. Your Company has incurred a Consolidated profit of Rs. 30.29 Lacs for the financial year 2011-12 .

DIVIDEND

In order to stream Line Company's business model, the board of directors have decided not to declare any dividend for the current fiscal.

FUTURE PROSPECTS

The current financial activities of the company has been facing resilience on various fronts due to the global phenomenon and economic recession. However the company has prepared itself strategically to diversify and hedge the risk of slowdown. We maintain our positive outlook for the financial sector. Going forward and anticipate maintaining the growth momentum in the year 2012-13. The emerging economy of our country leads to growing demand and has cemented its path and witnessed significant momentum growth. Your Company is pursuing growth opportunities, which are strategic to its intents and operations.

CHALLENGES

Your Company has set vision to be a trusted player in providing financial solutions along with its investment activities which currently is underperforming due to global crises in the financial markets but are poised to be performing sectors in the times to come.

PREFERENTIAL WARRANTS

- a. The company originally opened the issue of Preferential Warrants for 1,49,83,500 Warrants to be issued to total seven investors in the year 2011. Out of seven investors, four Investors eligible to subscribe for 94,39,000 Warrants has not complied with terms of issue and SEBI (ICDR 2009) by bringing in 25% upfront money within the due date. Hence the said 94,39,000 warrants were cancelled by the company out of the total issue size of 1,49,83,500 warrants. As a result the issue size reduced to 55,44,500 Warrants to 3 Investors only.
- b. Thus during the year under review, the company had issued 55,44,500 Preferential warrants to the 3 investors on January 31 2011 @ Rs15/- each (including premium of Rs. 5/- each) having a face Value of Rs.10/- each.
- c. Further out of 55,44,500 Warrants, the investors opted to convert only 50,44,500 Warrants into Equity shares of company on 4th July 2012 as fully paid up. The balance 500000 Warrants for which the 25% upfront money received were cancelled and the said amount was forfeited as per the terms of issue and SEBI (ICDR 2009).
- d. Statement of Utilization of fund for the year 2011-12

| Particulars | Estimated Cost as per Prospectus Rs. In Lacs | Actual Amount Extended/ Invested Rs. In Lacs |
|------------------------|--|--|
| Finance and Investment | 168.42 | 168.42 |
| Total | 168.42 | 168.42 |

FIXED DEPOSITS

The Company has not accepted any public deposits and, as such, no amount on account of principal or interest on public deposit was outstanding as on date of balance sheet.

DIRECTORS

Ms. C.. Hemamalini and Mr.S. Pannalal Jain Tatia, Directors retire by rotation and being eligible offer themselves for reappointment.

Mr. Rajesh Jain was appointed as an Additional Director w.e.f. 4th April, 2012 by the Board of Directors in their meeting held on the same day. Resolution seeking the approval of the Members for the appointment has been incorporated in the Notice of the Annual General Meeting and the brief detail about Mr. Rajesh Jain has been provided in the Corporate Governance Report.

Mr. M. Mohan and Mr. Bharat Jain Tatia has resigned their directorship on 4th April, 2012 and the Board places on record its appreciation of the invaluable contribution made by them during their tenure as a Director of the Company.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 the Directors hereby confirm that:

- i) in the preparation of the Annual Accounts for the financial year ended 31st March, 2012 the applicable Accounting Standards have been followed and there are no material departures;
- ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss account of the company for that period;
- iii) they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) they have prepared annual accounts on a going concern basis.

AUDITORS

M/s K Subramanyam & Co, Chartered Accountants, Auditors of the Company, retire at ensuing Annual General Meeting and have furnished a certificate under Section 224(1B) regarding their eligibility for reappointment as the Company's Auditors for the year 2012 - 13. The Auditor have certified the Company's Compliance of the requirements of Corporate Governance in terms of the Listing Agreement and the same is enclosed as an annexure to the Corporate Governance Report.

PARTICULARS OF EMPLOYEES

Particulars of the employees of the Company who were in receipt of remuneration, which in aggregate exceeded the limits fixed under Section 217 (2A) of the Companies Act, 1956 and Companies (Particulars of Employees) Rules 1975 is not applicable to the company for the year.

PARTICULARS AS REQUIRED UNDER SECTION 217 (1) (E) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 Conservation of Energy.

The Company had taken steps to conserve energy in its office use, consequent to which energy consumption has been minimized. No additional Proposals/Investments were made to conserve energy. Since the company has not carried on industrial activities, disclosures regarding impact of measures on cost of production of goods, total energy consumption, etc., are not applicable.

Technology Absorption:-

The company has not adopted / intends to adopt any technology for its business and hence no reporting is required to be furnished under this heading.

Foreign Exchange Inflow & Outgo:-

Foreign Exchange inflow during the year :- Nil

Foreign Exchange outgo during the year :- Nil

MANAGEMENT DISCUSSION & ANALYSIS REPORT

The Management Discussion & Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreements is presented in a separate section forming part of the Directors Report as Annexure A.

CORPORATE GOVERNANCE

Your Company is committed to maintain the highest standards of Corporate Governance. Your Directors adhere to the requirements set out by the Securities Exchange Board of India's, Corporate Governance Practices and have implemented all the stipulations prescribed. Report on Corporate Governance as stipulated in Clause 49 of the Listing Agreement is presented in a separate section forming part of the Directors' Report as Annexure B.

EXPLANATION TO AUDITORS OBSERVATION

As regards the qualification given by the auditor in Point No.IX the Annexure to Auditor Report . The Company has filed a writ petition and obtained stay order from the Hon'ble High Court of Madras.

SUBSIDIARIES

By virtue of Circular

Ministry of Corporate Affairs, Government of India vide their General Circular No. 2/2011 dated 8th February 2011 had granted approval that the requirement to attach various documents in respect of subsidiary companies, as set out in sub-section (1) of Section 212 of the Companies Act, 1956, shall not apply to the company. Accordingly, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. Financial information of the subsidiary companies, as required by the said approval is disclosed in the Annual Report. The company will make available the Annual Accounts of the Subsidiary companies 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 companies will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary Companies. The Consolidated Financial Statements presented by the Company include financial results of its subsidiary companies.

DETAILS OF SUBSIDIARY COMPANY

The Company have a subsidiary by name ARAN KITCHENWORLD (INDIA) PRIVATE LIMITED. The Company holds 51 % of equity shares in the subsidiary Company. The Subsidiary Company is engaged into business of Modular kitchen. The Subsidiary Company is a Joint venture with Aran World Srl, Italy. The details of Registered office is furnished below:-

| Sl. No. | Name of Subsidiary Companies | Registered Office Address |
|---------|---|--|
| 1 | ARAN KITCHENWORLD (INDIA) PRIVATE LIMITED | NO. 105 (54), CHAMBERS ROAD , R.A.PURAM CHENNAI 600 028 |

REGISTRAR CUM TRANSFER AGENT

The Company appointed M/s Knack Corporate Services Limited as Registrar and Transfer Agent (RTA) during the year. However M/s. Knack Corporate Services Private Limited have not completed all required formalities and provided connectivity on full basis. Only the National Securities Depository Limited connectivity was shifted to M/s. Knack Corporate Services Private Limited. The Central Depository Services (India) Limited connectivity is still with M/s. Cameo Corporate Services Limited due non completion of formalities by M/s Knack Corporate Services Private Limited. Knack Corporate Services Private Limited had request the company for completing the transfer of The Central Depository Services (India) Limited connectivity to them very soon.

COMPANY SECRETARY

The Company is making consistent efforts for appointment of whole time Company Secretary. The Company has been availing services of practicing Company Secretary from time to time to ensure compliance of the provisions of the applicable acts and statutes. Also the Annual Return of the Company is being certified by practicing Company Secretary from year to year and the company is also taking certification from them for Stock Exchanges Compliances.

ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for assistance and co-operation received from the Financial Institutions, Banks, Government Authorities, Customers and Members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for committed and dedicated services of the workers, staff, and officers of the Company.

BY THE ORDER OF THE BOARD
FOR KREON FINANCIAL SERVICES LIMITED

Sd/-

S.PANNALAL TATIA
CHAIRMAN CUM EXECUTIVE DIRECTOR

PLACE : CHENNAI - 600 058

DATE : 30.08.2012

ANNEXURE 'A' TO THE DIRECTOR'S REPORT

MANAGEMENT DISCUSSION AND ANALYSIS REPORT INDUSTRY STRUCTURE AND DEVELOPMENT

Kreon Financial Services Limited is a non-banking finance company and with reforms being expected in the NBFC sector the company is now poised to grow, building a reputation of quality, craftsmanship and expertise. Your company currently operating in the finance, investment, dealing in securities activity and it anticipates there appears to be huge potential for growth.

OPPORTUNITIES, THREATS, RISKS AND CONCERNS

In a dynamic industry such as financial sector the company has added opportunities and risks and is inherent aspect of business. The opportunities which the company is looking to harness are as mentioned below:

- Opening up of financial sector reforms in India
- Fast growing requirement for Industrial clusters leading to credit demand.
- Monetary measures of the government tightening the credit line from banks would open doors for non banking finance companies to explore those avenues.

The company's business, results of operations and financial condition are affected by number of risks, so the risk management function is of paramount importance and integral to the functioning of the company. The objective of the risk management strategy includes ensuring that critical risks are identified, monitored and managed effectively in order to protect the company's business.

SEGMENTWISE / PRODUCTWISE PERFORMANCE

The Company has currently only one segment financial sector in line with the Accounting Standard on Segment Reporting (AS-17).

OUTLOOK

India is among one of the most observed emerging markets. Implementation of policies and reforms by the Government would help sector grow at faster phase.

FINANCIAL PERFORMANCE

The Company foresee a better business prospects in the year 2013.

INTERNAL CONTROL SYSTEM AND ADEQUACY

The Company has adequate system of internal control in place. This is to ensure that assets are safeguarded and all transactions are authorized, recorded and correctly reported. The top management and the Audit Committee of the Board review the findings and recommend to the Board improvement on the same.

CAUTIONARY STATEMENT

This report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including, but not limited to statements about the Company's strategy for growth, product development, market position, expenditures, and financial results, are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent developments, information or events.

ANNEXURE 'B' TO THE DIRECTOR'S REPORT

CORPORATE GOVERNANCE REPORT

A. MANDATORY REQUIREMENTS

1. Philosophy on Code of Governance

The Company right from its inception has been committed to the highest standards of Corporate Governance Practices and to attain the highest levels of transparency, accountability and equity in all facets of its operations and in its all interactions with its Stakeholders including Shareholders, Employees, Lenders, Customers and the Government. This section, along with section on 'Management Discussion and Analysis Report' and 'General Shareholders Information constitute Company's compliance with the Clause 49 of the Listing Agreement.

2. Board of Directors

The Board is comprised of appropriate mix of a Executive, Non-Executive and Independent Directors maintaining the Independence of the Board. The Board presently consists of 4 members comprising of the 1 Executive Director, and 3 Non-Executive Directors cum Independent Directors.

Composition of the Board and Directorship held during the year are as follows:

| Sl. No | Name(s) of Director (s) | Executive / Non-executive/ Independent | Other Directorships* as on 31st March 2012 | Number of Committee Membership** in other Companies as on 31st March 2012 | Number of Committee Chairmanship** in other Companies as on 31st March 2012 |
|--------|---|--|--|---|---|
| 1 | Sri. S. Pannalal Tatia -Chairman cum Executive Director | PD & ED | 2 | 3 | NIL |
| 2 | Sri. S.P. Bharat Jain Tatia (Resigned w.e.f. 04.04.2012) | ED | 2 | NIL | NIL |
| 3 | Sri. E. Subbarayan -Director | NED & ID | 2 | NIL | 1 |
| 4 | Mr. M.Mohan (Resigned w.e.f. 04.04.2012) | NED & ID | NIL | NIL | NIL |
| 5 | Ms. C. Hemamalini – Director | NED & ID | 2 | 1 | NIL |
| 6 | Mr. Rajesh Jain (appointed w.e.f. 04.04.2012) | NED & ID | NIL | NIL | NIL |

PD - Promoter Director; ED - Executive Director; NED - Non Executive Director; ID - Independent Director .

Note:

* Excludes Private Limited Companies, Foreign Companies and Alternate Directorships.

** Chairmanships/ Memberships in Audit Committee, Share Transfer cum Investor Relation Committee and Remuneration Committee are reckoned for this purpose

BRIEF RESUME OF THE DIRECTORS:-

Mr S Pannalal Jain Tatia, Chairman & Executive Director - A Fellow Chartered Accountant, He started his career in 1974 with Chartered Accountancy as profession and later cultivated his professionalism to get molded in to corporate expert by being in to manufacturing industry, Financial sector and Project based sectors and gained rich experience in advising and structuring financial closures.

Mr E Subbaryan, Director - A Bachelor in Commerce Graduate from Madras University has vast experience in to operational exercise in to turnkey projects.

Ms.C. Hemamalini – Bachelor in Commerce with 6 year experience in Account & Finance and in secretarial department

Mr. Rajesh Jain A Bachelor in Commerce Graduate from Madras University has vast experience in to operational exercise in to turnkey projects and account .

BRIEF PARTICULARS OF THE DIRECTORS SEEKING APPOINTMENT AND RE-APPOINTMENT ARE GIVEN IN THE NOTE (XV) OF THE NOTICE.

Attendance of Directors in Board Meetings and Annual General Meeting

| Name of the Director | Category | Attendance | |
|--|------------------------------------|-----------------|--------------------|
| | | Board Meetings* | Last AGM (Yes/ No) |
| Sri. S. Pannalal Tatia | Chairman cum Executive Director | 10 | Yes |
| Sri. S. P. Bharat Jain Tatia (Resigned w.e.f. 04.04.2012) | Executive Director | 10 | Yes |
| Sri. E. Subbarayan | Non-Executive Independent Director | 10 | Yes |
| Ms. C. Hemamalini (Resigned w.e.f. 04.04.2012) | Non-Executive Independent Director | 10 | Yes |
| Shri.M. Mohan | Non-Executive Independent Director | 10 | Yes |
| Shri. Rajesh Jain (Appointed w.e.f.4.4.2012) | Non-Executive Independent Director | Nil | No |

* During the financial year 2011 - 2012, Ten (10) meetings of Board of Directors were held on 31st May 2011,30th June 2012 , 30th July 2011, 5th August 2011 , 30th September 2011, 31st October 2011,28th November 2011, 31st January 2012, 9th February 2012 and 9th March 2012 .

3. Committee of Directors

Board had constituted several committees to deal with specific matters and delegated powers for different functional areas. Presently Three Committees are functional, few committees have been constituted as per the statutory requirements, and others have been constituted to enable the Board to take the decision faster.

Following are the two Committees of Board:

- I. Audit Committee
- II. Share transfer cum Investor Relation Committee
- III. Remuneration Committee

I. Audit Committee

Pursuant to provisions of Section 292A of the Companies Act 1956 and Clause 49 of the Listing Agreement, Board has Re constituted the Audit Committee in its meeting dated 4th April 2012. Presently, Committee comprise of 1 Executive Director and 2 Non-Executive Directors out of which 2 Directors are Independent. All the members of the Committee are financially literate Mr. E. Subbarayan , Non Executive and Independent Director is Chairman of the Committee.

Composition of the Audit Committee and Attendance of each member of the Committee are given below:

| Sl. No | Name | Category/ Status | Meetings Held | Meetings Attended |
|--------|--|--|---------------|-------------------|
| 1 | Sri. M. Mohan (Resigned w.e.f 04.04.2012) | Non Executive & Independent - Director / Chairman | 4 | 4 |
| 2 | Sri. E. Subbarayan (appointed w.e.f 04.04.2012) | Non Executive & Independent - Director / Chairman | NIL | NIL |
| 3 | Shri S. Pannalal Tatia | Executive Director - Member | 4 | 4 |
| 4 | Ms. C. Hemamalini | Non Executive & Independent – Director - Member | 4 | 4 |

During the year four meetings of Audit Committee were held on 31.05.2011, 30.07.2011, 31.10.2011 and 31.01.2012

Terms of reference

Following are the main terms of reference given by Board of Directors to Audit Committee:

- a) To review the quarterly, half-yearly and annual financial statements before submission to the Board, focusing particularly on:
 - i) Any changes in accounting policies.
 - ii) Significant adjustments made in the financial statements arising out of audit findings.
 - iii) Compliance with listing and other legal requirements relating to financial statements.
 - iv) Limited Review Report of Auditors.
 - v) Compliance with applicable accounting standards.
 - vi) Director's Responsibility Statement in terms of section 217 (2A) of the Companies Act, 1956
 - vii) Major accounting entries involving estimates based on the exercise of judgment by management.
 - viii) Disclosure of any related party transactions
 - ix) Qualifications in the draft audit report
- b) To recommend to the Board the appointment, re-appointment and if required, the replacement or removal of statutory auditor and fixing of audit fees.
- c) To review the functioning of the Whistle Blower mechanism
- d) To review Management letters / letters of internal control weaknesses issued by the statutory auditors;
- e) To review Internal audit reports relating to internal control weaknesses; and
- f) To review appointment, removal and terms of remuneration of the Chief internal auditors.
- g) To consider other matters, as may be referred to by the Board of Directors from time to time.

II. Share transfer cum Investor Relation Committee

The Committee was re constituted on 4th April 2012 due resignation of Shri M . Mohan from committee and Ms. C. Hemamalini Non Executive and Independent Director was replaced in his place . The committee consists of two Non-Executive Directors out of which both are Independent Directors. Committee oversees and reviews all matters connected with transfer of securities, non-receipt of balance sheet and attending the grievances of the shareholders. The Committee has delegated the authority for share transfers to Managing Director so that it can be take up at regular interval. The Committee oversees performance of Registrars and Transfer Agents of the Company and recommends measures for overall improvements in the quality of investor services. During the year Twelve meetings has been held. The composition of the Committee and attendance of each Committee member is given under:

| Sl. No | Name(s) of Director (s) | Chairman/ Member | Meetings Held | Meetings Attended |
|--------|--|------------------|---------------|-------------------|
| 1 | Sri. E. Subbarayan | Chairman | 12 | 12 |
| 2 | Ms. Hemamalini (appointed w.e.f. 4.04.2012) | Member | Nil | Nil |
| 3 | Sri. M. Mohan (Resigned w.e.f. 4.04.2012) | Member | 12 | 12 |

Compliance Officer

Shri S. Pannalal Tatia , Executive Director of the Company has been appointed as Compliance Officer and is responsible for the Compliance. Further he has been authorized to deal with all correspondence and complaints from the investors. He informs the Committee about status of Complaints.

Investors' Grievance Redressal

During the year total 14 complaints were received. The complaint has been resolved to the satisfaction of shareholders. There was no outstanding complaint as on 31st March 2012

III. Remuneration Committee

The Board has constituted Remuneration Committee as per the approval of shareholders obtained in Thirteenth Annual General Meeting held on 27-09-2007 and subsequently approval of shareholders was also obtained in Sixteenth Annual General meeting held on 30-09- 2010. The committee was reconstituted on 4th April 2012 as Mr. M. Mohan resigned from the committee with effect from 4th April 2012 and Mr. Rajesh Jain, Non Executive and Independent Director replaced his place and the committee consists of Three Non-Executive Directors and Independent Director. Committee oversees and reviews all matters connected with payment made to directors. During the year one meeting has been held on. The composition of the Committee and attendance of each Committee member is given under:

| Name of the Director | Category | Membership | Meetings Held | Meetings Attended |
|---|--------------------------------------|------------|---------------|-------------------|
| Ms. C. Hemamalini | Non Executive & Independent Director | Chairman | 1 | 1 |
| Shri E. Subbarayan | Non Executive & Independent Director | Member | 1 | 1 |
| Shri. M. Mohan (resigned w.e.f. 4.04.2012) | Non Executive & Independent Director | Member | 1 | 1 |
| Mr. Rajesh Jain (Appointed w.e.f 04.04.2012) | Non Executive & Independent Director | Member | NIL | NIL |

Terms of reference:

The terms of reference of the Remuneration Committee are as per the guidelines set out in the Listing Agreement with the stock exchanges that include determination of the Company's policy on specific remuneration packages for Directors.

Remuneration Policy:

The remuneration of the Executive Directors is recommended by the Remuneration committee, based on criteria such as industry benchmarks, the Company's performance vis-à-vis the industry and responsibilities shouldered. The Company pays remuneration by way of salary and perquisites to its Executive Directors. The Non-executive Directors are not paid any remuneration including sitting fees. Further the company has not entered into any pecuniary relationship or transactions with the Non-executive directors.

The details of the remuneration paid/payable to the Executive Director during the Financial Year 2011-2012, shareholding and relationship with Directors are as under:

| Name of the Director | Salary & Perquisites(Rs.) | Sitting Fees (Rs.) | No. of shares held as on 31.3.2012 | Relationship with Directors |
|---|---------------------------|--------------------|------------------------------------|-----------------------------------|
| Shri S. Pannalal Jain Tatia | Rs.7,20,000/- Per Annum | NIL | 100 | Father of Shri. Bharat Jain Tatia |
| Shri . Bharat Jain Tatia (Resigned w.e.f 4..04.2012) | NIL | NIL | 215219 | Son of Shri S. Pannalal Tatia |
| Shri. E. Subbarayan (Resigned w.e.f 4..04.2012) | NIL | NIL | 100 | NIL |
| Shri . M. Mohan (Resigned w. e.f 04.04.2012) | NIL | NIL | 100 | NIL |
| Shri. Rajesh Jain (Appointed w.e.f. 04.04.2012) | NIL | NIL | 100 | NIL |
| Ms. C. Hemamalini | NIL | NIL | 100 | NIL |

4. General Body Meeting

General Body Meeting

Date, time and location for the General Meetings of the Company held in last three years:

| Year | Date | Time | Venue | No. of Special Resolution passed | Type of Meeting Resolution passed |
|---------|------------|------------|---|----------------------------------|-----------------------------------|
| 2010-11 | 30.09.2011 | 10.00 A.M | SAMUGHANALAKUDAM, Vallanur, Ambattur, Chennai – 600 062 | Nil | AGM |
| 2009-10 | 30.09.2010 | 9.30 A. M | SAMUGHANALAKUDAM, Vallanur, Ambattur, Chennai – 600 062 | Five | AGM |
| 2008-09 | 30.09.2009 | 10.00 A. M | SAMUGHANALAKUDAM, Vallanur, Ambattur, Chennai – 600 062 | One | AGM |

I. Special Resolution Passed in the last three AGM'S

2010-2011

No Special Resolution were passed for the year 2010-11

2009-2010

- Special Resolution Passed for the payment of remuneration to Sri . S. Pannalal Tatia
- Special Resolution Passed for Increase in Authorised Capital form R.6,00,00,000/- Rs.20,00,00,000/-
- Special Resolution Passed for in regard to Alteration of the Capital Clause in Memorandum of Association
- Special Resolution Passed for in regard to alteration of Article of Association.
- Special Resolution Passed for in regard to allotment of Preferential Warrants of the Company

2008-2009

- Special Resolution Passed for the Voluntary Delisting of Equity Shares from the Madras Stock Exchange Limited.

ii. Postal Ballot

No resolutions were passed through postal ballot during the financial year under review.

5. Disclosures

I. There are no materially significant transactions with the related parties viz., Promoters, Directors or the Senior Management, their Subsidiaries or relatives conflicting with Company's interest other than current account. Suitable disclosures as required by the Accounting Standard (AS 18) relating to "Related Party Transactions" have been made separately in the Annual Report.

II. Company has complied with all requirements of the listing agreement entered with Stock Exchanges as well as regulation and guidelines of SEBI. Other than the above as mentioned, there has been no penalties or strictures imposed on the Company by Stock Exchange or SEBI or any Statutory Authority, on any matter related to capital markets during the last three years.

III. Company has established Whistle Blower Policy and no personnel is denied the access to the Audit Committee.

IV. The Company complies with the entire mandatory requirement and non-mandatory requirement of Corporate Governance as provided under Clause 49 of listing agreement. The disclosure relating to the compliance has been provided separately in this report. The Company has obtained a certificate from its auditors regarding compliance of conditions of corporate governance and certificate is annexed to this Report of the Company.

6. Means of Communication

I. The quarterly results and audited results as per the requirement of Clause 41 of the Listing Agreement are published within 48 hours in two newspapers, one in English daily Trinity Mirror and one in Regional (Tamil) Language Makkal Kural.

II. The quarterly results, shareholding pattern and other mandatory information are available at the website of Bombay Stock Exchange Ltd, i.e. www.bseindia.com.

7. Legal Compliance Reporting:

As required under Clause 49 of the Listing Agreement, the Board periodically reviews compliance of various laws applicable to the Company.

8. General Shareholder Information:

I. Information about Eighteenth Annual General Meeting

Date and time : 27th day of September 2012, 10.00 A.M

Venue: Samudaya Koodam Hall, Moraijanjal, Chennai – 600 055.

II. Financial Year

The financial year of the Company each year starts with 1st April and ends with 31st March. The financial year 2011-12 started on 1st April 2011 and ended on 31st March 2012. The current financial year 2012-13 started on 1st April 2012 and would end on 31st March 2013.

III. Financial Calendar (Tentative)

First Quarter 30th June 2012 : on or before 31st July 2012

Second Quarter 30th September 2012 : on or before 31st October 2012

Third Quarter 31st December 2012 : on or before 31st January 2013

Fourth Quarter 31st March 2013 : on or before 31st May 2013

IV. Date of Book Closure

The Register of Member and Share Transfer Books shall be closed for a period of Seven days starting 21/09/2012 to 27/09/2012 (Inclusive of Both Days).

V. Listing on Stock Exchange

The Equity Shares of the Company are listed at Bombay Stock Exchange Limited and Madras Stock Exchange Limited.

VI. Stock Code

i) Bombay Stock Exchange Limited

Stock Code: 530139 (For Equity Shares of the Company)

ii) Madras Stock Exchange Limited

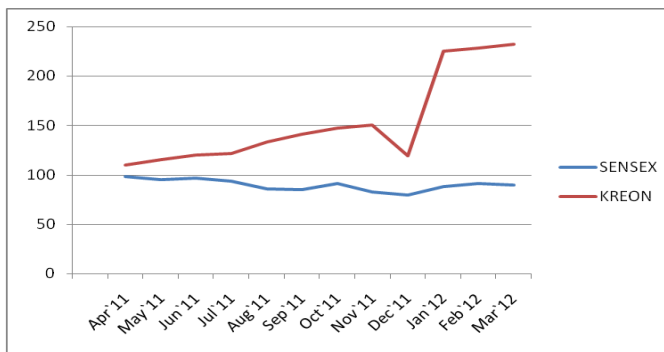
Stock Code: TATIAFIN (For Equity Shares of the Company)

iii) DEMAT ISIN in NSDL and CDSL for equity shares is INE302CO1018.

VII Market Price Data

Bombay Stock Exchange: High and Low quotations of the Company's shares during the period from 1st April 2011 to 31st March 2012:

| Year | Month | High (Rs.) | Low (Rs.) | Monthly close |
|------|-----------|--------------|-------------|---------------|
| 2011 | April | 7.32 | 6.02 | 7.30 |
| 2011 | May | 9.29 | 7.30 | 7.66 |
| 2011 | June | 10.24 | 7.24 | 7.98 |
| 2011 | July | 8.78 | 7.68 | 8.06 |
| 2011 | August | 8.84 | 7.28 | 8.84 |
| 2011 | September | 9.39 | 7.53 | 9.39 |
| 2011 | October | 9.79 | 8.88 | 9.79 |
| 2011 | November | 9.99 | 9.31 | 9.99 |
| 2011 | December | 11.50 | 7.75 | 7.94 |
| 2012 | January | 15.22 | 7.55 | 15.00 |
| 2012 | February | 16.27 | 13.26 | 15.21 |
| 2012 | March | 18.20 | 15.10 | 15.45 |



VIII. Registrar and Share Transfer Agents

M/s CAMEO CORPORATE SERVICES LIMITED for CDSL connectivity

Subramanian Building,

1, Club House Road,

Chennai – 600 002.

Ph: +91 44 2846 0390

Fax: +91 44 2846 0129

Email: investor@cameoindia.com

M/S. KNACK CORPORATE SERVICES PRIVATE LIMITED - for NSDL connectivity

No. 6/18, , First Floor, Poes Road,

First Street, Teynapet,

Chennai -600 018.

Phone :044-24350613, 24350614, Fax: 044-2435 0392.

E-mail: knackcorp@gmail.com

Physical: In House Share Transfer

Registered office at Kreon Financial Services Ltd., 81 B 2nd Main Road,

Ambattur Industrial Estate , Chennai – 600 058, Ph. 044 4213 8702 & 704

E-mail : tatia@vsnl.com

IX. Share Transfer System

Share transfers are registered and returned in the normal course within a period of **21** days from the date of receipt, if the documents are in order in all respects. Request for dematerialisation of shares are processed and confirmation is given to the respective depositories i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within 15 days.

X. Distribution of shareholding as at 31st March 2012

Total Authorised Value Rs. 20,00,00,000 Nominal value of each share Rs.10/-

Total Paid – up Value Rs. 5, 01,65,000 Paid up value per share is Rs.10/-

Total number of shares- 50,16,500 Distinctive Nos. 0000001 to 5016500

| Share holding of nominal value of | Shareholders | | Shareholding | |
|-----------------------------------|--------------|-------------|----------------------|--------------|
| | Rs. 1 | Number 2 | % to Total Nos. 3 | In. Rs. 4 |
| Upto – 5000 | 2051 | 73.9899 | 4292250 | 8.5563 |
| 5001 -10000 | 337 | 12.1573 | 2852490 | 5.6862 |
| 10001-20000 | 199 | 7.1789 | 3141790 | 6.2629 |
| 20001-30000 | 58 | 2.0924 | 1489990 | 2.9702 |
| 30001-40000 | 33 | 1.1905 | 1158540 | 2.3095 |
| 40001-50000 | 22 | 0.7937 | 1038770 | 2.0707 |
| 50001-100000 | 38 | 1.3709 | 2723510 | 5.4290 |
| 100001 and above | 34 | 1.2266 | 33467660 | 66.7152 |
| Total | 2772 | 100.0000 | 50165000 | 100.0000 |

XI. Dematerialization of Equity Shares and Liquidity

DEMAT ISIN in NSDL and CDSL for equity shares is INE302CO1018. Authorized Capital of Rs. 20,00,00,000 comprising of into 2,00,00,000 equity shares of Rs.10/- each. Paid up Capital of the Company as on 31st March 2012 is Rs. 5,01,65,000 comprising of 50,16,500 Equity shares of Rs.10/- each. Out of the above shares 25,82,700 Equity Shares representing 51.4841% are held physically and balance 24,33,800 Equity Shares representing 48.5159% is held in dematerialized form.

XII. Outstanding GDR / FCCB / Warrants

The company at no point of time have issued GDR, FCCB, till date.

PREFERENTIAL WARRANTS

- a. The company originally opened the issue of Preferential Warrants for 1,49,83,500 Warrants to be issued to total seven investors in the year 2011. Out of seven investors, four Investors eligible to subscribe for 94,39,000 Warrants has not complied with terms of issue and SEBI (ICDR 2009) by bringing in 25% upfront money within the due date. Hence the said 94,39,000 warrants were cancelled by the company out of the total issue size of 1,49,83,500 warrants. As a result the issue size reduced to 55,44,500 Warrants to 3 Investors only.
- b. Thus during the year under review, the company had issued 55,44,500 Preferential warrants to the 3 investors on January 31 2011 @ Rs15/- each (including premium of Rs. 5/- each) having a face Value of Rs.10/- each.
- c. Further out of 55,44,500 Warrants, the investors opted to convert only 50,44,500 Warrants into Equity shares of company on 4th July 2012 as fully paid up. The balance 500000 Warrants for which the 25% upfront money received were cancelled and the said amount was forfeited as per the terms of issue and SEBI (ICDR 2009).
- d. Statement of Utilization of fund for the year 2011-12

| Particulars | Estimated Cost as per Prospectus Rs. In Lacs | Actual Amount Extended/ Invested Rs. In Lacs |
|------------------------|--|--|
| Finance and Investment | 168.42 | 168.42 |
| Total | 168.42 | 168.42 |

XIII. Plant Location

The Company is engaged in financial business and is carried out at the registered office address of the company situated at No.81 B Ambattur Industrial Estate, Chennai – 600 058.

XIV. Address for Correspondence

The Registered Office of the Company is situated at following address. Further all correspondence with the Company can be done at following address, addressing to Kreon Financial Services Limited, No 81 B Second Main Road, Ambattur Industrial Estate, Chennai – 600 058. Ph: +91 44 42138702, Fax: +91 44 42138704 b Email: tatia@vsnl.com

M/s CAMEO CORPORATE SERVICES LIMITED for CDSL connectivity
Subramanian Building
1, Club House Road,
Chennai – 600 002, Ph: +91 44 2846 0390, Fax: +91 44 2846 0129

M/S. KNACK CORPORATE SERVICES LIMITED - for NSDL connectivity
No. 6/18, , First Floor, Poes Road,
First Street, Teynampet,
Chennai -600 018.
Phone :044-24350613, 24350614
Fax: 044-2435 0392.
Email: knackcorp@gmail.com

XV. Shareholding pattern as at 31st March 2012

Statement Showing Shareholding Pattern

| Name of the Company : KREON FINANCIAL SERVICES LTD., Script Code : 530139 Quarter Ended : 31.03.2012 | | | | | Total shareholding as a percentage of total number of shares* | |
|---|--|------------------------|------------------------|--|---|----------------------------|
| Category code | Category of Shareholder | Number of Shareholders | Total number of shares | Number of shares held in dematerialized form | As a percentage of(A+B) ¹ | As a percentage of (A+B+C) |
| (A) | Shareholding of Promoter and Promoter Group² | | | | | |
| 1 | Indian | | | | | |
| (a) | Individuals/ Hindu Undivided Family | 3 | 1343319 | 1343319 | 26.78 | 26.78 |
| (b) | Central Government/ State Government(s) | 0 | 0 | 0 | 0 | 0 |
| (c) | Bodies Corporate | 1 | 1228200 | 0 | 24.48 | 24.48 |
| (d) | Financial Institutions/ Banks | 0 | 0 | 0 | 0 | 0 |
| (e) | Any Others(Specify) | | | | | |
| | Sub Total(A)(1) | 4 | 2571519 | 1343319 | 51.26 | 51.26 |
| 2 | Foreign | 0 | 0 | 0 | 0.00 | 0.00 |
| a | Individuals (Non-Residents Individuals/Foreign Individuals) | 0 | 0 | 0 | 0.00 | 0.00 |
| b | Bodies Corporate | 0 | 0 | 0 | 0.00 | 0.00 |
| c | Institutions | 0 | 0 | 0 | 0.00 | 0.00 |
| d | Any Others(Specify) | 0 | 0 | 0 | 0.00 | 0.00 |
| | Sub Total(A)(2) | 0 | 0 | 0 | 0.00 | 0.00 |
| | Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2) | 4 | 2571519 | 1343319 | 51.26 | 51.26 |
| (B) | Public shareholding | | | | | |
| 1 | Institutions | | | | | |
| (a) | Mutual Funds/ UTI | 0 | 0 | 0 | 0.00 | 0.00 |
| (b) | Financial Institutions / Banks | 0 | 0 | 0 | 0.00 | 0.00 |
| (c) | Central Government/ State Government(s) | 0 | 0 | 0 | 0.00 | 0.00 |
| (d) | Venture Capital Funds | 0 | 0 | 0 | 0.00 | 0.00 |
| (e) | Insurance Companies | 0 | 0 | 0 | 0.00 | 0.00 |
| (f) | Foreign Institutional Investors | 0 | 0 | 0 | 0.00 | 0.00 |
| (g) | Foreign Venture Capital Investors | 0 | 0 | 0 | 0.00 | 0.00 |
| (h) | Any Other (specify) | 0 | 0 | 0 | 0.00 | 0.00 |
| | Sub-Total (B)(1) | 0 | 0 | 0 | 0.00 | 0.00 |
| B 2 | Non-institutions | | | | | |
| (a) | Bodies Corporate | 60 | 204511 | 121911 | 4.08 | 4.08 |
| (b) | Individuals | | | | | |
| I | Individuals -i. Individual share holders holding nominal share capital up to Rs 1 lakh | 2684 | 1597423 | 507223 | 31.84 | 31.84 |
| II | ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh. | 24 | 643047 | 461347 | 12.82 | 12.82 |
| (c) | Any Other (specify) | | | | | |
| (c-i) | Clearing Members | 0 | 0 | 0 | 0.00 | 0.00 |
| | Sub-Total (B)(2) | 2768 | 2444981 | 1090481 | 48.74 | 48.74 |
| (B) | Total Public Shareholding (B)= (B)(1)+(B)(2) | 2768 | 2444981 | 1090481 | 48.74 | 48.74 |
| (C) | TOTAL (A)+(B) | 2772 | 5016500 | 2433800 | 100 | 100 |
| | Shares held by Custodians and against which Depository Receipts have been issued | 0 | 0 | 0 | 0.00 | 0.00 |
| | GRAND TOTAL (A)+(B)+(C) | 2772 | 5016500 | 2433800 | 100 | 100 |

* Shares pledged or otherwise encumbered is "NIL"

XVI. Details of Request / Complaints received during the year

| Name of Request | Received | Attended | Pending |
|-------------------------------|----------|----------|---------|
| Change of Address | 1 | 1 | NIL |
| Bank Mandate | NIL | NIL | NIL |
| Consolidate Share Certificate | NIL | NIL | NIL |
| Duplicate Share Certificate | NIL | NIL | NIL |
| Splitting of share | NIL | NIL | NIL |
| Transfer(Physical) | 28 | 28 | NIL |
| Transmission | Nil | Nil | NIL |
| Dematerialisation | 36 | 36 | NIL |
| Rematerialisation | 1 | 1 | NIL |
| Complaints | 14 | 14 | NIL |

Insider Trading

Pursuant to Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 the Company has prescribed a Code of Conduct for prevention of Insider Trading. All the employees including directors of the Company comply with Insider Trading Regulations framed by the Company. None of the employee/ director has contravened the regulations during the year.

Secretarial Audit

Secretarial Audit as required in terms of Circular No. D&CC/FITTC/CIR – 16/2002 dated 30th June 2002 is being done by a Practicing Chartered Accountants on quarterly basis for reconciling total admitted capital with NSDL and CDSL and total issued and listed capital. The Company has obtained Reconciliation of Share Capital Audit Report for all the four quarter during the year ended 31st March 2011 and same has been forwarded to Stock Exchanges. The audit confirms that the total issued/ paid up Capital is in agreement with the total number of shares held in physical form and the total number of dematerialized shares held with NSDL and CDSL.

Code of Conduct

The Board of Company has laid down a code of conduct for all the Board Members and the Senior Management personnel. All the Board Members and Senior Management personnel comply the code of conduct. A declaration have been made to give effect to the code signed by the Executive Director.

CEO Certification

As required under the Clause 49 of the Listing Agreement a certificate duly signed by Mr.S. Pannalal Tatia, Executive Director and of the Company was placed at the meeting of the Board of Directors.

XVII. Non Mandatory Requirements

1. The Board:

No separate office is maintained and chairman is Executive.

2. Shareholders Communications:

The Company's quarterly (unaudited), half yearly (unaudited) and annual (audited) result are available on BSE website at www.bseindia.com, which is accessible to all. The results are also published in English newspaper and in Tamil newspapers having a wide circulation.

3. Audit Qualifications:

During the year under review, there was no audit qualification in the Company's financial statements apart from the disputed tax liability of the company for which the company has filed a writ petition before the Honorable High Court of Madras and has obtained the stay order on the proceedings. The Company continues to adopt best practices to ensure a regime of unqualified financial statements.

4. Training of Board Members:

The Company's Board of Directors consists of professionals with expertise in their respective field and industry. They endeavor to keep themselves updated with changes in global economy & legislation. They attend various workshop and seminars to keep themselves abreast with the changing business environment.

5. Mechanism for evaluating Non-Executive Board Members:

The Company has adopted a policy for evaluation of Non-Executive Board members based on primarily of attendance and a few other factors including contribution at the Board Meeting and at Meeting of the Audit Committee of the Board.

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH COMPANY'S CODE OF CONDUCT

This is to confirm that the Company has adopted a Code of Conduct for its employees including the Executive Director. In addition, the Company has adopted the Code of Conduct for its Non-Executive Directors.

I confirm that the Company has in respect of the financial year ended 31st March 2012 received from the Management Personnel of the Company and the Members of the Board a declaration of compliance with the code of conduct as applicable to them.

**BY THE ORDER OF THE BOARD
FOR KREON FINANCIAL SERVICES LIMITED**

-Sd/-

**S.Pannalal Tatia
Chairman cum Executive Director**

**PLACE : CHENNAI - 600 058
DATE : 30th August 2012**

AUDITOR'S CERTIFICATE

To,
The members of
KREON FINANCIAL SERVICES LIMITED

I have examined the compliance of conditions of Corporate Governance by Kreon Financial Services Limited for the period from 1st April 2011 to 31st March 2012, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

I state that no investor grievance is pending for a period exceeding one month against the company, as per the record maintained by the share transfer cum investor relation committee of the Company.

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

Place : Chennai - 600 058
Date : 31.05.2012

K SUBRAMANYAM & CO.,
CHARTERED ACCOUNTANTS,
Sd/-
K SUBRAMANYAM
PROPRIETOR
M.No.023663
Firm Regn No.004146S

CERTIFICATE BY EXECUTIVE DIRECTOR

We S. Pannalal Tatia, Chairman cum Executive Director and E. Subbarayan Director of Kreon Financial Services Limited Hereby certify

1. That we have reviewed that financial statements and the cash flow statement for the year ended 31st March 2012 and that to the best of my knowledge and belief,
 - i. These statements do not contain any materially untrue statement nor omit any material fact nor contain statements that might be misleading, and
 - ii. These statements present a true and fair view of the company's affair and are in compliance with the existing accounting standards, applicable laws and regulations.
2. That there are, to the best of my knowledge and belief, no transaction entered into by the company during the year, which are fraudulent, illegal or violating of the company's code of conduct.
3. That we accept responsibility for establishing and maintaining internal controls, we have evaluated the effectiveness of the internal control systems of the company and we have disclosed to the auditors and the audit committee, deficiencies in the design or operational of internal controls, if any, of which we were aware and the steps that we have taken or propose to take to rectify the identified deficiencies and
4. That we have informed the auditors and the audit committee of
 - a Significant changes in internal control during the year
 - b. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements, and
 - c. 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's internal control system.

Place : Chennai
Date : 30.08.2012

For KREON FINANCIAL SERVICES LIMITED
sd- -sd-
S. Pannalal Tatia E. Subbarayan
Chairman cum Director
Executive Director

AUDITOR'S REPORT

TO THE MEMBERS OF KREON FINANCIAL SERVICES LIMITED

1. I have audited the attached balance sheet of M/s Kreon Financial Services Limited as at 31st March, 2012 and also the profit & loss account and the cash flow statement of the company for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.
2. I conducted my audit in accordance with auditing standards generally accepted in India. Those standards require that I 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 & disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by managements, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.
3. As required by the companies order, 2003, issued by the central govt. of India in terms of section 227 (4A) of the companies act, 1956, I give in the annexure, a statement on the matters specified in paragraphs 4 of the said order.
4. Further to my comments in the annexure referred to in Para 3 above, I report that:
 - (a) I have obtained all the information and explanation, which to the best of my knowledge and belief were necessary for the purpose of my audit. In my opinion, proper books of accounts as required by law have been kept by the company so far as appears from my examination of such books.
 - (b) the balance sheet, profit & loss account and cash flow statement dealt with by this report are in agreement with the book of account.
 - (c) in my opinion, the balance sheet, profit & loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3c) of section 211 of the companies act, 1956.
 - (d) On the basis of the written representation received from the directors as on 31st March 2012 and taken on record by board of directors, I report that none of the directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the companies act, 1956. as regards government nominee directors ,they are exempted from the provision of section 274 (1) (g) in view of general circular issued by the department of company affairs.
5. in my opinion and to the best of my information and according to the explanation given to me, the said accounts read with significant accounting policies and the other 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 :
 - (i) in case of the balance sheet of the state of affairs of the company as at 31st March, 2012;
 - (ii) in case of profit & loss account of the loss for the year ended on that date, and
 - (iii) in case of cash flow statement, of the cash flows for the year ended on that date.

**K SUBRAMANYAM & CO.,
CHARTERED ACCOUNTANTS**

Sd/-

**K SUBRAMANYAM
PROPRIETOR**

Membership No. 023663
Firm Regn No.004146S

**Place : Chennai
Date : 30.05.2012**

ANNEXURE REFERRED TO IN PARAGARAPH 3 OF OUR REPORT OF EVEN DATE
RE: KREON FINANCIAL SERVICES LIMITED

- (I) In respect of its fixed assets:
- (a) The company has maintained proper records showing full particulars, including quantitative details & situation of fixed assets.
- (b) The company has physically verified certain assets during the year in accordance with a programme of verification, which in my opinion provides for physical verification of the fixed assets at reasonable intervals. According to the information & explanation given to me no material discrepancies were noticed on such verification.
- (c) In my opinion & according to the information & explanation given to me, the Company has not made any substantial disposals during the year.
- (II) In respect of its inventories:
There are no inventory in the Company during the year.
- (III) (a) The company has neither granted nor taken any loan, secured or unsecured, to / from companies , firms and other parties covered in the register maintained under section 301 of the Act.
- (b) Since there are no such loans , the comments regarding terms and conditions, repayments of the principal, interest thereon and overdue amount are not required.
- (IV) In my opinion and according to the information and explanation given to me, there are adequate internal control procedures commensurate with the size of the company and nature of its business.
- (V) In my opinion and according to the information and explanation given to me, there are no transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 , exceeding the value of Rs 5 lakhs, in respect of any party during the year.
- (VI) The company has not accepted any deposits from the public during the period under review.
- (VII) In my opinion, the company has adequate internal audit system commensurate with the size of business.
- (VIII) The Central Government has not prescribed maintenance of cost records by the Company under section 209(1) (d) of the Act.

The company has been regular in depositing undisputed statutory dues, including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, custom duty, excise duty, cess and other statutory dues with the appropriate authorities. According to the information and explanation given to me, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding, at the year end for a period of more than six months from the date they became payable other than mentioned hereunder.

According to the records of the Company, there are no outstanding Sales tax, Income tax act 1961, Customs duty, Wealth tax, excise duty on account of any dispute other than following:

| Financial period to which the amount relates to | Act | Nature of dues | Forum where dispute is pending | Amount (Rs in Lakhs) |
|---|----------------|----------------|-----------------------------------|----------------------|
| 1995-96 | Income Tax Act | Income Tax | Madras High Court – Stay obtained | 30.68 |

- (X) The Company has made cash profit of Rs 4.89 lakhs during the year. The company have accumulated losses of Rs 72.21 lakhs at the end of the financial year to be adjusted against future profits.
- (XI) Based on my audit procedures and on the information and explanation given by the management, I am of the opinion that the company has not defaulted in the repayment of dues to financial institutions, banks and debenture holders.
- (XII) According to the information and explanations given to me, the company has given any loans and advances on the basis of security by way of Pronotes, post dated instruments, pledge of shares, debentures and other securities. The loans advanced are subject to confirmation.
- (XIII) In my opinion the company is not a chit fund or nidhi/mutual benefit fund/society. therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (XIV) In my opinion the company is dealing in or trading in shares, securities, debentures and other investments. Accordingly, the company has complied with provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003.
- (XV) According to the information and explanations given to me, the company has not given any guarantee for loans taken by others from bank or financial institutions.
- (XVI) There were no term loans obtained by the company during the year.
- (XVII) According to the cash flow statement and other records examined by me and the information and explanations given to me, on overall basis, funds raised on short term basis have, prima facie, not been used during the year for long term investment and vice versa, other than temporary deployment pending application.
- (XVIII) The company has made preferential allotment of 1122791 warrants in the year 2012. During the year an amount of Rs.1,68,41,870/- have been received towards the subscription the same.
- (XIX) The company has not issued any debentures and no securities and charges are required to be created.
- (XX) The company has not raised any money by public issue during the year.
- (XXI) To the best of my knowledge and belief and according to the information explanation given to me, no fraud on or by the company was noticed or reported during the year.

Place : Chennai
Date : 30.05.2012

K SUBRAMANYAM & CO.,
CHARTERED ACCOUNTANTS,
Sd/-
K SUBRAMANYAM
PROPRIETOR

Membership No. 023663
Firm Regn No.004146S

M/S. KREON FINANCIAL SERVICES LIMITED

Stand Alone Balance Sheet as at 31st March, 2012

| Particulars | Note No | Figures for the current reporting period 31/03/2012 Rs. | Figures for the previous reporting period 31/03/2011 Rs. |
|--|---------|---|--|
| I. EQUITY AND LIABILITIES | | | |
| (1) Shareholders' Funds | | | |
| (a) Share Capital | 1 | 50,165,000 | 50,165,000 |
| (b) Reserves and Surplus | 2 | (5,711,884) | (5,834,753) |
| (c) Money received against share warrants | | 44,904,375 | 28,062,505 |
| (2) Share application money pending allotment | | | |
| (3) Non-Current Liabilities | | | |
| (a) Long-term borrowings | | - | - |
| (b) Deferred tax liabilities (Net) | | 109,296 | 115,567 |
| (c) Other Long term liabilities | 3 | 24,605,369 | 24,617,588 |
| (d) Long-term provisions | | - | - |
| (4) Current Liabilities | | | |
| (a) Short-term borrowings | | - | - |
| (b) Trade payables | | - | - |
| (c) Other current liabilities | | - | - |
| (d) Short-term provisions | 4 | 15,000 | 15,000 |
| Total | | 114,087,156 | 97,140,907 |
| II. Assets | | | |
| (1) Non-current assets | | | |
| (a) Fixed assets | | | |
| (i) Tangible assets | 5 | 58,125 | 65,919 |
| (ii) Intangible assets | | - | - |
| (iii) Capital work-in-progress | | - | - |
| (iv) Intangible assets under development | | - | - |
| (b) Non-current investments | 6 | 38,139,527 | 24,193,546 |
| (c) Deferred tax assets (net) | | - | - |
| (d) Long term loans and advances | 7 | 30,964,212 | 22,322,819 |
| (e) Other non-current assets | 8 | 397,600 | 694,400 |
| (2) Current assets | | | |
| (a) Current investments | | - | - |
| (b) Inventories | | - | - |
| (c) Trade receivables | 9 | 43,989,717 | 48,318,070 |
| (d) Cash and cash equivalents | 10 | 537,975 | 1,546,153 |
| (e) Short-term loans and advances | | - | - |
| (f) Other current assets | | - | - |
| Total | | 114,087,156 | 97,140,907 |

Notes Annexed to Forming Part of Accounts 17

for and on behalf of M/s KREON FINANCIAL SERVICES LTD

Sd/-
S. PANNALAL TATIA
Chairman cum Executive Director

Sd/-
E SUBBARAYAN
Director

As per our report of even date
for K SUBRAMANYAM & Co.,
Chartered Accountants.,

Sd/-
K Subramanyam
Proprietor
MemberShip No. 023663

Place: Chennai
Dated: 30/05/2012

M/S. KREON FINANCIAL SERVICES LIMITED

Stand Alone Profit and Loss statement for the year ended 31st March, 2012

| Particulars | Note No | Figures for the | Figures for the |
|--|---------|---|--|
| | | current reporting period 31/03/2012 | previous reporting period 31/03/2011 |
| | | Rs. | Rs. |
| I. Revenue from operations | 11 | 5,760,434 | 11,513,077 |
| II. Other Income | | - | - |
| III. Total Revenue (I +II) | | 5,760,434 | 11,513,077 |
| IV. <u>Expenses:</u> | | | |
| Cost of materials consumed | | - | 4,540,734 |
| Purchase of Stock-in-Trade | | - | - |
| Changes in inventories of finished goods, work-in-progress and Stock-in-Trade | | - | - |
| Employee benefit expense | 12 | 276,330 | 209,611 |
| Financial costs | 13 | 4,395 | 1,014 |
| Depreciation and amortization expense | 14 | 319,556 | 398,124 |
| Other expenses | 15 | 4,677,705 | 5,895,924 |
| Total Expenses | | 5,277,986 | 11,045,407 |
| V. Profit before exceptional and extraordinary items and tax (III - IV) | | 482,448 | 467,670 |
| VI. Exceptional Items | | - | - |
| VII. Profit before extraordinary items and tax (V - VI) | | 482,448 | 467,670 |
| VIII. Extraordinary Items | | - | - |
| IX. Profit before tax (VII - VIII) | | 482,448 | 467,670 |
| X. Tax expense: | | | |
| (1) Current tax | | - | - |
| (2) Short Provision for Previous year | | - | - |
| (2) Deferred tax | | (6,270) | 115,567 |
| XI. Profit/(Loss) from the period from continuing operations (VII - VIII) | | 488,718 | 352,103 |
| XII. Profit/(Loss) from discontinuing operations | | - | - |
| XIII. Tax expense of discounting operations | | - | - |
| XIV. Profit/(Loss) from Discontinuing operations (XII - XIII) | | - | - |
| XV. Profit/(Loss) for the period (XI + XIV) | | 488,718 | 352,103 |
| XVI. Earning per equity share: | 16 | | |
| (1) Basic | | 0.10 | 0.07 |
| (2) Diluted | | 0.10 | 0.07 |

for and on behalf of M/s KREON FINANCIAL SERVICES LTD

Sd/-
S. PANNALAL TATIA
Chairman cum Executive Director
Place: Chennai
Dated: 30/05/2012

Sd/-
E SUBBARAYAN
Director

As per our report of even date
for K SUBRAMANYAM & Co.,
Chartered Accountants.,
Sd/-
K. Subramanyam
Proprietor
MemberShip No. 023663

| Note No | | | Figures for the | Figures for the |
|----------|--|---------------|--------------------------|--------------------------|
| | 1 | 2 | current reporting | previous reporting |
| | | | period | period |
| | | | 3 | 4 |
| | | No. of Shares | 31/03/2012 | 31/03/2011 |
| | | | Rs. | Rs. |
| 1 | Share Capital | | | |
| | Equity Share Capital | | | |
| | Authorised Share capital | 20,000,000 | <u>200,000,000</u> | <u>200,000,000</u> |
| | Issued, subscribed & fully paid share capital | | | |
| | 50,16,500 Equity Shares of Rs.10/-each | 5,016,500 | 50,165,000 | 50,165,000 |
| | Less: Calls in Arrears | | - | - |
| | (From Directors-Nil) | | - | - |
| * | The Company has issued 50,44,500 of Preferential Warrants converted into equity Shares. (*Please see the note Below) | | | |
| | Total | | <u>50,165,000</u> | <u>50,165,000</u> |

| A | Details of Share Holders Holding More Than 5% of the Company | 31.3.2012 | | 31.3.2011 | |
|---|--|-------------------------|---------------------|-------------------------|---------------------|
| | | No. of Shares | % | No. of Shares | % |
| 1 | S. Pannalal Jain Tatia | | | 623,300 | 12.42 |
| 2 | Jaijash Tatia | 623,300 | 12.42 | - | - |
| 3 | Chandrakantha Tatia | 504,800 | 10.06 | 504,800 | 10.06 |
| 4 | Ashram Online.Com Ltd | 1,228,200 | 24.48 | 1,228,200 | 24.48 |
| | Total | <u>2,356,300</u> | <u>46.96</u> | <u>2,356,300</u> | <u>46.96</u> |

Note:*

***B** The post conversion of convertible preferential warrants the following persons shall have the shares as follows:-

| | Name's | No. of Shares | % | 31.3.2012 | 31.3.2011 |
|---|----------------------------------|-------------------------|---------------------|-----------------|-----------------|
| 1 | Tatia Global Vennture Ltd | 2,450,000 | 24.35 | - | - |
| 2 | Arul Projects & Services Pvt Ltd | 500,000 | 4.97 | - | - |
| 3 | Subh Labh Infrastructure Pvt Ltd | 2,094,500 | 20.82 | - | - |
| | Total | <u>5,044,500</u> | <u>50.14</u> | <u>-</u> | <u>-</u> |

2 Reserves and Surplus

| | | | |
|--|--|---------------------------|---------------------------|
| Capital Reserves | | - | - |
| Securities Premium Reserves | | - | - |
| Other Statutory Reserve / fund | | 1,411,592 | 1,341,172 |
| Add: During The Year | | 97,744 | 70,420 |
| General Reserve | | | |
| Profit & Loss Account (opening blance) | | (7,246,345) | (7,528,028) |
| Add/Less: Profit/Loss for the current year | | 4,82,448 | 4,67,670 |
| Less: Allocation / Appropriations | | 3,59,580 | 1,15,567 |
| Total | | <u>(5,711,884)</u> | <u>(5,834,753)</u> |

| Note No | | Figures for the | Figures for the |
|----------|---|-----------------------------|------------------------------|
| | | current reporting period | previous reporting period |
| | | 31/03/2012 | 31/03/2011 |
| | | Rs. | Rs. |
| 3 | Other Long Term Liabilities | | |
| | Secured | | |
| | Other Long Term Liabilities | - | - |
| | Unsecured | | |
| | Other Long Term Liabilities | 24,605,369 | 24,617,588 |
| | Total | 24,605,369 | 24,617,588 |
| 4 | Short-term provisions | | |
| | Provision for Income tax | - | - |
| | Audit fees | 15,000 | 15,000 |
| | Total | 15,000 | 15,000 |
| 5 | Tangible Assets | | |
| | Land/ Building/ Plant & Equipment/ Furniture & fixtures/ Vehicles/ Office Equipment/ Others (individually) | | |
| | Gross Block: | | |
| | Opening Balance | 498,646 | 4447235 |
| | Other Adjustments | 14,962 | - |
| | Sub total | 513,608 | 4,447,235 |
| | Less: Disposals | - | - |
| | Gross Block at year end (a) | 513,608 | 4,447,235 |
| | Less: Depreciation | | |
| | Opening Depreciation | 432,727 | 4139993 |
| | Depreciation for the year | 22,756 | 241323 |
| | Total accumulated depreciation (b) | 455,483 | 4381316 |
| | Net carrying value (a) - (b) | 58,125 | 65,919 |
| | Total | 58,125 | 65,919 |
| 7 | Long Term Loans and Advances | | |
| | Secured considered good | | |
| | Security Deposits | - | - |
| | Other loans and advances | - | - |
| | Sub Total | - | - |
| | Unsecured considered good | | |
| | Security Deposits | - | - |
| | Other loans and advances (Considered Good) | 30,964,212 | 22,322,819 |
| | Sub Total | 30,964,212 | 22,322,819 |
| | Total | 30,964,212 | 22,322,819 |
| 8 | Other Current Assets | | |
| | Defrred Revenue Expenses | | |
| | Opening Balance | 694,400 | 151,200 |
| | Add: acquisition through business combination | - | 700,000 |
| | | 694,400 | 851,200 |
| | Less: Written off During The Year | 296,800 | 156,800 |
| | Total | 397,600 | 694,400 |

| Note : 6 Non - Current Investments i.Quoted | 31.03.2012 | | | 31.03.2011 | | |
|---|------------------|-------------------|---------------------|-------------------|-------------------|---------------------|
| | Qty | Cost | Market Value Rs. | Qty | Cost | Market Value Rs. |
| Tatia Global Vennture ltd | 9,061,985 | 8,220,553 | 34,979,262 | 9,815,910 | 12,220,553 | 61,643,915 |
| Appolo Hospital Ltd | 20 | 4,093 | 12,776 | 20 | 4,093 | 9,424 |
| Arihant foundation ltd | 11 | 443 | 441 | 11 | 443 | 688 |
| Beckon Inds ltd | 500 | 4,440 | 420 | 500 | 4,440 | 905 |
| BGR energy Ltd | 1 | 746 | 327 | 1 | 746 | 477 |
| Cals Refiniries Ltd | 150,000 | 66,000 | 30,000 | 150,000 | 66,000 | 45,000 |
| Cera Sanitarwar | 2 | 268 | 464 | 2 | 268 | 313 |
| CNI Research Ltd | 1,000 | 16,570 | 2,680 | 1,000 | 16,570 | 7,570 |
| Dabar Indi Ltd | 200 | 8,808 | 21,320 | 200 | 8,808 | 19,210 |
| DLF Limited | 11 | 1,987 | 2,219 | 11 | 1,987 | 2,939 |
| GMR Infrastructure Ltd | 10 | 583 | 311 | 10 | 583 | 407 |
| Jayaswal Neco Ltd | 48,500 | 808,781 | 776,000 | 48,405 | 2,042,692 | 1,135,097 |
| King fisher Airline ltd | 24,100 | 490,697 | 397,650 | 24,000 | 1,122,000 | 957,600 |
| Lovable Lingerie Ltd | 10 | 3,843 | 3,578 | - | - | - |
| Kohinoor Food ltd | 10 | 908 | 318 | 10 | 908 | 480 |
| K.S.oil | 1,000 | 10,110 | 7,850 | - | - | - |
| Gokul Refoil Ltd | 1 | 56 | 78 | 1 | 56 | 101 |
| GVK Power & Infrstructure Ltd | 10 | 447 | 174 | 10 | 447 | 260 |
| IFICI Ltd | 15,100 | 637,029 | 632,690 | 15,100 | 747,964 | 789,750 |
| J I K Industries Ltd | 210 | 3,409 | 924 | 210 | 3,409 | 1,693 |
| Medione global Enterprises | 1 | 90 | 75 | 1 | 90 | 84 |
| Tata Teleservices Ltd | 20,100 | 291,641 | 294,465 | 20,000 | 473,198 | 342,000 |
| Karturi Global Ltd | 1,110 | 9,325 | 5,162 | 110 | 2,115 | 1,184 |
| Marg Ltd | 10 | 1,529 | 872 | 10 | 1,529 | 1,088 |
| MRF Ltd | 1 | 7,204 | 9,933 | 1 | 7,204 | 6,275 |
| Madras Cement Ltd | 500 | 29,508 | 76,875 | 500 | 29,508 | 50,875 |
| Munoth Financial Ltd | 100 | 821 | 376 | 100 | 821 | 622 |
| National Plastic ltd | - | - | - | 3,848 | 116,412 | 63,492 |
| ONGC Ltd | 40 | 6,368 | 10,734 | 40 | 6,368 | 11,604 |
| Power Soft Ltd | 400 | 3,964 | 1,140 | 400 | 3,964 | 2,236 |
| Page Insustries Ltd | 10 | 3,383 | 26,982 | 10 | 3,383 | 16,246 |
| Rupa &Company ltd | 100 | 14,149 | 14,000 | - | - | - |
| Reliance Com Ltd | 10 | 1,642 | 841 | 10 | 1,642 | 1,077 |
| Reliance Industries ltd | 210 | 158,638 | 157,626 | 201 | 217,894 | 210,608 |
| Reliance power Ltd | 25 | 6,466 | 2,929 | 25 | 6,466 | 3,243 |
| RPP Infrasructure Project ltd | - | - | - | 25,000 | 1,906,455 | 1,646,250 |
| SBI shares | 10 | 11,926 | 20,964 | 10 | 11,926 | 27,679 |
| Sesa Goa | 10 | 4,497 | 1,947 | 10 | 4,497 | 2,904 |
| Shree Asthivinayak Ltd | 100 | 1,396 | 355 | 100 | 1,396 | 636 |
| Sonarji Jewellery Ltd | 10,000 | 125,000 | 125,000 | 100,000 | 125,000 | 125,000 |
| Spicejet ltd | 100 | 5,586 | 2,355 | 40,100 | 1,963,652 | 1,535,830 |
| Tata Investments Ltd | 10 | 5,085 | 4,444 | 10 | 5,085 | 5,103 |
| Timber Home Ltd | 500 | 19,159 | 10,000 | - | - | - |
| TT ltd | 500 | 7,968 | 9,525 | 500 | 7,968 | 14,550 |
| Vijayshanthi Builders ltd | 1,010 | 35,243 | 23,079 | 1,010 | 35,243 | 20,857 |
| Total A | 9,337,538 | 11,030,359 | 37,669,161 | 10,247,397 | 21,173,783 | 68,705,272 |
| Quoted Equity share- (Partly Paid) | | | | | | |
| Munoth Investments Ltd., | - | - | - | 146,001 | 1,174,595 | 438,003 |

| Note : 6 | 31.03.2012 | | | 31.03.2011 | | |
|---|-------------------|--------------------|-------------------------|-------------------|-------------------|-------------------------|
| | Qty | Cost | Market Value Rs. | Qty | Cost | Market Value Rs. |
| ii.Unquoted/Unlisted | | | | | | |
| Clarus Commercial Pvt Ltd | 100,000 | 1,000,000 | 1,000,000 | 100,000 | 1,000,000 | 1,000,000 |
| Bokaria Reinforcing Pvt Ltd | - | - | - | 10,000 | 100,000 | 100,000 |
| Aran Kitchen World Pvt. Ltd* (*Subsidiary Company) | 2,554,900 | 25,549,000 | 25,549,000 | - | - | - |
| Total B | 2,654,900 | 2,65,49,000 | 2,65,49,000 | 110,000 | 1,100,000 | 1,100,000 |
| Share Application Money | | | | | | |
| Bay organics Pvt ltd | 10,000 | 100,000 | 100,000 | 10,000 | 100,000 | 100,000 |
| Van Abhi Impex ltd | - | - | - | 18,500 | 185,000 | 185,000 |
| Total C | 10,000 | 100,000 | 100,000 | 28,500 | 285,000 | 285,000 |
| iii) Bullion | | | | | | |
| 366.64 gms Bullion | - | 460,168 | 1,028,058 | - | 460,168 | 598,356 |
| Total D | - | 460,168 | 1,028,058 | - | 460,168 | 598,356 |
| Grand Total (A+B+C+D) | 12,002,438 | 38,139,527 | 65,346,219 | 10,531,898 | 24,193,546 | 71,126,631 |

| | | Figures for the current reporting period | Figures for the previous reporting period |
|-----------|---|--|---|
| | | 31/03/2012 | 31/03/2011 |
| | | Rs. | Rs. |
| 9 | Trade receivables | | |
| | Unsecured (Considered Good) | 43,989,717 | 48,318,070 |
| | Total | 43,989,717 | 48,318,070 |
| 10 | Cash and cash equivalents | | |
| | Balances with banks | (406,867) | 1,368,594 |
| | Cheques, drafts on hands | - | - |
| | Cash on hand | 944,842 | 177,559 |
| | Others | - | - |
| | Total | 537,975 | 1,546,153 |
| 11 | Revenue from Operations (for companies other than a finance company) | | |
| | Revenue from - Share of products | - | - |
| | Sale of services | - | - |
| | Other operating revenues | 5,760,434 | 11,513,077 |
| | Less: Excise Duty | - | - |
| | Total | 5,760,434 | 11,513,077 |
| 12 | Employee Benefits Expense | | |
| | Salaries and wages | 276,330 | 209,611 |
| | Expense on Employees stock option scheme (ESOP) and Employee stock purchase plan (ESPP) | - | - |
| | Staff welfare expenses | - | - |
| | Total | 276,330 | 209,611 |
| 13 | Finance Costs | | |
| | Interest expenses | - | - |
| | Bank commission /Charges | 4,395 | 1,014 |
| | Total | 4,395 | 1,014 |
| 14 | Depreciation and Amortisation of Expenses | | |
| | Depreciation of Tangible Assets | 22,756 | 241,324 |
| | Amortisation of Deferred Revenue Expenses | 296,800 | 156,800 |
| | Total | 319,556 | 398,124 |
| 15 | Other Expenses | | |
| | Advertisement | 19,851 | 12,512 |
| | AGM & Board meeting Expenses | 2,825 | 950 |
| | Audit Fees | 15,000 | 15,000 |
| | Bad Debts | 3,468,998 | 4,765,199 |
| | Consultancy Fees | 49,369 | 4,500 |
| | Director Remuneration | 720,000 | 600,000 |
| | Filing Fees | 4,150 | 2,737 |
| | General Expenses | 167,223 | 288,243 |
| | Listing fees | 27,575 | 39,708 |
| | Postage & Telegram | 44,399 | 29,956 |
| | Printing & Stationary | 31,426 | 41,126 |
| | Rates & Taxes | 32,572 | 28,983 |
| | Travelling Expenses | 94,317 | 67,010 |
| | Total | 4,677,705 | 5,895,924 |

| Schedules forming Part of Accounts | | | |
|--|--------------------------|--------------------------------|--------------------------------|
| Earnings Per Share | | | |
| The Following reflects the profit and share data used in the basic and diluted EPS Computations | | | |
| | <u>Note</u> 16 | <u>31/03/2012</u> Rs | <u>31/03/2011</u> Rs |
| Total Operation for the year | | | |
| Profit / (Loss) after tax | | 488,718 | 352,103 |
| Less Dividends on convertibel preference shares and tax thereon | | - | - |
| Net Profit/ (Loss) for calculation of basic EPS | | <u>488,718</u> | <u>352,103</u> |
| Net Profit/ (Loss) as above | | 488,718 | 352,103 |
| Add : Dividends on convertible preference shares & tax thereon | | - | - |
| Add : Interest on bonds convertible into equity shares (net of tax) | | - | - |
| Net Profit/ (Loss) for calculation of diluted EPS | | <u>488,718</u> | <u>352,103</u> |
| Continuing Operations | | | |
| Profit / (Loss) after tax | | 488,718 | 352,103 |
| Less Dividends on convertibel preference shares and tax thereon | | - | - |
| Net Profit for calculation of basic EPS | | <u>488,718</u> | <u>352,103</u> |
| Net Profit as above | | 488,718 | 352,103 |
| Add : Dividends on convertible preference shares & tax thereon | | - | - |
| Add : Interest on bonds convertible into equity shares (net of tax) | | - | - |
| Net Profit/ (Loss) for calculation of diluted EPS | | <u>488,718</u> | <u>352,103</u> |
| Weighted averate number of equity shares in calculating basic EPS | | 0.10 | 0.07 |
| Effect of Dilution : | | | |
| Convertible Preference Shares | | - | - |
| Convertible Bonds | | - | - |
| Stock options granted under ESOP | | - | - |
| Weighted averate number of equity shares in calculating basic EPS | | 0.10 | 0.07 |

M/S. KREON FINANCIAL SERVICES LIMITED

STAND ALONE CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31.03.2012

| | 31.03.2012 | 31.03.2011 |
|---|---------------------|---------------------|
| | Rs. | Rs. |
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit before tax and extraordinary items | 488,718 | 352,103 |
| Adjustments for : | | |
| Add : Miscellaneous Expenditure w/off | 296,800 | 156,800 |
| Add : Depreciation | 22,756 | 241,324 |
| Add : Tax provision | 7,671 | - |
| Less; Deferred tax Adjustments | 6,270 | 115,567 |
| Less: Statutory Provision | 365,850 | |
| Less : Misc. Expenses during the year | - | 700,000 |
| | <u>428,483</u> | <u>165,794</u> |
| Operating Profit before working Capital Changes | | |
| Adjustments for | | |
| Less : Increase in Current Assets | 4,305,639 | 27,980,932 |
| Add : Increase in current Liabilities | - | |
| Add : Decrease in Current Assets | - | |
| Less : Decrease in current Liabilities | 12,219 | - |
| Cash Flow From Operating activities(A) | <u>(3,889,375)</u> | <u>(24,984,729)</u> |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Investments during the year | <u>(13,945,981)</u> | <u>(2,281,680)</u> |
| Cash Flow From Investment Activities (B) | <u>(13,945,981)</u> | <u>(2,281,680)</u> |
| C. CASH FLOW FROM FINANCE ACTIVITIES | | |
| Cash Flow From finance Activities (C) | <u>16,827,178</u> | <u>28,062,505</u> |
| Increase / (Decrease) in cash and cash equivalent (A+B+C) | <u>(1,008,178)</u> | <u>796,096</u> |
| Cash and cash Equivalents as on 31.03.2011 | 1,546,153 | 750,057 |
| Cash and cash Equivalents as on 31.03.2012 | 537,975 | 1,546,153 |
| Net Increase/(Decrease) in Cash Balances | <u>(1,008,178)</u> | <u>796,096</u> |

I have examined the above Cash Flow Statement of M/s. Kreon Financial services Ltd for the year ended March 31st 2012. The statement has been prepared by the company in accordance with the requirements of AS-3 and is based on and derived from and where applicable, and is in agreement with the profit and Loss a/c and Balance sheet of the company covered by my report dated 30th May 2012 to the members of the company.

for K. Subramanyam & Co.,
Chartered Accountants.,
 sd/-
K. Subramanyam
Proprietor
Membership No. 023663

Place: Chennai
Date: 30.05.2012

Note - 17

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS AS AT 31ST MARCH 2012

Brief description of the Company and its Business

KREON FINANCIAL SERVICES LIMITED was incorporated in India, and is engaged primarily into financing activities along with investing in to long term and short term projects, securities, debts related instruments etc.

A. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956.

Method of Accounting - The Company maintain its accounts on accrual basis.

The Accounting Standards recommended by The Institute of Chartered Accountants of India have been followed wherever applicable to the Company.

B. REVENUE RECOGNITION

In respect of income from financing, the Company has accounted on a accrual basis the interest due from the respective parties.

In respect of other incomes, accrual system of accounting is followed.

C. FIXED ASSETS, DEPRECIATION & IMPAIRMENT

The Fixed Assets are stated at cost of their acquisition less depreciation.

Depreciation is provided on fixed assets, on straight line method, as per the rates specified in Schedule XIV of the Companies Act, 1956

D. VALUATION OF CLOSING STOCK

The company does hold shares as stock in trade during the year under review. The stock have been valued at the cost price (after effecting the differential value on account of conversion of investment in to stock) or Market realizable value which ever is less.

E. MISCELLANEOUS EXPENSES

Deferred revenue expenses incurred by the company are being written off over a period from the year operation of business activities.

F. INVESTMENTS

Investments are classified as Long-term investments and current investment including the share application made by the company. Long-term investments are shown at cost .Current investment have been valued at cost In case of both investments temporary diminution in the value has not been recognized.

G. RETIREMENT BENEFITS

Contribution of Provident fund, Gratuity and Leave encashment benefits wherever applicable is being accounted on actual liability basis as and when arises. However the above referred provisions are not applicable to the company as it does not have employees who have served minimum period to become eligible for retirement benefits.

H. TAX ON INCOME

Tax on income for the current period is determined on the basis of Taxable Income computed in accordance with the provisions of the Income Tax Act 1961.

Deferred Tax on timing differences between the accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date as per the Accounting Standard (AS 22) laid down by the Institute of Chartered Accountants of India (ICAI) .

I.EARNINGS PER SHARE (EPS)

The earnings considered in ascertaining the Company's earnings per share is net profit after tax. The earnings per share for the year is Rs 0.10 as compared to the previous year of Rs 0.07. The EPS reported is basic and diluted.

J. RELATED PARTY DISCLOSURES

The Company had no transactions with the related parties during the year under review other than temporary current account transactions.

| <u>Name of the persons</u> | <u>Nature of Transaction</u> | <u>Amount (RS)</u> |
|---|-------------------------------------|----------------------------|
| S.Pannalal Tatia | Director remuneration | 720000/- |
| Tatia Global Vennture ltd | Preferential warrant money | 35050000/- |
| <u>Sundry Debtors</u> | | |
| Devarbetta Lands Pvt ltd | on account Transaction | 900000/- |
| Kalyanang Developers Pvt ltd | on account transaction | 200000/- |
| Sundarvans Infrastructure & Developers Pvt Id | on account transaction | 200000/- |

K. IMPAIRMENT OF ASSETS

As required by AS-28 issued by the Institute of Chartered Accountants of India ,provision for hurt loss of Assets is not required to be made as the estimated realizable value of such assets will be more or equal to the carrying amount stated in the Balance Sheet.

L. SEGMENTAL REPORTING

The company is engaged primarily in the business of financing and investments and accordingly there are no separate reportable segment as per the accounting standard 17 (Segmental Reporting) issue by the Institute of Chartered Accountants of India.

M.DUES TO SME'S

Management has determined that there were no balances outstanding as at the beginning of the year and no transactions entered with micro, small and medium enterprises as defined under Micro, Small and Medium Enterprises Development Act, 2006, during the current year, based on the information available with the company as at March 31,2012

| <u>N. AUDITOR REMUNERATION</u> | <u>2011-2012</u> | <u>2010-2011</u> |
|---------------------------------------|-------------------------|-------------------------|
| Statutory Audit Fees | Rs.15,000.00 | Rs. 15,000.00 |

O.GENERAL

The figures for the previous year have been regrouped / reclassified / rearranged where ever necessary with the conformity with the current year figures for facilitating proper comparisons.

The company has followed prudential norms, except otherwise stated, prescribed by Reserve Bank of India for Non-Banking Finance Companies-financial statements.

The figures have been rounded off to the nearest rupee.

Signatories to Schedule 1 to 17

As per our Report of even date attached
For K SUBRAMANYAM & CO
Chartered Accountants

For and on behalf of the Board of Directors

Sd/-
K SUBRAMANYAM
 Proprietor
 M.No. 023663
 Place : Chennai
 Date : 30.05.2012

Sd/-
S PANNALAL TATIA
 Chairman cum Executive Director

Sd/-
S.SUBBARAYAN
 Director

Schedule to the Balance Sheet for the Year Ended March 31,2012 (as required in terms of Paragraph 9BB of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1988)

| S.no | Particulars | (Rs in Lakhs) | |
|------|--|--------------------|----------------|
| | | Amount Outstanding | Amount Overdue |
| 1 | Liabilities Side :- | | |
| | a. Debentures : Secured : Unsecured (other than falling with in the meaning of public deposits) | --- | |
| | b. Deferred Credits | --- | |
| | c. Term Loans | --- | |
| | d. Inter - Corporate loans and borrowings | --- | |
| | e. Commercial Paper | --- | |
| | f. Public Deposits * (note1) | --- | |
| | g. Other Loans (Specify Nature) | --- | |
| 2 | Break-up of (1) (f) above (outstanding of public deposits inclusive of accrued interest there on) | --- | |
| | a. In the form of Unsecured debentures | --- | |
| | b. In the form of partly secured debentures i.e. debentures where there is shortfall in value of security | --- | |
| | c. Other Public Deposit | --- | |
| | Asset Side :- | | |
| 3 | Break-up of Loans and Advances including bills receivables (other than those included in (4) below) | | |
| | a. Secured | --- | |
| | b. Unsecured | 439.90 | |
| 4 | Break-up of Leased Assets and stocks on hire and hypothecation loans counting towards EL/HP business | --- | |
| | (i) Lease assets including lease rentals under sundry debtors :- | --- | |
| | (a) Financial Lease | --- | |
| | (b) Operating Lease | --- | |
| | (ii) Stock on hire including hire charges under sundry debtors : | --- | |
| | (a) Assets on hire | --- | |
| | (b) Repossessed Assets | --- | |
| | (iii) Hypothecation loans counting towards EL/HP activities | --- | |
| | (a) Loans where assets have been repossessed | --- | |
| | (b) Loans other than (a) above | --- | |
| 5 | Break-up of Investments:- | | |
| | Current Investments : | | |
| | 1. Quoted: | | |
| | (i) Shares (a) Equity | --- | |
| | (b) Preference | --- | |
| | (ii) Debentures and Bonds | --- | |
| | (iii) Units of mutual funds | --- | |
| | (iv) Government Securities | --- | |
| | (v) Others (specify) | --- | |
| | 2. Unquoted | | |
| | (i) Shares (a) Equity | | --- |
| | (b) Preference | | --- |
| | (ii) Debentures and Bonds | | --- |
| | (iii) Units of mutual funds | | --- |
| | (iv) Government Securities | | --- |
| | (v) Others (specify) | | --- |

| S.no | Particulars | Amount Outstanding | (Rs in Lakhs) | |
|------|---|-----------------------|-------------------|--|
| | | | Amount Overdue | |
| | Long Terms Investments | | | |
| | 1. Quoted: | | | |
| | (i) Shares (a) Equity | 110.31 | | |
| | (b) Preference | — | | |
| | (ii) Debentures and Bonds | — | | |
| | (iii) Units of mutual funds | — | | |
| | (iv) Government Securities | — | | |
| | (v) Others (specify) | — | | |
| | 2. Unquoted | | | |
| | (i) Shares (a) Equity | 265.49 | | |
| | (b) Preference | — | | |
| | (ii) Debentures and Bonds | — | | |
| | (iii) Units of mutual funds | — | | |
| | (iv) Government Securities | — | | |
| | (v) Others (specify) Bullion | 4.60 | | |
| 6 | Borrower group-wise classification of all leased assets, stock on hire and loans and advances * note 2: | | | |
| | Category | Secured | Unsecured | |
| | 1. Related Parties | — | — | |
| | (a) Subsidiaries | — | — | |
| | (b) Companies under same group | — | — | |
| | (c) Others | — | — | |
| | 2. Other than related parties | — | 309.23 | |
| | Total | — | 309.23 | |
| 7 | Investor groupwise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) * note 3 : | | | |
| | Category | Market Value | Book Value | |
| | Related Parties | | | |
| | (a) Subsidiaries | | | |
| | (b) Companies under same group | 255.49 | 255.49 | |
| | (c) Others | 349.79 | 82.21 | |
| | Other than related parties | 37.90 | 39.10 | |
| | Total | 643.18 | 376.80 | |
| 8 | Other Information | | | |
| | Particulars | | | |
| | (i) Gross Non-performing Assets | — | | |
| | (a) related parties | — | | |
| | (b) other than related parties | — | | |
| | (ii) Net Non - Performing Assets | — | | |
| | (a) related parties | — | | |
| | (b) other than related parties | — | | |
| | (iii) Assets acquired in satisfaction of debt | — | | |

Financial Information of Subsidiary Companies as on 31.03.2012

| Sl. No. | Name of Subsidiary Company | Reporting Currency | Capital | Reserves | Total Liabilities | Total Assets | Net Current Assets | Miscellaneous Expenses | Turnover | Total Income | Profit Before Taxation | Provision for Taxation | Profit After Taxation | Proposed Taxation |
|---------|------------------------------------|--------------------|----------|-----------|-------------------|--------------|--------------------|------------------------|-----------|--------------|------------------------|------------------------|-----------------------|-------------------|
| 1 | Aran Kitchen World India Pvt. Ltd. | INR | 50100000 | (3839709) | 170995861 | 219256154 | 29663090 | 27600 | 177177050 | 177177050 | 7071489 | 1898329 | 5451027 | :: |

AUDITOR'S REPORT

TO THE MEMBERS OF KREON FINANCIAL SERVICES LIMITED

1. I have audited the attached Consolidated Balance Sheet of M/S. KREON FINANCIAL SERVICES LIMITED, and its Partly owned - subsidiary (name described in notes to the consolidated financial statement) as at 31st march, 2012 and also the Profit & Loss account of the company for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management and have been prepared by the management on the basis of separate financial information regarding components. My responsibility is to express an opinion on these financial statements based on my audit.
2. I conducted my audit in accordance with auditing standards generally accepted in India. Those standards require that I 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 & disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by managements, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.
3. we report that the consolidates financial statements have been prepared by the group's management in accordance with the requirement of the Accounting Standard (AS) 21- Consolidated financial statements and Accounting Standard (AS) 23 –Accounting for Investments in Associates in Consolidated financial statements notified by the Companies (Accounting) Rules, 2006.
4. in my opinion & to the best of my information and according to the explanation given to me, the said accounts read with significant accounting policies and the other 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 case of the Consolidated Balance Sheet of the state of affairs of the company as at 31st March, 2012;
 - b) in case of Consolidated Profit & Loss account of the profit for the year ended on that date,

**K SUBRAMANYAM & CO.,
CHARTERED ACCOUNTANTS,**

**Sd/-
K SUBRAMANYAM
PROPRIETOR
M. NO. 023663**

**Place: Chennai
Date : 21.08.2012**

Consolidated Balance Sheet as at 31st March, 2012

| Particulars | Note No | Figures for the current reporting period | Figures for the previous reporting period (*) |
|--|-----------|--|---|
| | | CONSOLIDATE 31/03/2012 | CONSOLIDATE 31/03/2011* |
| | | Rs. | Rs. |
| I. EQUITY AND LIABILITIES | | | |
| (1) Shareholders' Funds | | | |
| (a) Share Capital | 1 | 50,165,000 | - |
| (b) Reserves and Surplus | 2 | (9,551,593) | - |
| (c) Money received against share warrants | | 44,904,375 | - |
| (2) Minority Interest | | | |
| | | 24,551,000 | |
| (3) Share application money pending allotment | | | |
| | | 2,000,000 | |
| (4) Non-Current Liabilities | | | |
| (a) Long-term borrowings | 3 | 23,667,104 | - |
| (b) Deferred tax liabilities (Net) | | - | - |
| (c) Other Long term liabilities | 4 | 24,605,369 | - |
| (d) Long-term provisions | | - | - |
| (5) Current Liabilities | | | |
| (a) Short-term borrowings | 5 | 54,647,249 | - |
| (b) Trade payables | 6 | 77,022,624 | - |
| (c) Other current liabilities | | - | - |
| (d) Short-term provisions | 7 | 15,673,884 | - |
| Total | | 307,685,012 | - |
| II.Assets | | | |
| (1) Non-current assets | | | |
| (a) Fixed assets | | | |
| (i) Tangible assets | 8 | 18,655,326 | - |
| (ii) Intangible assets | | - | - |
| (iii) Capital work-in-progress | | - | - |
| (iv) Intangible assets under development | | - | - |
| (b) Non-current investments | 9 | 12,590,527 | - |
| (c) Deferred tax assets (net) | | 416,809 | - |
| (d) Long term loans and advances | 10 | 30,964,212 | - |
| (e) Other non-current assets | 11 | 425,200 | - |
| (2) Current assets | | | |
| (a) Current investments | | - | - |
| (b) Inventories | 12 | 66,888,475 | - |
| (c) Trade receivables | 13 | 155,116,650 | - |
| (d) Cash and cash equivalents | 14 | 1,386,185 | - |
| (e) Short-term loans and advances | 15 | 21,241,628 | - |
| (f) Other current assets | | - | - |
| Total | | 307,685,012 | - |
| Notes Annexed to Forming Part of Accounts | 23 | | |

***Note:**

Previous year figures are not reported as this is the 1st year of consolidation and reporting

for and on behalf of M/s KREON FINANCIAL SERVICES LTD

sd/-

S. PANNALAL TATIA

Chairman cum Executive Director

Place: Chennai

Dated: 21/08/2012

sd/-

E SUBBARAYAN

Director

As per our report of even date
for **K SUBRAMANYAM & Co.,**

Chartered Accountants.,

sd/-

K Subramanyam

Proprietor

MemberShip No. 023663

Consolidated Profit and Loss statement for the year ended 31st March, 2012

| Particulars | Note No | Figures for the current reporting period | Figures for the previous reporting period (*) |
|---|---------|--|---|
| | | CONSOLIDATE 31/03/2012 | CONSOLIDATE 31/03/2011* |
| | | Rs. | Rs. |
| I. Revenue from operations | 16 | 178,554,454 | - |
| II. Other Income | | 4,383,030 | - |
| III. Total Revenue (I + II) | | 182,937,484 | - |
| IV. <i>Expenses:</i> | | | |
| Cost of materials consumed | 17 | 107,973,618 | - |
| Purchase of Stock-in-Trade | | - | - |
| Changes in inventories of finished goods, work-in-progress and Stock-in-Trade | | - | - |
| Employee benefit expense | 18 | 16,260,347 | - |
| Financial costs | 19 | 10,749,497 | - |
| Depreciation and amortization expense | 20 | 4,234,805 | - |
| Other expenses | 21 | 36,165,280 | - |
| Total Expenses | | 175,383,547 | - |
| V. Profit before exceptional and extraordinary items and tax (III - IV) | | 7,553,937 | - |
| VI. Exceptional Items | | - | - |
| VII. Profit before extraordinary items and tax (V - VI) | | 7,553,937 | - |
| VIII. Extraordinary Items | | - | - |
| IX. Profit before tax (VII - VIII) | | 7,553,937 | - |
| X. Tax expense: | | | |
| (1) Current tax | | 1,898,329 | - |
| (2) Short Provision for Previous year | | - | - |
| (2) Deferred tax | | (284,137) | - |
| XI. Profit/(Loss) from the period from continuing operations (VII - VIII) | | 5,939,745 | - |
| XII. Profit/(Loss) from discontinuing operations | | - | - |
| XIII. Tax expense of discounting operations | | - | - |
| XIV. Profit/(Loss) from Discontinuing operations (XII - XIII) | | - | - |
| XV. Less: Minority Interest on profit | | 2,910,475 | - |
| XVI. Profit/(Loss) for the period (XI + XIV) | | 3,029,270 | - |
| XVII. Earning per equity share: | 22 | | |
| (1) Basic | | 0.60 | - |
| (2) Diluted | | 0.60 | - |

***Note:**

Previous year figures are not reported as this is the 1st year of consolidation and reporting

for and on behalf of M/s KREON FINANCIAL SERVICES LTD

sd/-

S. PANNALAL TATIA

Chairman cum Executive Director

Place: Chennai

Dated: 21/08/2012

sd/-

E SUBBARAYAN

Director

As per our report of even date

for **K SUBRAMANYAM & Co.,**

Chartered Accountants.,

sd/-

K Subramanyam

Proprietor

MemberShip No. 023663

| Particulars | Note No | Figures for the current reporting period | Figures for the previous reporting period (*) |
|---|---------|--|---|
| | | CONSOLIDATE 31/03/2012 Rs. | CONSOLIDATE 31/03/2011* Rs. |
| 1 Share Capital | | | |
| Equity Share Capital | | | |
| Authorised Share capital | | 200,000,000 | - |
| Issued, subscribed & fully paid share capital | | | |
| 50,16,500 Equity Shares of Rs.10/-each | | 50,165,000 | - |
| Less: Calls in Arrears | | | - |
| (From Directors-Nil) | | | - |
| * The Company has issued 50,44,500 of Preferential Warrants converted into equity Shares. (*Please see the note Below) | | | |
| Total | | 50,165,000 | - |
| A Details of Share Holders Holding More Than 5% of the Company | | No.of Shares 31.3.2012 | % |
| 1 Jaijash Tatia | | 623,300 | 12.42 |
| 2 Chandrakantha Tatia | | 504,800 | 10.06 |
| 3 Ashram Online.Com Ltd | | 1,228,200 | 24.48 |
| Total | | 2,356,300 | 46.97 |
| Note:* | | | |
| *B The post conversion of convertible preferential warrants the following persons shall have the shares as follows:- | | | |
| Name's | | No.of Shares 31.3.2012 | % |
| 1 Tatia Global Vennture Ltd | | 2,450,000 | 24.35 |
| 2 Arul Projects & Services Pvt Ltd | | 500,000 | 4.97 |
| 3 Subh Labh Infrastructure Pvt Ltd | | 2,094,500 | 20.82 |
| Total | | 5,044,500 | 50.14 |
| 2 Reserves and Surplus | | | |
| Capital Reserves | | - | |
| Securities Premium Reserves | | - | |
| Other Statutory Reserve / fund | | 1,411,592 | - |
| General Reserve | | | |
| Profit & Loss Account (opening blance) | | (16,537,081) | - |
| Add/Less: Profit/Loss for the current year | | 7,553,938 | - |
| Less: Allocations / Appropriations | | 1,980,042 | |
| Total | | (9,551,593) | - |
| 3 Long Term Borrowings | | | |
| Secured considered good | | | |
| Capital Advances | | | - |
| Other loans and advances | | - | - |
| Sub Total | | - | - |
| Unsecured considered good | | | |
| Security Deposits | | | - |
| Other loans and advances (Considered Good) | | 23,667,104 | - |
| Sub Total | | 23,667,104 | - |
| Total | | 23,667,104 | - |

| Particulars | Note No | Figures for the current reporting period | Figures for the previous reporting period (*) |
|--|---------|--|---|
| | | CONSOLIDATE 31/03/2012 Rs. | CONSOLIDATE 31/03/2011* Rs. |
| 4 Other Long Term Liabilities | | | |
| Secured | | | |
| Other Long Term Liabilities | | - | - |
| Unsecured | | | |
| Other Long Term Liabilities | | 24,605,369 | - |
| Total | | <u>24,605,369</u> | - |
| 5 Short Term Borrowings | | | |
| Secured considered good | | | |
| From Banks | | 45,214,585 | - |
| Other loans and advances | | - | - |
| Sub Total | | <u>45,214,585</u> | - |
| Unsecured considered good | | | |
| Security Deposits | | - | - |
| Other loans and advances (Considered Good) | | 9,432,664 | - |
| Sub Total | | <u>9,432,664</u> | - |
| Total | | <u>54,647,249</u> | - |
| 6 Trade Payables | | | |
| Others | | | |
| Trade Payable | | 75,722,624 | - |
| Franchise Advance | | 1,300,000 | - |
| Total | | <u>77,022,624</u> | - |
| 7 Short-term provisions | | | |
| Provision for Income tax | | - | - |
| Audit fees | | 15,000 | - |
| Others | | 15,658,884 | - |
| Total | | <u>15,673,884</u> | - |
| 8 Tangible Assets | | | |
| Land/ Building/ Plant & Equipment/ Furniture & fixtures/ Vehicles/ Office Equipment/ Others (individually) | | | |
| Gross Block: | | | |
| Opening Balance | | 29,385,061 | - |
| Add: acquisition through business combination | | - | - |
| Other Adjustments | | 28,524 | - |
| Sub total (a) | | <u>29,413,585</u> | - |
| Less: Depreciation | | | |
| Opening Depreciation | | 6,820,254 | - |
| Depreciation for the year | | 3,938,005 | - |
| Total accumulated depreciation (b) | | <u>10,758,259</u> | - |
| Net carrying value (a) - (b) | | <u>18,655,326</u> | - |
| Total | | <u>18,655,326</u> | - |

| Note : 9 Non - Current Investments i.Quoted | 31.03.2012 | | | 31.03.2011 | | |
|---|------------------|-------------------|---------------------|-------------------|-------------------|---------------------|
| | Qty | Cost | Market Value Rs. | Qty | Cost | Market Value Rs. |
| Tatia Global Vennture ltd | 9,061,985 | 8,220,553 | 34,979,262 | 9,815,910 | 12,220,553 | 61,643,915 |
| Appolo Hospital Ltd | 20 | 4,093 | 12,776 | 20 | 4,093 | 9,424 |
| Arihant foundation ltd | 11 | 443 | 441 | 11 | 443 | 688 |
| Beckon Inds ltd | 500 | 4,440 | 420 | 500 | 4,440 | 905 |
| BGR energy Ltd | 1 | 746 | 327 | 1 | 746 | 477 |
| Cals Refineries Ltd | 150,000 | 66,000 | 30,000 | 150,000 | 66,000 | 45,000 |
| Cera Sanitarwar | 2 | 268 | 464 | 2 | 268 | 313 |
| CNI Research Ltd | 1,000 | 16,570 | 2,680 | 1,000 | 16,570 | 7,570 |
| Dabar Indi Ltd | 200 | 8,808 | 21,320 | 200 | 8,808 | 19,210 |
| DLF Limited | 11 | 1,987 | 2,219 | 11 | 1,987 | 2,939 |
| GMR Infrastructure Ltd | 10 | 583 | 311 | 10 | 583 | 407 |
| Jayaswal Neco Ltd | 48,500 | 808,781 | 776,000 | 48,405 | 2,042,692 | 1,135,097 |
| King fisher Airline Ltd | 24,100 | 490,697 | 397,650 | 24,000 | 1,122,000 | 957,600 |
| Lovable Lingerie Ltd | 10 | 3,843 | 3,578 | - | - | - |
| Kohinoor Food ltd | 10 | 908 | 318 | 10 | 908 | 480 |
| K.S.oil | 1,000 | 10,110 | 7,850 | - | - | - |
| Gokul Refoil Ltd | 1 | 56 | 78 | 1 | 56 | 101 |
| GVK Power & Infrstructure Ltd | 10 | 447 | 174 | 10 | 447 | 260 |
| IFICI Ltd | 15,100 | 637,029 | 632,690 | 15,100 | 747,964 | 789,750 |
| J I K Industries Ltd | 210 | 3,409 | 924 | 210 | 3,409 | 1,693 |
| Medione global Enterprises | 1 | 90 | 75 | 1 | 90 | 84 |
| Tata Teleservices Ltd | 20,100 | 291,641 | 294,465 | 20,000 | 473,198 | 342,000 |
| Karturi Global Ltd | 1,110 | 9,325 | 5,162 | 110 | 2,115 | 1,184 |
| Marg Ltd | 10 | 1,529 | 872 | 10 | 1,529 | 1,088 |
| MRF Ltd | 1 | 7,204 | 9,933 | 1 | 7,204 | 6,275 |
| Madras Cement Ltd | 500 | 29,508 | 76,875 | 500 | 29,508 | 50,875 |
| Munoth Financial Ltd | 100 | 821 | 376 | 100 | 821 | 622 |
| National Plastic ltd | - | - | - | 3,848 | 116,412 | 63,492 |
| ONGC Ltd | 40 | 6,368 | 10,734 | 40 | 6,368 | 11,604 |
| Power Soft Ltd | 400 | 3,964 | 1,140 | 400 | 3,964 | 2,236 |
| Page Insustries Ltd | 10 | 3,383 | 26,982 | 10 | 3,383 | 16,246 |
| Rupa &Company ltd | 100 | 14,149 | 14,000 | - | - | - |
| Reliance Com Ltd | 10 | 1,642 | 841 | 10 | 1,642 | 1,077 |
| Reliance Industries ltd | 210 | 158,638 | 157,626 | 201 | 217,894 | 210,608 |
| Reliance power Ltd | 25 | 6,466 | 2,929 | 25 | 6,466 | 3,243 |
| RPP Infrasructure Project ltd | - | - | - | 25,000 | 1,906,455 | 1,646,250 |
| SBI shares | 10 | 11,926 | 20,964 | 10 | 11,926 | 27,679 |
| Sesa Goa | 10 | 4,497 | 1,947 | 10 | 4,497 | 2,904 |
| Shree Asthivinayak Ltd | 100 | 1,396 | 355 | 100 | 1,396 | 636 |
| Sonarji Jewellery Ltd | 10,000 | 125,000 | 125,000 | 100,000 | 125,000 | 125,000 |
| Spicejet ltd | 100 | 5,586 | 2,355 | 40,100 | 1,963,652 | 1,535,830 |
| Tata Investments Ltd | 10 | 5,085 | 4,444 | 10 | 5,085 | 5,103 |
| Timber Home Ltd | 500 | 19,159 | 10,000 | - | - | - |
| TT ltd | 500 | 7,968 | 9,525 | 500 | 7,968 | 14,550 |
| Vijayshanthi Builders ltd | 1,010 | 35,243 | 23,079 | 1,010 | 35,243 | 20,857 |
| Total A | 9,337,538 | 11,030,359 | 37,669,161 | 10,247,397 | 21,173,783 | 68,705,272 |
| Quoted Equity share- (Partly Paid) | | | | | | |
| Munoth Investments Ltd., | - | - | - | 146,001 | 1,174,595 | 438,003 |

| Note : 9 ii.Unquoted/Unlisted | 31.03.2012 | | | 31.03.2011 | | |
|--|-------------------|-------------------|-----------------------------|-------------------|-------------------|-----------------------------|
| | Qty | Cost | Market Value Rs. | Qty | Cost | Market Value Rs. |
| Clarus Commercial Pvt Ltd | 100,000 | 1,000,000 | 1,000,000 | 100,000 | 1,000,000 | 1,000,000 |
| Bokaria Reinforcing Pvt Ltd | - | - | - | 10,000 | 100,000 | 100,000 |
| Total B | 100,000 | 1,000,000 | 1,000,000 | 110,000 | 1,100,000 | 1,100,000 |
| Share Application Money | | | | | | |
| Bay organics Pvt Ltd | 10,000 | 100,000 | 100,000 | 10,000 | 100,000 | 100,000 |
| Van Abhi Impex Ltd | - | - | - | 18,500 | 185,000 | 185,000 |
| Total C | 10,000 | 100,000 | 100,000 | 28,500 | 285,000 | 285,000 |
| iii) Bullion | | | | | | |
| 366.64 gms Bullion | - | 460,168 | 1,028,058 | - | 460,168 | 598,356 |
| Total D | - | 460,168 | 1,028,058 | - | 460,168 | 598,356 |
| Grand Total (A+B+C+D) | 9,447,538 | 12,590,527 | 39,797,219 | 10,531,898 | 24,193,546 | 71,126,631 |
| | | | | | | |

| Particulars | Note No | Figures for the current reporting period | Figures for the previous reporting period (*) |
|---|---------|--|---|
| | | CONSOLIDATE 31/03/2012 Rs. | CONSOLIDATE 31/03/2011* Rs. |
| 10 Long Term Loans and Advances | | | |
| Secured considered good | | | |
| Security Deposits | | - | - |
| Other loans and advances | | - | - |
| Sub Total | | - | - |
| Unsecured considered good | | | |
| Security Deposits | | - | - |
| Other loans and advances (Considered Good) | | <u>30,964,212</u> | - |
| Sub Total | | <u>30,964,212</u> | - |
| Total | | <u>30,964,212</u> | - |
| 11 Other Current Assets | | | |
| Defred Revenue Expenses | | | - |
| Opening Balance | | 749,600 | - |
| Add: acquisition through business combination | | - | - |
| | | <u>749,600</u> | - |
| Less: Written off During The Year | | <u>324,400</u> | - |
| Total | | <u>425,200</u> | - |
| 12 Inventories: | | | |
| (a) Raw materials | | - | - |
| (b) Work-in-progress | | - | - |
| (c) Finished goods (manufactured/produced goods) | | - | - |
| (d) Stock-in-trade (in respect of goods acquired for trading) | | 66,888,475 | - |
| (e) Stores and spares | | - | - |
| (f) Loose tools | | - | - |
| (g) Others (specify nature) | | - | - |
| Total | | <u>66,888,475</u> | - |
| 13 Trade receivables | | | |
| Secured and Considered Good | | - | - |
| Outstanding exceeding six months | | 38,618,097 | - |
| Others | | 72,508,836 | - |
| Unsecured (Considered Good) | | <u>43,989,717</u> | - |
| Total | | <u>155,116,650</u> | - |
| 14 Cash and cash equivalents | | | |
| Balances with banks | | (290,523) | - |
| Cash on hand | | 1,676,708 | - |
| Others | | - | - |
| Total | | <u>1,386,185</u> | - |

| Particulars | Note No | Figures for the current reporting period | Figures for the previous reporting period (*) |
|--|---------|--|---|
| | | CONSOLIDATE 31/03/2012 Rs. | CONSOLIDATE 31/03/2011* Rs. |
| 15 Short Term Loans and Advances | | | |
| Secured considered good | | | |
| Security Deposits | | | - |
| Other loans and advances | | 7,956,852 | - |
| Sub Total | | <u>7,956,852</u> | - |
| Unsecured considered good | | | |
| Security Deposits | | | - |
| Loans and advances to related parties | | | - |
| Other loans and advances (Considered Good) | | 7,409,455 | - |
| Sub Total | | <u>7,409,455</u> | - |
| Total | | <u>15,366,307</u> | - |
| 16 Revenue from Operations (for companies other than a finance company) | | | |
| Revenue from - Sale of products | | 160,417,694 | - |
| Sale of services | | 12,376,326 | - |
| Other operating revenues | | 5,760,434 | - |
| Other income | | 4,383,030 | - |
| Total | | <u>182,937,484</u> | - |
| 17 Details of Cost of Material Consumed | | | |
| Opening Stock | | 65,151,410 | - |
| Add: Purchase | | 78,656,273 | - |
| Add: Direct Expenses | | 31,054,410 | - |
| | | <u>174,862,093</u> | - |
| Less: Closing Stock | | 66,888,475 | - |
| Total | | <u>107,973,618</u> | - |
| 18 Employee Benefits Expense | | | |
| Salaries and wages | | 15,310,159 | - |
| Staff welfare expenses | | 950,188 | - |
| Total | | <u>16,260,347</u> | - |
| 19 Finance Costs | | | |
| Interest expenses | | 8,904,870 | - |
| Bank commission /Charges | | 1,844,627 | - |
| Total | | <u>10,749,497</u> | - |
| 20 Depreciation and Amortisation of Expenses | | | |
| Depreciation of Tangible Assets | | 1,298,634 | - |
| Amortisation of Deferred Revenue Expenses | | 2,936,171 | - |
| Total | | <u>4,234,805</u> | - |

| Particulars | Note No | Figures for the current reporting period | Figures for the previous reporting period (*) |
|-------------------------------|---------|--|---|
| | | CONSOLIDATE 31/03/2012 Rs. | CONSOLIDATE 31/03/2011* Rs. |
| 21 Other Expenses | | | |
| Advertisement | | 2,058,622 | - |
| AGM & Board meeting Expenses | | 2,825 | - |
| Audit Fees | | 15,000 | - |
| Bad Debts | | 5,465,563 | - |
| Commssion | | 815,396 | - |
| Consultancy Fees | | 1,000,243 | - |
| Conveyance | | 2,069,057 | - |
| Coolie & Cartage Charges | | 198,625 | - |
| Director Remuneration | | 720,000 | - |
| Donation | | 200,000 | - |
| Electricity Charges | | 80,779 | - |
| Frieght Charges | | 1,432,555 | - |
| Filling Fees | | 12,800 | - |
| General Expenses | | 810,278 | - |
| Insurance Charges | | 506,626 | - |
| Listing fees | | 27,575 | - |
| Membership Charges | | 36,664 | - |
| Postage & Telegram | | 461,543 | - |
| Printing & Stationary | | 925,139 | - |
| Rates & Taxes | | 444,701 | - |
| Rent | | 9,584,342 | - |
| Repairs & Maintanace | | 1,155,385 | - |
| Sales Promotion Expenses | | 2,378,765 | - |
| Showroom Inaguration Expenses | | 350,000 | - |
| Telephone Expenses | | 578,606 | - |
| Training Expenses | | 234,551 | - |
| Travelling Expenses | | 4,599,640 | - |
| Total | | 36,165,280 | - |

Schedules forming Part of Accounts**Earnings Per Share**

The Following reflects the profit and share data used in the basic and diluted EPS Computations

| | <u>Note</u> 22 | <u>31/03/2012</u> Rs | <u>31/03/2011</u> Rs |
|--|--------------------------|--------------------------------|--------------------------------|
| Total Operation for the year | | | |
| Profit / (Loss) after tax | | 3,029,270 | - |
| Less Dividends on convertibel preference shares and tax thereon | | - | - |
| Net Profit/ (Loss) for calculation of basic EPS | | 3,029,270 | - |
| Net Profit/ (Loss) as above | | 3,029,270 | - |
| Add : Dividends on convertible preference shares & tax thereon | | - | - |
| Add : Interest on bonds convertible into equity shares (net of tax) | | - | - |
| Net Profit/ (Loss) for calculation of diluted EPS | | 3,029,270 | - |
| Continuing Operations | | | |
| Profit / (Loss) after tax | | 3,029,270 | - |
| Less Dividends on convertibel preference shares and tax thereon | | - | - |
| Net Profit for calculation of basic EPS | | 3,029,270 | - |
| Net Profit as above | | 3,029,270 | - |
| Add : Dividends on convertible preference shares & tax thereon | | - | - |
| Add : Interest on bonds convertible into equity shares (net of tax) | | - | - |
| Net Profit/ (Loss) for calculation of diluted EPS | | 3,029,270 | - |
| Weighted averate number of equity shares in calculating basic EPS | | 0.60 | - |
| Effect of Dilution : | | | |
| Convertible Preference Shares | | - | - |
| Convertible Bonds | | - | - |
| Stock options granted under ESOP | | - | - |
| Weighted averate number of equity shares in calculating basic EPS | | 0.60 | - |

Note - 23

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CFS) AS AT 31ST MARCH 2012

Brief description of the Company and its Business

KREON FINANCIAL SERVICES LIMITED (Formerly Tatia Financial Services Limited) “ KFSL “ was incorporated in India, and is engaged primarily into financing activities along with investing in to long term and short term projects, securities, debts related instruments etc. The company is listed at Bombay Stock Exchange (BSE) and madras Stock Exchange (MSE).

The company holds 51% stake in its subsidiary company M/s Aran Kitchen World India P Ltd

A. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. The Consolidated financial statements have been prepared to comply in all material respects with the Notified accounting standard by the companies Accounting standards Rules, 2006 and the relevant provisions of the companies Act' 1956 (the Act) to reflect the financial position of KFSL together with its subsidiary, M/s. Aran Kitchen World India Pvt Ltd referred to in the preceding paragraph.

Further, the consolidated financial statements are presented in the general format specified in the Scheduled VI of the Companies Act, 1956. However, as these consolidated financial statements are not statutory financial statements, full compliance with the above Act are not required and so they do not reflect all the disclosure requirements of the Act.

2. The accounting policies applied by the group are consistent in all aspects wherever possible except for the change in accounting policy discussed more fully below.

B. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of the group have been prepared on a line by line consolidation Balance Sheet as at 31st march 2012 and Profit & Loss a/ statement of KFSL and it's subsidiary company for the year ended March 31'2012

The financial statements of the subsidiary company used for consolidation are drawn for the same reporting period as that of the company.

All material inter- company transaction and balances between the entities included in the consolidated financial statements have been eliminated.

The investment in the subsidiary company have been accounted under the equity method as per the Accounting Standard 23 'Accounting for Investments in Associates in Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India (ICAI). The company's share in profits / losses of a subsidiary company is accounted for to the extent of the Company's Direct and indirect percentage holding in its share capital of the respective subsidiary

An excess / shortage of cost to the company of its investment in the subsidiaries over its proportionate share in the equity of such subsidiary (if any) as at the date of the Investment are recognized as goodwill / capital reserve/minority interest in the CFS.

The CFS have been prepared using uniform accounting policies, except stated otherwise, for like transaction and are presented to the extent possible, in the same manner as the Company's separate financial statements.

C. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and disclosure of contingent liabilities at the date of financial statements and the results of operations during the reporting period end. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from these estimates.

D. TANGIBLE FIXED ASSETS, DEPRECIATION & IMPAIRMENT

1. The Fixed Assets are stated at cost of their acquisition less depreciation.
2. Depreciation is provided on fixed assets, on Straight line method followed by the Parent company as per the rates specified in Schedule XIV of the companies Act, 1956.
3. Depreciation is provided on fixed assets, on Written down Value method followed by the Subsidiary company as per the rates specified in Schedule XIV of the Companies Act, 1956

E. VALUATION OF CLOSING STOCK

Inventories is Valued at cost price or market price whichever is less.

F. INVESTMENTS

Investments are classified as long-term and current investments. Long-term investments are shown at cost or written down value (in case of other than temporary diminution) and there are no Current Investments in the company.

Investments in subsidiaries / associates:-

Investments in subsidiary are initially stated at cost. The carrying values of such investments are adjusted by the company's (direct and indirect) share / losses of the respective subsidiary (if any).

G. OTHER NON- CURRENT ASSETS

Goodwill: Goodwill is amortised over a period of five years, based on management estimates.

Deferred Revenue expenses have been written off over a period of five years.

H. IMPAIRMENT OF ASSETS

As required by AS -28 issued by the Institute of Chartered Accounts of India , provision for Impairment loss of Assets is not required to be made as the estimated realizable value of such assets will be more or equal to the carrying amount stated in the Balance Sheet.

I. RETIREMENT BENEFITS

The retirement benefits and other statutory contribution to the retirement plan's are not applicable in case of parent company. While in case of subsidiary Contribution to Provident fund, ESI, Gratuity and leave encashment

benefits wherever applicable is being accounted on actual liability basis as currently there were no contributions were be made either by company or any of its employees.

J. TAX ON INCOME

- a. Tax on income for the current period is determined on the basis of Taxable Income computed in accordance with the provisions of the Income Tax Act 1961.
- b. Deferred Tax on timing differences between the accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date as per the Accounting Standard (AS 22) laid down by the Institute of Chartered Accountants of India (ICAI).

K. EARNINGS PER SHARE (EPS)

The earnings considered in ascertaining the Company's earnings per share is net profit after tax. The earnings per share for the year is Rs 0.60. The previous year is not available for comparison as this being the first year of consolidation. The EPS reported is basic and diluted.

L. RELATED PARTY DISCLOSURES

1. The Parent Company had no transactions with the related parties during the year under review other than following and temporary current account transactions.

| <u>S.No.</u> | <u>Name of the Persons</u> | <u>Nature of Transaction</u> | <u>Amount</u> |
|---------------------|-----------------------------------|-------------------------------------|----------------------|
| 1. | S. Pannalal Tatia | Director Remuneration | 7,20,000/- |
| 2. | Tatia Global Vennture Limited | Preferential Warrant Money | 3,50,50,000/- |

Sundry Debtors

| <u>S.No.</u> | <u>Name of the Persons</u> | <u>Nature of Transaction</u> | <u>Amount</u> |
|---------------------|--|-------------------------------------|----------------------|
| 1. | Devarbetta Lands Pvt Ltd | on account | 9,00,000/- |
| 2. | Kalyanang developers Pvt ltd | on account | 2,00,000/- |
| 3. | Sundarvans Infrastructure and Developers Pvt Ltd., | on account | 2,00,000/- |

SUBSIDIARY COMPANIES

| <u>S.No.</u> | <u>Company Name</u> | <u>Investments</u> | <u>%</u> |
|---------------------|----------------------------------|---------------------------|-----------------|
| 1. | Aran Kitchen World India Pvt Ltd | Rs. 2,55,4,9000/- | 51% |

2. The subsidiary company has transaction with their related parties during the year as the transactions as follows.

| <u>S.No.</u> | <u>Name of the Persons</u> | <u>Nature of Transaction</u> | <u>Amount</u> |
|---------------------|-----------------------------------|-------------------------------------|----------------------|
| 1. | Rajesh Bohra | Director Remuneration | 24,00,000/- |
| 2. | Ashok Bohra | Director Remuneration | 18,00,000/- |

| <u>S.No.</u> | <u>Name of the Persons / Company</u> | <u>Nature of Transaction</u> | <u>Amount</u> | <u>Relationship with the company</u> |
|---------------------|---|-------------------------------------|----------------------|---|
| 1. | Mr. Rajesh Bohra | Loan | 29,59,519/- | Director of the company |
| 2. | Bohra Kitchens Pvt. Ltd., | Advance for purchase Materials | 29,15,802/- | Share holder of the of company |

M.DUES TO SME'S

Management has determined that there were no balances outstanding as at the beginning of the year and no transactions entered with micro, small and medium enterprises as defined under Micro, Small and Medium Enterprises Development Act, 2006, during the current year, based on the information available with the company as at March 31, 2012.

N.STATUTORY DUES

- The parent company has disputed tax liability of Rs 30.68 lakhs
- The subsidiary company has statutory over due's amounting to Rs 58.78 lakhs.

O.GENERAL

- a. The Company has followed prudential norms, except otherwise stated, prescribed by Reserve Bank of India for Non – Banking Finance Companies – Financial Statements for the parent company.
- b. The figures for previous year are not available for comparison as this being the first year of consolidation.
- c. The Cash Flow statement is not available for comparison as this being the first year of consolidation.
- d. The figures have been rounded off to the nearest rupee.

Signatories to Notes 1 to 23

**As per our Report of even date attached
For K SUBRAMANYAM & CO
Chartered Accountants**

For and on behalf of the Board of Directors

**sd/-
K SUBRAMANYAM
Proprietor
M.No. 023663**

**sd/-
S. PANNALAL TATIA
Chairman cum
Executive Director**

**sd/-
E SUBBARAYAN
Director**

**Place: Chennai
Date: 21.08.2012**

KREON FINANCIAL SERVICES LIMITED

**Regd. Office. "Prince Tatia Info Park", No. 81 B Second Main Road
Ambattur Industrial Estate , Chennai – 600 058
Email : tatia @vsnl.com**

PROXY FORM

I/Weofbeing a member (s) of Kreon Financial Services Limited, hereby appointofor failing him / her of As my/our proxy to attend and vote for me/us and my/our behalf at the Eighteenth Annual General Meeting of the Company to be held on Thursday, 27th September 2012 at Samudaya Koodam Hall, Moraijanal, Chennai – 600 055 , 10.00 A.M or at any adjourned date thereof.

Signed thisday of2012

Dp Id * Client Id *

Members Folio No: **

No. of Shares held:



Signature

Applicable for members holding shares in electronic form *

Applicable for members holding shares in physical form **

1. The Proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting.
2. Proxy need not be a member.

KREON FINANCIAL SERVICES LIMITED

**Regd. Office. "Prince Tatia Info Park", No. 81 B Second Main Road
Ambattur Industrial Estate , Chennai – 600 058
Email : tatia @vsnl.com**

ATTENDANCE SLIP

I/ We hereby record my presence at the EIGHTEENTH MEETING of the Company being held on Thursday 27th September 2012 at at Samudaya Koodam Hall, Moraijanal, Chennai – 600 055 ,10.00 A.M

Full Name of the Member attending:

DP Id * Client Id *

Folio No. **

Signature

Note : Member attending the meeting in person are requested to complete the attendance slip and hand it over at the entrance of the meeting hall. No attendance slip will be issued at the time of Meeting.

BOOK - POST



If undelivered, please return to :

KREON FINANCIAL SERVICES LIMITED

Regd. Office : "Prince Tatia Info Park",

No.81 B, Second Main Road,

Ambattur Industrial Estate,

Chennai - 600 058.