

KLG CAPITAL SERVICES LIMITED

**19th ANNUAL REPORT
2012 - 2013**

ANNUAL GENERAL MEETING

Date : September 30, 2013

Day : Monday

Time : 4.30 p.m.

Place : Bombay Club Suite,
Royal Bombay Yacht Club,
Chhatrapati Shivaji Maharaj Marg,
Apollo Bunder, Near Taj Mahal Hotel,
Mumbai - 400 001

BOARD OF DIRECTORS

1. Mr. Hemendra Singh Whole-time Director
2. Mr. Nikhil Gandhi Director
3. Mr. B. S. Bhalerao Director
4. Mr. B. G. Daga Director
5. Mr. V. Ramanan* Director
6. Mr. Nilesh Mehta Director
7. Mr. S. S. Thakur** Director
8. Mr. Jitendra Sanghavi*** Director

(* Appointed as an Additional Director w.e.f. May 28, 2013)

(** Resigned w.e.f. February 12, 2013)

(*** Resigned w.e.f. September 28, 2012)

STATUTORY AUDITORS

M/s. NBS & Co.,
Chartered Accountants,
Mumbai

BANKERS

HDFC Bank Limited
Central Bank of India

REGISTRAR AND SHARE TRANSFER AGENTS

Link Intime India Private Limited
44, Community Centre,
2nd Floor, Naraina Industrial Area,
Phase-1, Near PVR Naraina,
New Delhi - 110 028
Ph: 011 - 41410592/93/94
Fax No. : 011 - 41410592/93/94
Email : delhi@linkintime.co.in

REGISTERED AND CORPORATE OFFICE

SKIL House,
209, Bank Street Cross Lane,
Fort, Mumbai - 400 023

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NOTICE

NOTICE is hereby given that the 19th Annual General Meeting of the Members of KLG Capital Services Limited will be held on Monday, September 30, 2013 at 4.30 p.m. at Bombay Club Suite, Royal Bombay Yacht Club, Chhatrapati Shivaji Maharaj Marg, Apollo Bunder, Near Taj Mahal Hotel, Mumbai - 400 001, to transact the following business :-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2013 and the Profit & Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution: **"Resolved That** the vacancy caused by the retirement by rotation of Mr. B. G. Daga, who has not sought re-appointment, be not filled in at this Meeting or any adjournment thereof."
3. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution: **"Resolved That** M/s. NBS & Co., Chartered Accountants, Mumbai, bearing ICAI Firm Registration No. 110100W, the retiring Auditors of the Company, be and are hereby re-appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, on such terms, conditions and remuneration as may be determined by the Board of Directors of the Company."

SPECIAL BUSINESS :-

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:- **"Resolved That** Mr. V. Ramanan, who was appointed as an Additional Director with effect from May 28, 2013, by the Board of Directors in terms of Section 260 of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force) read with the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting and is eligible for appointment as a Director and in respect of whom the Company has received a notice in writing from a Member under the provisions of Section 257 of the Companies Act, 1956, proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, who shall be liable to retire by rotation."
5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution : **"Resolved That** pursuant to Section 269 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force) and subject to the provisions of Articles of Association of the Company and subject to such other approvals as may be necessary, the Members of the Company hereby approves the re-appointment of Mr. Hemendra Singh as a Whole-time Director of the Company for a period from January 29, 2013 until the conclusion of this Annual General Meeting, on the terms and conditions as set out in the Agreement, which is also hereby approved, with a liberty to the Board to alter and vary the terms and conditions of the said Agreement, as may be agreed between the Board and Mr. Hemendra Singh.
Resolved Further That any one of the Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary or desirable for giving effect to this resolution."

By Order of the Board of Directors

Sd/-

Hemendra Singh
Whole-time Director

Place : Mumbai
Date : August 28, 2013

Registered Office:

SKIL House,
209, Bank Street Cross Lane,
Fort, Mumbai - 400 023

Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXY/ PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. The details as stipulated under Clause 49 of the Listing Agreement in respect of the Directors seeking appointment/re-appointment at the 19th Annual General Meeting (the "AGM") is annexed hereto and forms part of the Notice.
3. Explanatory Statement as required under Section 173(2) of the Company Act, 1956, is annexed hereto.
4. Corporate Members intending to send their authorised representatives to attend the AGM are requested to send a duly certified copy of Board Resolution on the letterhead of the Company, signed by one of the Directors or Company Secretary or any other authorized signatory and/ or duly notarized Power of Attorney, authorizing their representatives to attend and vote on their behalf at the AGM.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from Wednesday, September 25, 2013 to Monday, September 30, 2013 (both days inclusive) for the purpose of the AGM.
6. The Members are requested to:
 - a) intimate to Link Intime India Private Limited, Registrar and Share Transfer Agents of the Company (for shares held in physical form) and to their respective Depository Participant ("DP") (for shares held in Dematerialised form) the changes, if any, in their registered address, Bank account details, etc. at an early date. The said details will be automatically reflected in the Company's records. This will help the Company and the Registrar and Share Transfer Agents to provide efficient and better services to the Members;
 - b) quote ledger folio numbers/DP Identity and Client Identity Numbers in all their correspondence;
 - c) approach the Company for consolidation of folios, if shareholdings of a person are under multiple folios;
 - d) bring their copies of the Annual Report and the Attendance Slip duly filled in for attending the AGM; and

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- e) register their E-mail IDs (and any change therein) with the DP/the Registrar and Share Transfer Agents of the Company, as the case may be, so as to enable the Company to send all the correspondences (including Annual Report) in electronic mode.
7. Members desirous of obtaining any information concerning the accounts of the Company are requested to write to the Company at least seven days before the date of the AGM to enable the Company to keep the information ready at the AGM.
8. All documents referred to in the Notice are available for inspection at the Registered office of the Company on all days except Saturday, Sunday and Public Holiday between 10.00 a.m. to 12.00 noon upto the date of the AGM.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:

ITEM NO. 4:

Mr. V. Ramanan was appointed as an Additional Director with effect from May 28, 2013, by the Board of Directors. He holds office in such capacity upto the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 read with the Memorandum and Articles of Association of the Company.

Mr. V. Ramanan, has done Graduation in Commerce. He has held important positions in his long career with Indian Bank. He had joined Indian Bank as a Probationary Officer in the year 1968 and he retired as a Senior General Manager. He has an aggregate experience of 33 years in banking sector.

The Company has received a notice pursuant to Section 257 of the Companies Act, 1956, from a Member of the Company along with the refundable deposit of ₹ 500/-, signifying an intention to propose Mr. V. Ramanan as a candidate for the office of Director of the Company.

The approval of the Members is sought for appointment of Mr. V. Ramanan as a Director of the Company.

The Directors recommend passing of the resolution as set out in Item No. 4 of the Notice.

None of the Directors, except Mr. V. Ramanan, is in any way concerned or interested in the resolution.

ITEM NO. 5:

The tenure of Mr. Hemendra Singh as Whole-time Director was completed on January 28, 2013. In the Board Meeting held on February 11, 2013, his tenure was extended from January 29, 2013 until the conclusion of ensuing AGM, subject to the approval of Members.

Thus, the approval of the Members is being sought for the extended tenure of Mr. Hemendra Singh as Whole-time Director for a period from January 29, 2013 until the conclusion of ensuing AGM for the purpose of compliance with the provisions of the Companies Act, 1956.

The Directors recommend passing of the resolution as set out in Item No. 5 of the Notice.

None of the Directors, except Mr. Hemendra Singh, is in any way concerned or interested in the resolution.

NOTE TO ITEM NO. 2 OF THE NOTICE :

Mr. B. G. Daga retires by rotation at this AGM. Mr. B. G. Daga, though being eligible for re-appointment, does not opt to be re-appointed due to his pre-occupation. The Company does not propose to fill up the vacancy caused by the retirement of Mr. B. G. Daga at this AGM or any adjournment thereof. Hence, as required under section 256(4)(a) of the Companies Act, 1956, the resolution as contained at Item No. 2 of the Notice has been proposed for seeking the approval of the Members that the vacancy caused by the retirement of Mr. B. G. Daga, be not filled up at this AGM or any adjournment thereof.

By Order of the Board of Directors

Sd/-

Hemendra Singh
Whole-time Director

Place : Mumbai
Date : August 28, 2013

Registered Office:

SKIL House,
209, Bank Street Cross Lane,
Fort, Mumbai - 400 023

Pursuant to Clause 49 of the Listing Agreement, the following information is furnished about the Directors proposed to be appointed/re-appointed at the 19th AGM to be held on Monday, September 30, 2013

| | |
|---|---|
| Name of the Director | Mr. V. Ramanan |
| Particulars | |
| Date of Birth | June 6, 1941 |
| Nationality | Indian |
| Date of Appointment | May 28, 2013 |
| Designation | Independent Director |
| Expertise in specific functional areas | Banking |
| Qualification | B. Com |
| Directorships held in other Companies | <ul style="list-style-type: none">Horizon Infrastructure LimitedMahakaleshwar Knowledge Infrastructure Private LimitedMetrotech Technology Park Private Limited |
| Memberships/ Chairmanships of Committees in other Companies (includes Audit Committee and Shareholders'/Investors' Grievance Committee as per Clause 49 of the Listing Agreement) | <ul style="list-style-type: none">Horizon Infrastructure Limited – Chairman of Audit Committee and Shareholders / Investors Grievance Committee |
| Shareholding in the Company | Nil |
| Inter-se relationship with other Directors | None |

DIRECTORS' REPORT

To,

The Members,

KLG CAPITAL SERVICES LIMITED

Your Directors are pleased to present the 19th Annual Report together with the Audited Accounts for the financial year ended March 31, 2013.

FINANCIAL HIGHLIGHTS

The performance of your Company on standalone basis for the financial year ended March 31, 2013, as compared to the previous year is summarised below:

(₹ in Lacs)

| Particulars | March 31, 2013 | March 31, 2012 |
|---|----------------|----------------|
| Net Income | 344.08 | 521.39 |
| Less: Expenditure | 155.12 | 334.11 |
| Profit before Depreciation and Tax | 188.96 | 187.28 |
| Less: Depreciation | 0.09 | 0.11 |
| Profit before Tax | 188.87 | 187.17 |
| Less: Taxes | 75.55 | 164.85 |
| Profit after Tax for the year | 113.32 | 22.32 |
| Less: Transfer to Statutory Reserve Account as per Section 45-IC of Reserve Bank of India Act, 1934 | 22.66 | 4.46 |
| Balance carried to Balance Sheet | 246.44 | 155.78 |

Note: Previous year's figures are regrouped/rearranged, wherever necessary.

DIVIDEND

With a view to conserve resources, the Directors do not recommend dividend for the year under review.

REVIEW OF OPERATIONS

Your Company is a Non-deposit taking Non-Banking Financial Company. During the year under review, the Company has earned total income of ₹ 344.08 Lacs as compared to the income of ₹ 521.39 Lacs during the previous financial year. The profit after tax as on March 31, 2013 amounted to ₹ 113.32 as against profit of ₹ 22.32 Lacs during the previous financial year.

SUBSIDIARY COMPANY

Your Company has one wholly owned subsidiary namely KLG Stock Brokers Private Limited ("KSBPL"). KSBPL is admitted as a Deposit Based Trading Member of Cash and Equity Derivatives Segment of BSE Limited. However, it is yet to commence the business.

General Exemption: In terms of General Circular No. 2/2011 dated February 8, 2011 read with General Circular No. 3/2011 dated February 21, 2011, issued by the Government of India - Ministry of Corporate Affairs under section 212(8) of the Companies Act, 1956, general exemption has been granted to companies from attaching the financial statements of subsidiaries subject to fulfillment of conditions prescribed in the said Circulars. The Company has complied with the conditions mentioned in the said circular and accordingly, the financial statements viz., Balance Sheet, Profit & Loss Account, Directors' Report and Auditor's Report of KSBPL have not been annexed to this Report. The brief financial information of KSBPL, as per the requirement of the said Circular, is annexed to the Consolidated Financial Statements of the Company, which forms part of this Annual Report.

Further, the Audited Accounts of KSBPL will be furnished upon written request from any Member of the Company. The Audited Accounts of KSBPL will be made available at the Company's website i.e., www.klgcapital.com and will also be made available for inspection at the Registered Office of the Company and KSBPL. The Consolidated Financial Statements presented by the Company in this Annual report includes financial results of KSBPL.

DIRECTORS

The Board presently consists of six Directors which include one Executive Director and five Non-Executive Directors with three of such Non-Executive Directors being Independent Directors.

Mr. V. Ramanan was appointed as an Additional Director of the Company with effect from May 28, 2013 and he holds office in such capacity upto the date of this AGM. The appointment of Mr. V. Ramanan as Director is to be confirmed by the Members at the ensuing AGM. The Board recommends the appointment of Mr. V. Ramanan as a Director of the Company.

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Mr. B. G. Daga, Director of the Company, is due for retirement by rotation at the ensuing AGM. Mr. B.G Daga, though being eligible, does not opt to be re-appointed as a Director of the Company due to his pre-occupation. Mr. S. S. Thakur resigned from the Directorship of the Company with effect from February 12, 2013, to comply with the Regulatory requirement on his being a Director of MCX Stock Exchange Limited. The Board placed on records its appreciation for the contribution made by them during their tenure as Directors of the Company.

The tenure of Mr. Hemendra Singh as Whole-time Director was completed on January 28, 2013. The Board had re-appointed him as Whole-time Director with effect from January 29, 2013 until the conclusion of ensuing AGM, subject to the approval of the Members. The Board recommends the approval of Members for the extended term of Mr. Hemendra Singh as Whole-time Director.

Pursuant to Clause 49 of the Listing Agreement, the brief profile of all the Directors proposed to be appointed/re-appointed at the ensuing AGM are provided in the Notice of ensuing AGM.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, the Directors confirm that :

- a) in the preparation of the annual accounts for the financial year ended March 31, 2013, the applicable accounting standards have been followed alongwith proper explanation relating to the material departures;
- b) the selected accounting policies were applied consistently and the Directors 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 as at March 31, 2013 and of the profit of the Company for the year ended on that date;
- c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the annual accounts have been prepared on a going concern basis.

AUDITORS

M/s. NBS & Co., Chartered Accountants, Statutory Auditors of the Company, bearing ICAI Registration No. 110100W, retire at the conclusion of ensuing AGM and are eligible for re-appointment as required under the provisions of section 224(1B) of the Companies Act, 1956, the Company has obtained written certificate from the retiring auditors to the effect that their re-appointment, if made, would be within the limits prescribed under the said Act.

The Board recommends the re-appointment of M/s. NBS & Co., Chartered Accountants, as the Statutory Auditors of the Company.

AUDITORS' REPORT

The Auditors' Report to the Members on the Accounts of the Company for the year ended March 31, 2013, is self explanatory.

AUDIT COMMITTEE

The composition of the Audit Committee is in compliance with Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. The present constitution of Audit Committee comprises of Mr. B. S. Bhalerao as Chairman and Mr. B. G. Daga, Mr. V. Ramanan and Mr. Nilesh Mehta as Members. The Audit Committee has reviewed the Accounts of the Company for the year ended March 31, 2013, annexed with this Report.

SHARE CAPITAL

The Authorised Share Capital of the Company was increased from ₹ 3,50,00,000/- (Rupees Three Crores Fifty Lacs Only) divided into 35,00,000 (Thirty Five Lacs) Equity Shares of ₹ 10/- (Rupees Ten only) each to ₹ 45,00,00,000/- (Rupees Forty Five Crores only) divided into 50,00,000 (Fifty Lacs) Equity Shares of ₹ 10/- (Rupees Ten only) each and 4,00,00,000 (Four Crores) Preference Shares of ₹ 10/- (Rupees Ten only) each vide resolution passed by way of Postal Ballot on April 12, 2013.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report, prepared in accordance with the requirements of Clause 49 of the Listing Agreement, forms part of this Report.

CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement with the Stock Exchange(s), a separate Chapter on Corporate Governance practices followed by the Company together with a Certificate from M/s. Aashish K. Bhatt & Associates, Practising Company Secretaries, confirming compliance forms part of this Report.

LISTING AGREEMENT COMPLIANCES

The Equity Shares of the Company are listed on BSE Limited. The Company has paid the annual listing fees for the financial year 2013-2014 and has complied with the conditions of the Listing Agreement with BSE Limited.

DEPOSITS

During the financial year under review, the Company has not accepted any deposits from the public and hence there are no outstanding deposits as on March 31, 2013.

BUY BACK

No shares of the Company were bought back during the financial year under review.

COMPLIANCE CERTIFICATE

The Compliance Certificate for the financial year ended March 31, 2013, pursuant to section 383A of the Companies Act, 1956, issued by M/s. Aashish K. Bhatt & Associates, Practising Company Secretaries, forms part of this Report.

PARTICULARS OF EMPLOYEES

During the financial year under review, none of the employees of the Company are covered under section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

PARTICULARS OF LOANS/ADVANCES

The disclosure in terms of Clause 32 of the Listing Agreement has been made in the Audited Accounts of the Company for the financial year ended March 31, 2013, wherever necessary.

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

Considering the nature of business of the Company, there are no particulars to be disclosed in respect of conservation of energy and technology absorption as required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988. There are no Foreign Exchange Earnings and Outgo during the year ended March 31, 2013.

PERSONNEL RELATIONS

The personnel relations of the Company remained cordial and peaceful throughout the year.

GREEN INITIATIVE IN CORPORATE GOVERNANCE

The 'Green Initiative in Corporate Governance' programme was introduced by the Ministry of Corporate Affairs vide Circulars 17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011, respectively, whereby Companies were given permission to send notices, documents including Annual Report, etc. in electronic mode. This reduces paper consumption to a great extent and allows Members to contribute towards a Greener Environment.

In this regard, Company had already issued a letter to all the Members giving them an advance opportunity to register their email address (and changes therein from time to time) with the Company so that the documents can be sent to them in the electronic mode. Accordingly, the Company has arranged to send the soft copies of these documents to the E-mail IDs of Members, wherever applicable. In case any of the Members would like to receive physical copies of these documents, the same shall be forwarded, free of cost, on written request made by Members to Link Intime India Private Limited, the Registrar and Share Transfer Agents of the Company.

ACKNOWLEDGEMENT

Your Directors thank all the Members, Employees, Bankers, Clients, Vendors and Government Authorities for their support during the year under review and look forward to their continued support in the future.

By Order of the Board of Directors

Place : Mumbai
Date : August 28, 2013

Sd/- **Sd/-**
Hemendra Singh **B. S. Bhalerao**
Whole-time Director **Director**

Compliance Certificate

Corporate Identity Number (CIN) : L67120MH1994PLC218169
Nominal Share Capital : Rs. 35,000,000/-

To,
The Members,
KLG CAPITAL SERVICES LIMITED,
SKIL House,
209, Bank Street Cross Lane,
Fort, Mumbai - 400 023

I have examined the registers, records, books and papers of KLG Capital Services Limited (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on March 31, 2013. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate with the Registrar of Companies within prescribed time as required under the Act and the rules made there under. No forms or returns were required to be filed with the Regional Director, Central Government, Company Law Board or other authorities.
3. The Company being a Public Limited Company has the Paid-up Capital of Rs. 3,20,24,000/- (Rupees Three Crores Twenty Lakhs Twenty Four Thousand Only) as on March 31, 2013.
4. The Board of Directors duly met 4 (Four) times on May 30, 2012, August 14, 2012, November 9, 2012 and February 11, 2013, in respect of which Meetings, proper notices were given and the proceedings were properly recorded and signed including circular resolution passed in the minutes book maintained for the purpose.
5. The Company has closed its Register of Members from September 26, 2012 to September 28, 2012 (both days inclusive) for the purpose of Annual General Meeting.
6. The Annual General Meeting for the financial year ended on March 31, 2012 was held on September 28, 2012 after giving due notice to the Members of the Company and the resolutions passed thereat were duly recorded in minutes book maintained for the purpose.
7. No Extraordinary General Meeting was held during the financial year.
8. The Company has not advanced loans to its Directors and/or persons or firms or companies referred in the Section 295 of the Act.
9. The Company has not entered into contracts falling within the purview of Section 297 of the Act.
10. The Company has made entries in the register maintained under Section 301 of the Act.
11. Pursuant to the provisions of Section 314 of the Act, the Company was not required to obtain approvals from the Board of Directors, Members or the Central Government as the case may be.
12. The Company has not issued duplicate Share Certificates during the financial year.
13. The Company has:
 - (i) Not been required to deliver share certificate on allotment of shares, transfer or transmission of equity shares.
 - (ii) Not declared dividend during the financial year under review;
 - (iii) Not been required to post dividend warrants, as dividend was not declared;
 - (iv) Not been required to transfer amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund;
 - (v) duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted. No appointment of Alternate Directors or Directors to fill casual vacancies has been made.
 - Mr. B. S. Bhalerao was appointed as the Additional Director of the Company w.e.f. May 28, 2012.
 - Mr. B. S. Bhalerao was confirmed as the Director (Independent) of the Company w.e.f. September 28, 2012.
 - Mr. Jitendra Sanghavi and Mr. S. S. Thakur resigned from the Board w.e.f. September 28, 2012 and February 12, 2013 respectively.
15. The Company has not appointed Managing Director or Manager during the financial year. Mr. Hemendra Singh was re-appointed as Whole-time Director, subject to approval of Members, w.e.f. January 29, 2013.
16. The Company has not appointed Sole - selling Agent during the financial year.
17. The Company was not required to obtain approvals of the Central Government, Regional Director, Company Law Board and Registrar of Companies.
18. The Directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. The Company has not issued shares, debentures or other securities during the financial year.
20. The Company has not bought back shares during the financial year.
21. The Company has not redeemed preference shares or debentures during the financial year.
22. There were no transactions necessitating the Company to keep in abeyance rights to dividends, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited / accepted deposits including unsecured loans falling within the purview of Section 58A of the Act during the financial year.
24. The Company has not borrowed from banks, financial institutions, etc., during the financial year.
25. Pursuant to Sub-Section 8 of Section 372A of the Act, provisions pertaining to making of loan or advances or giving

- guarantees or providing securities to other bodies corporate are not applicable.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one State to another during the year under scrutiny.
 27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.
 28. The Company has not altered the provisions of the Memorandum with respect to name of the Company during the year under scrutiny.
 29. The Company has not altered the provisions of the Memorandum with respect to Share Capital of the Company during the year under scrutiny.
 30. The Company has not altered its Articles of Association during the financial year.
 31. As confirmed by the Management of the Company, there was no prosecution initiated against the Company.
 32. As confirmed by the Management, the Company has not received money as security from its employees during the financial year.
 33. As confirmed by the Management, the Company was not required to deposit its contribution to Provident Fund with prescribed authorities pursuant to Section 418 of the Act.

**For Aashish K. Bhatt & Associates
Practising Company Secretaries**

Sd/-

**Aashish Bhatt
Proprietor
C. P. No. : 7023**

Place : Mumbai
Date : August 28, 2013

Annexure A:

Registers and Records as maintained by the Company:

| Sr. No. | Particulars | Section |
|---------|---|----------|
| 1 | a) Minutes of all Meetings of Board of Directors b) Minutes of Committees of Directors c) Minutes of General Meetings | 193 |
| 2 | Register of Members and Index | 150, 151 |
| 3 | Books of Accounts | 209 |
| 4 | Register of Contracts in which Directors are interested | 301 |
| 5 | Register of Directors | 303 |
| 6 | Register of Directors Shareholding | 307 |

Annexure B:

Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ending on March 31, 2013:

| Sr. No. | Form No./ Return | Filed under Section | Description | Date of Filing | Whether filed within prescribed time limit Yes / No | If delay in filing Whether requisite additional fees paid Yes / No |
|---------|------------------|---------------------|--|----------------|---|--|
| 1 | 32 | 260 | Appointment of Mr. B. S. Bhalerao as Additional Director | 08.06.12 | Yes | NA |
| 2 | 32 | 303 (2) | Resignation of Mr. Jitendra Sanghavi as Director & Change in designation of Mr. B. S. Bhalerao | 17.10.12 | Yes | NA |
| 3 | 66 | 383A | Compliance Certificate for the year ended March 31, 2012 | 26.10.12 | Yes | NA |
| 4 | 23AC/ 23ACA | 220 | Balance Sheet and Profit & Loss Account for the year ended March 31, 2012 | 02.11.12 | Yes | NA |
| 5 | 20B | 159 | Annual Return | 06.11.12 | Yes | NA |
| 6 | 62 | 192A | Filing of Postal Ballot Notice, Calendar of Events & Board Resolution | 16.02.13 | Yes | NA |
| 7 | 32 | 303 (2) | Resignation of Mr. S. S. Thakur from the Board | 19.02.13 | Yes | NA |
| 8 | 25C | 269 (2) | Appointment of Mr. Hemendra Singh as Whole-time Director of the Company | 08.03.13 | Yes | NA |

With Regional Director : None
With Central Government or other authorities : None

CORPORATE GOVERNANCE REPORT

In compliance with the Corporate Governance requirements as stipulated in Clause 49 of the Listing Agreement with the Stock Exchange, a report on Corporate Governance is set out below :

1. A BRIEF STATEMENT ON COMPANY'S PHILOSOPHY ON THE CODE OF CORPORATE GOVERNANCE:

The Company's philosophy on Corporate Governance envisages working towards higher levels of transparency, empowerment, accountability, safety of people and environment, motivation, consistent value systems, respect for law and fair business practices with all its stakeholders. The Company upholds these values and ensures their protection.

2. BOARD OF DIRECTORS:

i) Composition of the Board:

The composition of the Board is in conformity with Clause 49 of the Listing Agreement. As on March 31, 2013, the Board of Directors of Company consisted of five Directors which included one Executive Director and four Non-Executive Directors with two of such Non-Executive Directors being Independent Directors.

As mandated under Clause 49 of the Listing Agreement, none of the Directors on the Board is a Member of more than 10 Committees or Chairman of more than 5 Committees across all companies in which he is a Director. All the Directors have made the necessary disclosures regarding Board and Committee Memberships held by them in other companies and the same have been duly recorded by the Board in its Meetings from time to time. None of the Directors of the Company are inter-se related to each other.

A detailed chart showing the names and categories of the Directors on the Board of the Company, number of other Directorships held by the Directors in other Indian Public Limited Companies and Membership/Chairmanship of the Committees of the Boards of such Companies is given below. Other Directorships excludes Alternate Directorships, Directorships in Indian Private Limited Companies, Section 25 Companies and Foreign Companies. Membership/Chairmanship of Board Committees includes only Audit Committee and Shareholders/ Investors Grievance Committee:

| Name of Directors | Category | Designation | Other Directorships as on March 31, 2013 | Membership/ Chairmanship in Committees of Board of other Public Companies as on March 31, 2013 | |
|--------------------------|----------------------------------|---------------------|--|--|--------|
| | | | | Chairman | Member |
| Mr. Hemendra Singh | Executive | Whole-time Director | - | - | - |
| Mr. Nikhil Gandhi | Non- Independent, Non-Executive | Director | 10 | 1 | 4 |
| Mr. B. S. Bhalerao* | Independent Non-Executive | Director | 1 | 2 | - |
| Mr. B. G. Daga | Independent Non -Executive | Director | 3 | 2 | 2 |
| Mr. Nilesh Mehta | Non - Independent, Non-Executive | Director | - | - | - |
| Mr. S. S. Thakur** | Independent Non-Executive | Director | N.A | N.A | N.A |
| Mr. Jitendra Sanghavi*** | Non - Independent, Non-Executive | Director | N.A | N.A | N.A |

* Mr. B. S. Bhalerao was appointed as an Additional Director w.e.f. May 28, 2012 and confirmed as a Director in the 18th AGM held on September 28, 2012

** Mr. S. S. Thakur ceased to be a Director w.e.f. February 12, 2013

*** Mr. Jitendra Sanghavi ceased to be a Director w.e.f. September 28, 2012

Note: Mr. V. Ramanan was appointed as an Additional Director w.e.f. May 28, 2013, of the Company in the category of Independent Non-Executive Director.

ii) Meetings and Attendance of Directors during the year ended March 31, 2013:

During the year ended March 31, 2013, four Board Meetings were held on May 30, 2012, August 14, 2012, November 9, 2012 (postponed from November 8, 2012) and February 11, 2013. The Company has held one Board Meeting in every quarter and the maximum time gap between any two consequent Board Meetings did not exceed four months.

The attendance of each Director at the said Board Meetings and at the 18th AGM held on September 28, 2012, is given below :

| Name of the Directors | No. of Board Meetings | | Whether attended the 18 th AGM |
|-----------------------|-----------------------|--------------------------|---|
| | Held * | Attended by the Director | |
| Mr. Hemendra Singh | 4 | 1 | Yes |
| Mr. Nikhil Gandhi | 4 | 1 | No |
| Mr. B. S. Bhalerao | 4 | 4 | Yes |
| Mr. B. G. Daga | 4 | 4 | No |
| Mr. Nilesh Mehta | 4 | 3 | Yes |
| Mr. S. S. Thakur | 4 | 4 | No |
| Mr. Jitendra Sanghavi | 2 | 1 | N.A. |

* No. of Board Meetings held reflects the no. of Meetings held in the tenure of the concerned Director during the year ended March 31, 2013.

3. AUDIT COMMITTEE:

The Company has constituted an Audit Committee in accordance with the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

i) Brief description of Terms of Reference:

The terms of reference of the Audit Committee, inter alia, includes the following:

1. Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the Management, the annual financial statements before submission to the Board for approval, with particular reference to :
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956;
 - b. Changes, if any, in accounting policies and practices and reasons for the same;
 - c. Major accounting entries involving estimates based on the exercise of judgment by the Management;
 - d. Significant adjustments made in the financial statements arising out of audit findings;
 - e. Compliance with listing and other legal requirements relating to financial statements;
 - f. Disclosure of any related party transactions;
 - g. Qualifications in the draft audit report.
5. Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing, with the Management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/ notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
7. Reviewing, with the Management, performance of statutory and internal auditors, and adequacy of the internal control systems.
8. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
9. Discussion with internal auditors any significant findings and follow up there on.
10. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
11. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as

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post-audit discussion to ascertain any area of concern.

12. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of nonpayment of declared dividends) and creditors.
13. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
14. Approval of appointment of CFO (i.e., the Whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
15. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee, as amended from time to time.
16. Carrying out any other function as may from time to time be required under any statutory, contractual or other regulatory requirement.

Review of information by Audit Committee:

1. Management Discussion & Analysis of financial condition and results of operations.
2. Statement of significant related party transactions, submitted by Management.
3. Management letters/letters of internal control weaknesses issued by the statutory auditors.
4. Internal audit reports relating to internal control weaknesses.
5. The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee.

Further, Audit committee has been granted powers as prescribed under Clause 49(II)(C) of the Listing Agreement.

ii) Composition:

As on March 31, 2013, the Audit Committee comprised of three Directors as Members. The Chairman of Audit Committee is an Independent Director and he was present at the 18th AGM of the Company held on September 28, 2012, to answer Members' queries.

The detailed composition of the Audit Committee is as follows:

| Name of the Members | Category | Position |
|----------------------|---|----------|
| Mr. B. S. Bhalerao* | Independent Non-Executive Director | Chairman |
| Mr. B. G. Daga** | Independent Non-Executive Director | Member |
| Mr. Nilesh Mehta | Non-Independent, Non-Executive Director | Member |
| Mr. S. S. Thakur *** | Independent Non-Executive Director | Member |

* Mr. B. S. Bhalerao was appointed as a Member and Chairman w.e.f. May 28, 2012

** Mr. B. G. Daga relinquished Chairmanship w.e.f. April 1, 2012, due to pre-occupation but continued as Member

*** Mr. S. S. Thakur ceased to be a Member w.e.f. February 12, 2013

Note : Mr. V. Ramanan, Independent Non-Executive Director, was appointed as a Member w.e.f. May 28, 2013

iii) Meetings and Attendance of Members during the year ended March 31, 2013:

During the year ended March 31, 2013, four Audit Committee Meetings were held on May 30, 2012, August 14, 2012, November 9, 2012 (adjourned from November 8, 2012) and February 11, 2013. The maximum time gap between any two consequent Audit Committee Meetings did not exceed four months. Required quorum was present at all the said Meetings.

The attendance of each Member at the said Audit Committee Meetings is given below :

| Name of the Member | No. of Audit Committee Meetings | |
|--------------------|---------------------------------|------------------------|
| | Held * | Attended by the Member |
| Mr. B. S. Bhalerao | 4 | 4 |
| Mr. B. G. Daga | 4 | 4 |
| Mr. Nilesh Mehta | 4 | 3 |
| Mr. S. S. Thakur | 4 | 4 |

* No. of Audit Committee Meetings held reflects the no. of Meetings held in the tenure of the concerned Member during the year ended March 31, 2013.

4. REMUNERATION COMMITTEE:**i) Brief description of terms of reference:**

The brief description of the terms of reference of Remuneration Committee is as follows:

Recommending to the Board, the remuneration packages of the Company's Whole-time/Executive Directors including all elements of remuneration package (i.e., salary, benefits, bonuses, perquisites, commission, incentives, stock options, pension, retirement benefits, details of fixed component and performance linked incentives along with the performance criteria, service contracts, notice period, severance fees etc.).

1. Determining the Company's policy on specific remuneration packages for the Company's Whole-time/Executive Directors, including pension rights and any compensation payment.
2. Implementing, supervising and administering any share or stock option policy or any other scheme formulated by the Company.
3. Establishing and administering any employee compensation and benefits plans.
4. Carrying out other functions as may from time to time be required under any statutory, contractual or other regulatory requirement.

ii) Composition:

As on March 31, 2013, the Remuneration Committee comprised of three Non-Executive Directors as Members.

The detailed composition of the Remuneration Committee is as follows :

| Name of the Members | Category | Position |
|---------------------|---|----------|
| Mr. B. G. Daga | Independent Non-Executive Director | Chairman |
| Mr. Nikhil Gandhi | Non-Independent, Non-Executive Director | Member |
| Mr. Nilesh Mehta | Non-Independent, Non-Executive Director | Member |

iii) Meetings and Attendance of Members during the year ended March 31, 2013:

During the year ended March 31, 2013, no Meeting of the Remuneration Committee was held.

iv) Remuneration Policy:

The Company's remuneration policy aims at attracting and retaining high quality talent by taking into account its financial position, industrial trends, compensation paid by the peer companies, etc.

v) Details of Directors' remuneration paid for the year ended March 31, 2013:

The Non-Executive Directors are paid sitting fees of ₹ 5000/- for attending each Meeting of the Board of Directors and the Board Committees, which is within the limits prescribed under the Companies Act, 1956.

Details of the remuneration paid to the Directors of the Company during the year ended March 31, 2013, are as follows:

(Amount in ₹)

| Name of Directors | Sitting Fees for attending Board and Committee Meetings | Salary, Perquisites, Commission, etc | Total |
|-----------------------|---|--------------------------------------|-----------------|
| Mr. Hemendra Singh | - | - | - |
| Mr. Nikhil Gandhi | - | - | - |
| Mr. B. S. Bhalerao | 40,000 | - | 40,000 |
| Mr. B. G. Daga | 40,000 | - | 40,000 |
| Mr. Nilesh Mehta | - | - | - |
| Mr. S. S. Thakur | 40,000 | - | 40,000 |
| Mr. Jitendra Sanghavi | 5,000 | - | 5,000 |
| Total | 1,25,000 | - | 1,25,000 |

- The Company does not have any Employee Stock Option Scheme (ESOS).
- None of the Non-Executive Directors held any Equity Shares in the Company except Mr. Nilesh Mehta who holds 3000 Equity Shares.
- None of the Non-Executive Directors have any pecuniary relationship or transaction with the Company and vis-à-vis, except sitting fees as mentioned above.

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5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE:

The Company has constituted a Shareholders/Investors Grievance Committee to look into the expeditious redressal of complaints of the investors like transfer or credit of shares, non-receipt of declared dividend/notices/annual reports, review of cases for refusal of transfer/transmission of shares/debentures, reference to statutory and regulatory authorities regarding investor grievance and other matters encompassing the Shareholders/ Investors related issues.

i) Composition:

As on March 31, 2013, the Shareholders/Investors Grievance Committee comprised of four Directors as Members.

The detailed composition of the Shareholders/Investors Grievance Committee is as follows:

| Name of the Members | Category | Position |
|---------------------|---|----------|
| Mr. B. G. Daga | Independent Non-Executive Director | Chairman |
| Mr. Nikhil Gandhi | Non-Independent, Non-Executive Director | Member |
| Mr. Nilesh Mehta | Non-Independent, Non-Executive Director | Member |
| Mr. Hemendra Singh* | Executive Director | Member |

* Mr. Hemendra Singh was appointed as a Member w.e.f. May 28, 2012.

Meetings and Attendance of Members during the year ended March 31, 2013:

During the year ended March 31, 2013, one Shareholders/Investors Grievance Committee Meeting was held on May 31, 2012.

The attendance of each Member at the said Shareholders/Investors Grievance Committee Meeting is given below:

| Name of the Members | No. of Shareholders/Investors Grievance Committee Meeting | |
|---------------------|---|------------------------|
| | Held * | Attended by the Member |
| Mr. B. G. Daga | 1 | - |
| Mr. Nikhil Gandhi | 1 | - |
| Mr. Nilesh Mehta | 1 | 1 |
| Mr. Hemendra Singh | 1 | 1 |

* No. of Shareholders/Investors Grievance Committee Meeting held reflects the no. of Meeting held in the tenure of the concerned Member during the year ended March 31, 2013.

ii) Name and designation of Compliance Officer:

The Board has designated Mr. Amit Shrivastava as the Compliance Officer of the Company.

iii) Details of shareholders complaints received and resolved during the year ended March 31, 2013:

| | |
|--|-----|
| No. of shareholders complaints pending as on April 1, 2012 | Nil |
| No. of shareholders complaints received during the year | Nil |
| No. of complaints solved to the satisfaction of shareholders | Nil |
| No. of shareholders complaints pending as on March 31, 2013 | Nil |

6. GENERAL BODY MEETINGS :

i) Location and time of last three AGMs :

| Financial Year | Date of AGMs | Venue | Time |
|----------------|--------------------|---|------------|
| 2011-2012 | September 28, 2012 | Bombay Club Suite, Royal Bombay Yacht Club, Chatrapati Shivaji Maharaj Marg, Apollo Bunder, Near Taj Mahal Hotel, Mumbai - 400 001. | 5.00 p.m. |
| 2010-2011 | September 29, 2011 | Babasaheb Dahanukar Hall, Orion House, Maharashtra Chambers of Commerce Path, Fort, Mumbai - 400 001. | 4.00 p.m. |
| 2009-2010 | September 30, 2010 | D-84, Sector - 4, Bawana Industrial Area, Delhi | 12.00 noon |

ii) Special Resolutions passed in the previous three AGMs: None

iii) Special Resolution passed during the year ended March 31, 2013, through Postal Ballot: None

iv) Person who conducted the Postal Ballot exercise: N.A.

v) Whether any Special Resolution is proposed to be passed through Postal Ballot:

During the year ended March 31, 2013, the Board of Directors of the Company passed the resolution for seeking the approval of Members for following:

- i) Increasing the Authorised Share Capital of the Company from Rs. 3,50,00,000/- (Rupees Three Crores Fifty Lacs Only) divided into 35,00,000 (Thirty Five Lacs) Equity Shares of Rs. 10/- (Rupees Ten only) each Rs. 45,00,00,000/- (Rupees Forty Five Crores only) divided into 50,00,000 (Fifty Lacs) Equity Shares of Rs.10/- (Rupees Ten only) each and 4,00,00,000 (Four Crores) Preference Shares of Rs. 10/- (Rupees Ten only) each and consequent alteration of Memorandum of Association of the Company (Ordinary Resolution).
- ii) Alteration of Articles of Association of the Company(Special Resolution).
- iii) Preferential allotment of Preference Shares to the Promoter Company (Special Resolution).

The Company completed the dispatch of Postal Ballot Notices to all its Members by March 7, 2013. The date of declaration of result of Postal Ballot is April 12, 2013.

vi) Procedure for Postal Ballot:

The brief procedure for Postal Ballot is mentioned hereunder:

- i) The Board at its Meeting approved the items to be passed through Postal Ballot and authorised the Whole-time Director/Director/Compliance Officer severally to be responsible for the entire process of postal ballot.
- ii) M/s. Aashish K. Bhatt & Associates, Practising Company Secretaries, Mumbai, were appointed as the Scrutinizer for conducting the Postal Ballot process.
- iii) Notice of Postal Ballot along with the Ballot papers were sent to the Members along with a self-addressed, postage pre-paid envelope addressed to the Scrutinizer. Duly completed Postal Ballot Form should reach the Scrutinizer not later than the closing of working hours i.e., 5.00 p.m. on Monday, April 8, 2013.
- iv) An advertisement was published in the newspaper about the dispatch of ballot papers and Notice of Postal Ballot.

Upon receipt of the Forms, the Scrutinizer will scrutinize and submit his report and the result of Postal Ballot will be announced on April 12, 2013.

7. DISCLOSURES:

i) Related Party Transactions:

Transactions with related parties entered into by the Company in the normal course of business were placed before the Audit Committee. Details of related party transactions are included at Note No. 19 in Notes to Accounts of Standalone Financial Statements. There were no related party transactions of material nature that may have a potential conflict with the interests of the Company.

The Company has followed the Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006, as amended from time to time, in preparation of its financial statements.

ii) Details of non-compliance:

There were no instances of non-compliance by the Company, penalties, strictures imposed on the Company by the Stock Exchange(s) or SEBI or any statutory authority, on any matter related to the capital markets, during the last three years.

iii) Whistle Blower Policy:

The Company at present does not have a Whistle Blower Policy. However, any employee, if he / she desires, has free access to meet or communicate with the Audit Committee of the Company and report any matter of concern.

iv) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this Clause:

The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement relating to Corporate Governance. As a part of adoption of Non-mandatory requirements, the Company has set up a Remuneration Committee, details of which have been provided in this Report.

8. MEANS OF COMMUNICATION:

In accordance with Clause 54 of the Listing Agreement, the Company has maintained functional website at www.klgcapital.com containing basic information about the Company. The contents of the said website are updated from time to time.

The quarterly, half yearly and annual financial results of the Company are sent to the Stock Exchange and are published in the newspapers in terms of the requirement of Clause 41 of the Listing Agreement. During the year ended March 31, 2013, the financial results of the Company were published in Free Press Journal (an English Newspaper) and Navshakti (a Marathi Newspaper) (for first three quarters) and in Business Standard (an English Newspaper) and Lakshdeep (a Marathi Newspaper) (for last quarter). The results are also displayed on the Company's website.

For the benefit of the Members, a separate Email ID has been created for Investors correspondences viz., company.secretary@klgcapital.com. The Management Discussion and Analysis Report forms part of the Directors' Report.

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9. GENERAL SHAREHOLDERS' INFORMATION:

i) 19th AGM:

| | |
|--------------|--|
| Date | Monday, September 30, 2013 |
| Time | 4.30 p.m. |
| Venue | Bombay Club Suite, Royal Bombay Yacht Club, Chhatrapati Shivaji Maharaj Marg, Apollo Bunder, Opp. Gateway of India, Near Taj Mahal Hotel, Mumbai - 400 001 |

ii) Financial Year :

The financial year of the Company covers the financial period from April 1 to March 31 of that year. The tentative schedule of the Board Meetings for consideration of financial results and of the AGM for the year ending March 31, 2014, is as follows :

| Tentative Schedule | Tentative Date of Board Meeting |
|---|---------------------------------|
| Financial reporting for the quarter ending June 30, 2013 | On or before August 14, 2013 |
| Financial reporting for the quarter ending September 30, 2013 | On or before November 14, 2013 |
| Financial reporting for the quarter ending December 31, 2013 | On or before February 14, 2014 |
| Financial reporting for the year ending March 31, 2014 | On or before May 30, 2014 |
| AGM for the year ending March 31, 2014 | On or before September 30, 2014 |

iii) Date of Book Closure:

The Register of Members and Share Transfer Books of the Company shall remain closed from Wednesday, September 25, 2013 to Monday, September 30, 2013 (both days inclusive).

iv) Dividend Payment Date:

Not Applicable, since no dividend is recommended by the Directors for the year ended March 31, 2013.

v) Listing on Stock Exchanges:

Presently, the Equity Shares of the Company are listed with BSE Limited. The Company has paid annual listing fees for the year 2013-2014 to BSE Limited.

The Company has paid custodial fees for the year 2013-2014 to National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd (CDSL) on the basis of number of beneficial accounts maintained by them as on March 31, 2013.

vi) Stock Code/ISIN No.:

BSE Scrip Code: 530771

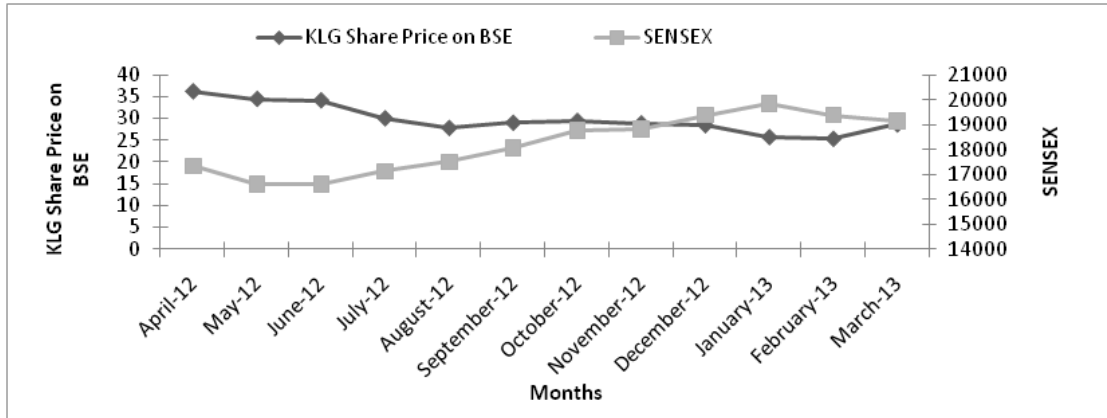
Demat ISIN No. for CDSL/NSDL: INE929C01018

vii) Market Price Data:

The high and low market prices of the Company's Equity Shares traded on BSE Limited during each month in the financial year ended March 31, 2013, are as follows:

| Month & Year | High (₹) | Low (₹) |
|----------------|----------|---------|
| April 2012 | 39.95 | 32.55 |
| May 2012 | 39.00 | 30.00 |
| June 2012 | 41.80 | 26.55 |
| July 2012 | 33.35 | 26.70 |
| August 2012 | 30.55 | 25.05 |
| September 2012 | 32.00 | 26.00 |
| October 2012 | 31.90 | 27.00 |
| November 2012 | 32.00 | 25.75 |
| December 2012 | 31.90 | 25.00 |
| January 2013 | 28.40 | 23.00 |
| February 2013 | 30.40 | 20.20 |
| March 2013 | 38.05 | 19.20 |

viii) Share Price Performance in Comparison to BSE Sensex:



ix) Registrar and Share Transfer Agents of the Company:

Link Intime India Private Limited
44, Community Centre,
2nd Floor, Naraina Industrial Area,
Phase-1, Near PVR Naraina,
New Delhi – 110 028
Ph: 011 - 41410592/93/94
Fax: 011 - 41410591
Email: delhi@linkintime.co.in

x) Share Transfer System:

The Company has appointed Link Intime India Private Limited as its Registrar and Share Transfer Agents. All share transfer and related operations are conducted by Link Intime India Private Limited.

xi) a) The Company's distribution of shareholding as on March 31, 2013, is given below :

| No. of Equity Shares held | No. of Shareholders | % to total Shareholders | No. of Shares | % to total Shares |
|---------------------------|---------------------|-------------------------|------------------|-------------------|
| 1-500 | 1308 | 86.39 | 143,934 | 4.50 |
| 501-1000 | 95 | 6.27 | 74,757 | 2.33 |
| 1001-2000 | 47 | 3.10 | 69,305 | 2.16 |
| 2001-3000 | 14 | 0.92 | 36,746 | 1.15 |
| 3001-4000 | 8 | 0.53 | 28,674 | 0.90 |
| 4001-5000 | 8 | 0.53 | 36,006 | 1.12 |
| 5001 - 10000 | 15 | 1.00 | 112,624 | 3.52 |
| 10001 & above | 19 | 1.26 | 2,700,354 | 84.32 |
| Total | 1514 | 100.00 | 3,202,400 | 100.00 |

b) Shareholding Pattern as on March 31, 2013:

| Category | No. of Shareholders | No. of Shares | % of Shareholding |
|------------------------|---------------------|------------------|-------------------|
| Promoters | 1 | 1,936,075 | 60.46 |
| Bodies Corporate | 57 | 601,640 | 18.79 |
| Foreign Nationals/NRIs | 14 | 13,928 | 0.43 |
| Indian Public & Others | 1442 | 650,757 | 20.33 |
| Total | 1514 | 3,202,400 | 100.00 |

xii) Dematerialization of shares & liquidity:

As on March 31, 2013, 3,167,767 Equity Shares i.e., 98.92% (approx) of the total Equity Shares of the Company are in electronic form with NSDL and CDSL. The Promoters hold their entire equity shareholding in the Company in dematerialized form.

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The Equity Shares of the Company are classified as illiquid by BSE Limited and they are traded under Periodic Call Auction Session (PCAS). The trading rules for PCAS are mentioned on the website of BSE Limited.

viii) **Outstanding GDRs / ADRs / Warrants or any Convertible Instruments, conversion date and likely impact on equity:** Not Applicable

ix) **Plant Locations:** None

x) **Address for Investor Correspondence:**

For transfer/dematerialization of shares, payment of dividend on shares, corporate actions or change of address or any query relating to the shares of the Company or any other query, the Members are requested to contact:

Registrar and Share Transfer Agents:

Link Intime India Private Limited

44, Community Centre, 2nd Floor, Naraina Industrial Area,

Phase-1, Near PVR Naraina, New Delhi - 110 028.

Ph: 011 - 41410592/93/94, Fax: 011 - 41410591.

Email: delhi@linkintime.co.in

Further, the Company has maintained an exclusive Email ID viz. company.secretary@klgcapital.com which is designated for investor correspondence for the purpose of registering any complaint relating to the Equity Shares of the Company and the said Email ID has been displayed on the Company's website www.klgcapital.com as well.

10. CODE OF CONDUCT:

The Board of Directors has laid down Code of Conduct for the Directors and Senior Management Personnel of the Company. This Code has been posted on the Company's website www.klgcapital.com. All the Board Members and Senior Management Personnel of the Company have affirmed compliance with the said Code of Conduct for the year ended March 31, 2013. A declaration to this effect issued by Mr. Hemendra Singh, Whole-time Director, in lieu of CEO, is annexed to this Report.

11. CEO/CFO CERTIFICATE PURSUANT TO CLAUSE 49 (V) OF THE LISTING AGREEMENT:

A Certificate pursuant to Clause 49 (V) of the Listing Agreement issued by Mr. Hemendra Singh, Whole-time Director, in lieu of CEO and CFO, for the year ended March 31, 2013, is annexed to this Report.

12. CERTIFICATE ON CORPORATE GOVERNANCE:

The Company has obtained a Certificate from M/s. Aashish K. Bhatt & Associates, Practising Company Secretaries, regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement, which together with this Report, is annexed to the Directors' Report and shall be sent to all the Members of the Company and the Stock Exchange(s) along with the Annual Report of the Company.

CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of
KLG Capital Services Limited

We have examined the compliance of conditions of Corporate Governance by KLG Capital Services Limited ('the Company') for the year ended March 31, 2013, as stipulated in Clause 49 of the Listing Agreement of the Company with Stock Exchange(s).

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

In our opinion and to the best of our information and according to the explanations given to us, and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We 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.

**For Aashish K. Bhatt & Associates
Practising Company Secretaries**

Sd/-

**Aashish Bhatt
Proprietor
C. P. No. : 7023**

Place : Mumbai
Date : August 28, 2013

**CERTIFICATE OF WHOLE-TIME DIRECTOR, ISSUED IN LIEU OF CEO AND CFO, ON FINANCIAL STATEMENTS
UNDER CLAUSE 49(V) OF THE LISTING AGREEMENT**

I, Hemendra Singh, Whole-time Director of KLG Capital Services Limited, to the best of my knowledge and belief certify that:

- a) I have reviewed financial statements and the cash flow statement of KLG Capital Services Limited for the year ended March 31, 2013, and that to the best of their knowledge and belief, I state that:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of my knowledge and belief, no transactions entered into by the company during the year under review which are fraudulent, illegal or violative of the Company's code of conduct.
- c) I accept responsibility for establishing and maintaining internal controls for financial reporting and that I have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which I am aware and the steps taken or proposed to be taken to rectify these deficiencies.
- d) I have indicated to the Auditors and the Audit Committee that:
 - (i) there were no significant changes in internal control over financial reporting during the year;
 - (ii) there were no significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) there were no instances of significant fraud of which I have become aware of and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Sd/-

**sHemendra Singh
Whole-time Director**

Place : New Delhi
Date : May 29, 2013

**CERTIFICATE OF WHOLE-TIME DIRECTOR, ISSUED IN LIEU OF CEO, ON COMPLIANCE WITH CODE OF CONDUCT
OF THE COMPANY PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT**

This is to affirm that the Board of Directors of KLG Capital Services Limited has adopted a Code of Conduct for its Board Members and Senior Management Personnel in compliance with the provisions of Clause 49 (1D) of the Listing Agreement with the Stock Exchange and the Board Members and Senior Management Personnel of the Company have confirmed the compliance of provisions of the said Code for the financial year ended March 31, 2013.

Sd/-

**Hemendra Singh
Whole-time Director**

Place : New Delhi
Date : May 29, 2013

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. INDUSTRY STRUCTURE AND DEVELOPMENTS

The current phase of the global economic cycle is seeing signs of a weak recovery. While the European economy weakened overall in 2012, the aggressive actions by European Central Bank to save the Euro worked towards reducing volatility and improving liquidity in the financial markets. In comparison, the US economy looked much better, with a rebound in its housing market and a steady improvement in its unemployment rate. Many emerging markets had a poor year, as growth rates dropped. The era of high growth in the BRICs - Brazil, Russia, India and China - appears to be behind us, thereby impacting global commodity prices.

India's GDP growth in 2012-13 is likely to fall below 5% - down from 6.2% a year ago, mainly due to the protracted weakness in industrial activity, aggravated by domestic supply bottlenecks and slowdown in the services sector, reflecting weak external demand. The high level of Fiscal and Current Account deficits are having an equally dampening effect on the Indian economy.

2. OPPORTUNITIES AND THREATS

The Company is examining various new avenues of business in financial activities. The present business of your Company is investment and financing. The Company intends to diversify its activities into education related business and financing.

3. SEGMENT WISE PERFORMANCE

The Company operates in only one segment.

4. FUTURE PROSPECTS & OUTLOOK

In the forthcoming year, the Company envisages to identify new avenues of business activities and make use of opportunities available, besides strengthening its present operations.

5. RISK AND CONCERNS

General risks associated with the financial services sector in the normal course of business that we are in, apply to the Company also.

6. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has adequate internal controls commensurate with its size to ensure protection of assets against loss from unauthorized use and all the transactions are authorized, recorded and reported correctly. Besides, the Audit Committee reviews the internal controls at periodic intervals in close co-ordination with the Auditors.

7. FINANCIAL PERFORMANCE

- a) Share Capital: As on March 31, 2013, the Company's issued and subscribed share capital consists of Equity Share Capital only. The paid-up Share Capital of Company as at March 31, 2013, stood at Rs. 320.24 Lacs comprising of 32,02,400 Equity Shares of Rs. 10/- each (previous year Rs. 320.24 Lacs).
- b) Reserves and Surplus: During the year under review, the Reserves and Surplus stood at Rs. 308.05 Lacs (previous year Rs. 194.73 Lacs).

8. HUMAN RESOURCES

The Company presently has adequate human resources to man its various activities. However, as operations expand into newer avenues, additional talent will be made available as per the requirement of the business.

9. RISK MANAGEMENT FRAMEWORK

The Company has in place mechanisms to inform Board Members about the risk assessment and minimization procedures and periodical reviews to ensure that risk is controlled by the executive management through the means of a properly defined framework.

10. CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities, laws and regulations. Actual results may differ materially from those expressed in the statement. The important factors that could influence the Company's operations include change in government regulations, tax laws, economic developments, litigations, etc.

INDEPENDENT AUDITOR'S REPORT

To the Members of **KLG CAPITAL SERVICES LIMITED**,

Report on the Financial Statements

We have audited the accompanying financial statements of **KLG CAPITAL SERVICES LIMITED** which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the Profit and Loss Account, of the profit/ loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that :
 - We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - On the basis of written representations received from the Directors as on March 31, 2013, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2013, from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of The Companies Act, 1956.

KLG Capital Services Limited

- Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For NBS & Co.
Chartered Accountants
Firm Reg. No. 110100W

Sd/-
Devdas Bhat
Partner
Membership No. 48094

Place : Mumbai
Date : May 29, 2013

ANNEXURE TO AUDITORS REPORT

Annexure referred to in paragraph 1 of the Auditor's Report to the Members of **KLG CAPITAL SERVICES LIMITED** for the year ended March 31, 2013.

As required by the Companies (Auditor Report) Order, 2003 and amendments thereto and according to the information and explanations given to us during the course of the audit and on the basis of such checks of the books and records as were considered appropriate we report that:

- (i) (a) The Company has maintained proper records showing full particulars of the fixed assets.
(b) As informed to us, the Management at reasonable intervals has physically verified the fixed assets. We have been informed that the discrepancies noticed on physical verification were not material.
(c) During the year the Company has not disposed of a substantial part of its fixed assets.
- (ii) (a) The Company does not own any inventory during the above mentioned financial year.
(b) In view of our comments in Para (ii) (a) above, clauses 4 (ii) (b) and (c) of the said order are not applicable to the Company.
- (iii) (a) According to the information and explanations given to us the Company has not granted any loans secured or unsecured to parties covered in the register maintained under section 301 of the Companies Act, 1956.
(b) In view of our comments in Para (iii) (a) above, clauses 4 (iii) (b) (c) and (d) of the said order are not applicable to the Company.
(e) The Company has an outstanding unsecured loan of ₹ 13,04,027/- as on 31/03/2013 (Max. outstanding during the year : ₹ 4,01,87,007 and P.Y. o/s : ₹ 4,45,87,007 /-) from M/s. Awaita Properties Private Limited, party covered in the register maintained under section 301 of the Companies Act, 1956.
(f) In our opinion and according to the information and explanation given to us the terms and conditions of loan taken are not prima facie prejudicial to the interest of the company.
(g) According to the information and explanation given to us the repayment of the loan is regular.
- (iv) According to information and explanations given to us there are adequate internal control systems commensurate with the size of the Company and the nature of its business. During the course of our audit no major weakness has been observed in the internal control system.
- (v) (a) The transactions made in pursuance of contract or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 has been recorded in the register.
(b) According to the information and explanations given to us transactions with parties with whom transactions exceeding the value of Rupees Five Lacs have been entered into during the financial year are at prices, which are reasonable, having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public within the meaning of the sections 58A, 58AA or any other relevant provision of the Act and the rules framed there under any directives report issued by the Reserve Bank of India. No order in relation thereto has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- (vii) In our opinion the Company has Internal Audit System commensurate with its size and its nature of business.
- (viii) The Central Government has not prescribed for maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 for the Company.

- (ix) (a) According to the records of the Company, the undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty and Excise Duty, Cess have regularly deposited with the appropriate authorities. There are no undisputed amount payable in respect of such statutory dues which have remained outstanding as at March 31, 2013 except for Service Tax dues amounting to ₹ 1,45,07,430/- (excl. interest & penalty) and Income Tax of ₹ 2,40,69,937/- which have remained outstanding for a period more than six months from the date they became payable.
- (b) There are no amount in respect of any disputed income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess.
- (x) The Company has no accumulated losses and has not incurred cash losses in current financial year and in the immediate preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us the Company has not defaulted in repayment of its dues to banks and financial institutions.
- (xii) In our opinion and according to the information and explanations given to us the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- (xiii) (a) The provisions of any Special Statute applicable to Chit Fund, Nidhi Fund or Mutual Benefit Fund/Societies are not applicable to the Company.
- (b) In view of our comments in Para (xiii) (a) above, clauses 4 (xiii) (b) (c) and (d) of the said order are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- (xv) In our opinion and according to the information and explanations given to us the Company has not given any guarantee for loan taken by others from banks and financial institutions.
- (xvi) The Company has not taken any term loan during the year.
- (xvii) In our opinion and according to the information and explanations given to us and on an overall examination the Balance Sheet of the Company, we report that no fund raised on short term basis have been used for long term investment.
- (xviii) During the year the Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised any money by way of public issue during the year.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year that causes the financial statement to be materially misstated.
- (xxii) In case of NBFC,
- (a) The Company has received the Registration Certificate from RBI vide Registration no. B-13.02024 dated 06/08/2012 (Previous Reg. No. : B-14.00140 dated 16/10/2002).
- (b) The Company has not accepted any Public deposits.
- (c) (i) The Board of Directors have already passed the Board Resolution dated 02/02/1998 regarding non acceptance of public deposits and submitted with the RBI on 23/02/1998.
- (ii) The Company has complied with the prudential norms related to Income recognition, Accounting Standards, Asset Classification and Provisioning for Bad and Doubtful Debts as applicable.
- (iii) The Company has not invested its assets more than 90% in the Securities of its Group/Holding/Subsidiary Companies as Long Term Investments.
- (iv) The Company holds Securities of M/s. KLG Stock Brokers Private Limited, a Subsidiary Company as Investments.

For NBS & Co.
Chartered Accountants
Firm Reg. No. 110100W
Sd/-
Devdas Bhat
Partner
Membership No. 48094
Place : Mumbai
Date : May 29, 2013

BALANCE SHEET AS AT MARCH 31, 2013

| Particulars | Note No. | Current Year | | Previous Year |
|--|----------|-------------------|---------------------------|---------------------------|
| | | Amount (₹) | Amount (₹) | Amount (₹) |
| I EQUITY & LIABILITIES: | | | | |
| (1) SHAREHOLDERS' FUNDS | | | | |
| Share Capital | 2 | 32,024,000 | | 32,024,000 |
| Reserves and Surplus | 3 | <u>30,804,895</u> | | <u>19,473,191</u> |
| | | | 62,828,895 | 51,497,191 |
| (2) NON-CURRENT LIABILITIES | | | | |
| Deferred Tax Liabilities (Net) | 4 | | 2,777 | 3,115 |
| (3) CURRENT LIABILITIES | | | | |
| Short-term Borrowings | 5 | 1,304,027 | | 44,587,007 |
| Other Current Liabilities | 7 | 23,211,983 | | 9,390,024 |
| Short-term Provisions | 8 | <u>41,274,830</u> | | <u>32,808,338</u> |
| | | | 65,790,840 | 86,785,370 |
| TOTAL | | | <u>128,622,512</u> | <u>138,285,676</u> |
| II ASSETS: | | | | |
| (1) NON-CURRENT ASSETS | | | | |
| Fixed Assets | 9 | | | |
| - Tangible Assets | | | 14,160 | 23,601 |
| Non-Current Investments | 10 | | 99,495,600 | 104,777,700 |
| (2) CURRENT ASSETS | | | | |
| Current Investments | 11 | 18,392,295 | | 18,392,295 |
| Trade Receivables | 12 | 6,544,688 | | 4,467,150 |
| Cash and Cash Equivalents | 13 | 175,769 | | 4,902,450 |
| Short-term Loans and Advances | 14 | <u>4,000,000</u> | | <u>5,722,480</u> |
| | | | 29,112,752 | 33,484,375 |
| TOTAL | | | <u>128,622,512</u> | <u>138,285,676</u> |
| Significant Accounting Policies | 1 | | | |
| Notes on Financial Statements | 2 to 24 | | | |

AS PER OUR REPORT OF EVEN DATE

For NBS & Co.
Chartered Accountants
Firm Reg. No. 110100W

Sd/-
Devdas Bhat
Partner
Membership No. 48094

Place : Mumbai
Date : May 29, 2013

For and on behalf of the Board of Directors

Sd/-
Hemendra Singh
Whole-time Director

Sd/-
B. S. Bhalerao
Director

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

| Particulars | Note No. | Current Year Amount (₹) | Previous Year Amount (₹) |
|---|-----------------|------------------------------------|-------------------------------------|
| Revenue from Operations | 15 | 33,950,150 | 51,728,109 |
| Other Income | 16 | 458,100 | 411,063 |
| Total Revenue | | <u>34,408,250</u> | <u>52,139,171</u> |
| Expenditure | | | |
| Employee Benefits Expenses | 17 | 394,376 | 956,242 |
| Depreciation and Amortization Expenses | 9 | 9,440 | 11,399 |
| Other Expenses | 18 | 15,117,888 | 32,455,079 |
| Total Expenses | | <u>15,521,704</u> | <u>33,422,720</u> |
| Profit/(Loss) before Exceptional and Extraordinary Items and Tax | | 18,886,547 | 18,716,451 |
| Exceptional Items | | - | - |
| Profit/(Loss) before Extraordinary Items and Tax | | 18,886,547 | 18,716,451 |
| Extraordinary Items | | - | - |
| Profit/(Loss) before Tax | | 18,886,547 | 18,716,451 |
| Tax Expenses | | | |
| - Current Tax | | 7,555,181 | 16,481,749 |
| - Deferred Tax | | (338) | 3,115 |
| Profit/(Loss) for the period from Continuing Operations | | <u>11,331,704</u> | <u>2,231,588</u> |
| Profit/(Loss) for the period from Discontinuing Operations (After Tax) | | - | - |
| Profit/(Loss) for the period | | <u>11,331,704</u> | <u>2,231,588</u> |
| Earnings Per Share (Basic and Diluted) (Refer Note No. 23) | | 3.54 | 0.70 |
| Significant Accounting Policies | 1 | | |
| Notes on Financial Statements | 2 to 24 | | |

AS PER OUR REPORT OF EVEN DATE

For NBS & Co.
Chartered Accountants
Firm Reg. No. 110100W

Sd/-
Devdas Bhat
Partner
Membership No. 48094

Place : Mumbai
Date : May 29, 2013

For and on behalf of the Board of Directors

Sd/-
Hemendra Singh
Whole-time Director

Sd/-
B. S. Bhalerao
Director

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2013

| Particulars | Current Year Amount (₹) | Previous Year Amount (₹) |
|--|----------------------------|-----------------------------|
| A. Cash flow from Operating Activities | | |
| Net Profit after Tax & Extraordinary Items | 11,331,704 | 2,231,588 |
| Adjustment for: | | |
| Depreciation and Amortization Expenses | 9,102 | 14,515 |
| Dividend Income | (458,100) | (411,063) |
| Profit on Sale of Fixed Assets | - | - |
| Operating Profit before Working Capital changes | 10,882,706 | 1,835,040 |
| Adjustment for Working Capital changes | | |
| (Increase)/Decrease in Trade Receivables | (2,077,538) | 55,577,050 |
| (Increase)/Decrease in Inventories | - | - |
| (Increase)/Decrease in Short-term Loans and Advances | 1,722,480 | 15,807,367 |
| Increase/(Decrease) in Trade and Other Payable | 13,821,959 | 7,955,067 |
| Increase/(Decrease) in Provisions | 8,466,492 | 17,955,606 |
| Cash generated from Operations | 32,816,099 | 99,130,130 |
| Direct taxes | - | - |
| Cash flow before Extraordinary Items | 32,816,099 | 99,130,130 |
| Extraordinary Items | - | - |
| Cash flow from Operating Activities (A) | 32,816,099 | 99,130,130 |
| B. Cash flow from Investing Activities | | |
| Purchase of Fixed Assets | - | (35,000) |
| Sales of Fixed Assets | - | - |
| Purchase of Investments - Long-term | 5,282,100 | 76,900,000 |
| Purchase of Investments - Short-term | - | 16,305,225 |
| Purchase of Investments - Subsidiary | - | - |
| Dividend Income | 458,100 | 411,063 |
| Sale of Investment | - | - |
| Net Cash used in Investment Activities (B) | 5,740,200 | 93,581,288 |
| C. Cash flow from Financing Activities | | |
| Increase/(Decrease) in Long-term Borrowings (Net of Repayment) | - | - |
| Increase/(Decrease) in Short-term Borrowings (Net) | (43,282,980) | (188,595,418) |
| Proceeds from issue of Share Capital | - | - |
| Dividend Paid (Net) | - | - |
| Net Cash used in Financing Activities (C) | (43,282,980) | (188,595,418) |
| Net increase / decrease in Cash & Cash Equivalents (A+B+C) | (4,726,681) | 4,116,000 |
| Cash & Cash Equivalents as at April 1, 2012 | 4,902,450 | 786,450 |
| (Opening Balance) Cash in Hand & Balance with Banks | | |
| Cash & Cash Equivalents as at March 31, 2013 | <u>175,769</u> | <u>4,902,450</u> |
| (Closing Balance) Cash in Hand & Balance with Banks | | |

Note: Figures in brackets represent outflows

AS PER OUR REPORT OF EVEN DATE

For NBS & Co.
Chartered Accountants
Firm Reg. No. 110100W

Sd/-
Devdas Bhat
Partner
Membership No. 48094

Place : Mumbai
Date : May 29, 2013

For and on behalf of the Board of Directors

Sd/-
Hemendra Singh
Whole-time Director

Sd/-
B. S. Bhalerao
Director

NOTES ON FINANCIAL STATEMENT FOR THE YEAR MARCH 31, 2013

NOTE NO. 1 - SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of Accounts

The financial statements are prepared on accrual basis, following the historical cost convention in accordance with the Generally Accepted Accounting Principles (GAAP), which are consistently adopted by the Company, and in compliance with the Accounting Standard issued by the Institute of Chartered Accountants of India and provisions of the Companies Act, 1956, to the extent applicable.

b. Use of Estimates

The presentation of financial statements in conformity with GAAP requires estimates and assumptions to be made that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements. Any differences between the actual results and the estimates are recognized in the period in which the results are known / materialized.

c. Fixed Assets

Fixed Assets are stated at cost of acquisition including expenses incidental to their acquisition less accumulated depreciation & impairment.

d. Depreciation

Depreciation on Fixed Assets is provided on the Written Down Value Method, at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

e. Revenue Recognition

All the incomes are accounted on accrual basis.

f. Employee Benefits

- i) Short-term employee benefits are recognized as an expense at the undiscounted amount in the Profit & Loss Account for the year in which the related service is rendered.
- ii) Post-employment and other long-term employee benefits are recognised as an expense in the Profit & Loss Account for the year in which the employee has rendered services. The expense is recognised at the present value of the amount payable determined using actuarial valuation techniques. Actuarial gains and loss in respect of post-employment and other long-term benefits are charged to the Profit & Loss Account.

g. Retirement Benefits

Company has policy of making provision for retirement benefits as and when the liability arises.

h. Impairment of Assets

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value. An impairment loss is charged to the Profit & Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

i. Derivative Instruments

Derivative financial instruments are recorded at fair value on the date of the derivative transaction and are re-measured at their fair value at subsequent Balance Sheet date. Changes in the fair value of derivatives are recorded in the Profit & Loss Account.

j. Provision for Current and Deferred Tax

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred tax resulting from "time differences" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on Balance Sheet date. The effect of deferred tax asset & liabilities of a change in tax rates is recognised in the Profit & Loss Account in the year of change.

KLG Capital Services Limited

NOTES ON FINANCIAL STATEMENT FOR THE YEAR MARCH 31, 2013

| Particulars | Current Year Amount (₹) | Previous Year Amount (₹) |
|---|---------------------------------------|--|
| NOTE NO. 2 - SHARE CAPITAL | | |
| (a) Authorised | | |
| 3,500,000 Equity Shares of ₹10/- each (Previous Year 3,500,000) | 35,000,000 | 35,000,000 |
| (b) Issued, Subscribed and Paid-up | | |
| 3,202,400 Equity Shares of ₹ 10/- each (Fully Paid-up) (Previous Year 3,202,400) | 32,024,000 | 32,024,000 |
| | 32,024,000 | 32,024,000 |
| (c) Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period | | |
| | Current Year No. of Shares | Previous Year No. of Shares |
| Equity Shares at the beginning of the year | 3,202,400 | 3,202,400 |
| Add: Issue of Shares during the year | - | - |
| No. of Shares at the end of the year | 3,202,400 | 3,202,400 |
| (d) Details of Shareholder holding more than 5% Equity Shares held by | Current Year | Previous Year |
| | No. of Shares | % of Holding |
| Holding Company: | | |
| Awaita Properties Pvt. Ltd. | 1,936,075 | 60.46% |
| | | 1,936,075 |
| | | 60.46% |
| Particulars | Current Year Amount (₹) | Previous Year Amount (₹) |
| NOTE NO. 3 - RESERVES AND SURPLUS | | |
| (a) General Reserve | | |
| Balance as per last Balance Sheet | 1,012,242 | 1,012,242 |
| Add: Transfer from Profit & Loss Account | - | - |
| | 1,012,242 | 1,012,242 |
| (b) Statutory Reserve Fund | | |
| Balance as per last Balance Sheet | 2,882,397 | 2,436,079 |
| Add: Transfer from Profit & Loss Account | 2,266,341 | 446,318 |
| | 5,148,738 | 2,882,397 |
| (c) Profit & Loss Account | | |
| Balance as per last Balance Sheet | 15,578,552 | 13,793,282 |
| Add: Profit & Loss during the Year | 11,331,704 | 2,231,588 |
| Less: *Transfer to Statutory Reserve Account | 2,266,341 | 446,318 |
| | 24,643,915 | 15,578,552 |
| | 30,804,895 | 19,473,191 |
| * Transfer to Statutory Reserve as per Section 45-IC of Reserve Bank of India Act, 1934. | | |
| NOTE NO. 4 - DEFERRED TAX LIABILITIES (NET) | | |
| Deferred Tax Liabilities | | |
| (a) Fixed Assets | 2,777 | 3,115 |
| (Impact of difference between tax depreciation and depreciation charged for financial reporting) | | |
| (b) Others Timing differences | - | - |
| | 2,777 | 3,115 |
| Deferred Tax Assets | | |
| (a) Any disallowance under Income Tax Act/Others | - | - |
| Net Deferred Tax Liabilities | 2,777 | 3,115 |

NOTES ON FINANCIAL STATEMENT FOR THE YEAR MARCH 31, 2013

| Particulars | Current Year Amount (₹) | Previous Year Amount (₹) |
|---|----------------------------|-----------------------------|
| NOTE NO. 5 - SHORT-TERM BORROWINGS | | |
| Unsecured Loan | | |
| From Holding Company (Repayable on Demand) | 1,304,027 | 44,587,007 |
| | 1,304,027 | 44,587,007 |

NOTE NO. 6 - TRADE PAYABLES

The Company does not have in its records any intimation from suppliers regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure, if any, relating to amounts unpaid at the year end together with interest paid/payable as required under the said Act have not been furnished.

NOTE NO. 7 - OTHER CURRENT LIABILITIES

| | | |
|-------------------------|-------------------|------------------|
| Creditors for Expenses | 8,693,317 | 192,857 |
| Others-Duties and Taxes | 14,518,666 | 9,197,167 |
| | 23,211,983 | 9,390,024 |

NOTE NO. 8 - SHORT-TERM PROVISIONS

| | | |
|---|-------------------|-------------------|
| Provisions for Income Tax (Net) | 24,069,937 | 21,473,094 |
| Diminution in value of Investments held | 17,204,893 | 11,335,245 |
| | 41,274,830 | 32,808,338 |

NOTE NO. 9 - FIXED ASSETS

(Amount in ₹)

| PARTICULARS | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | | | | |
|---|---------------------------|---------------------------------|---|--|----------------------------|--------------------------|--------------------------------|---|---------------------------|---|-----------------|----------------------------|----------------------------|
| | As at April 1, 2012 | Additions during the year | Acquisitions through Business combinations | Deductions/ Adjustments during the year | As at March 31, 2013 | Upto April 1, 2012 | Provided during the year | Deductions/ Adjustments during the year | Upto March 31, 2013 | Before impairment as at March 31, 2013 | Impair- ment | As at March 31, 2013 | As at March 31, 2012 |
| (Owned Asset) Tangible Assets | | | | | | | | | | | | | |
| Computer | 35,000 | - | - | - | 35,000 | 11,399 | 9,440 | - | 20,839 | 14,160 | - | 14,160 | 23,601 |
| Total | 35,000 | - | - | - | 35,000 | 11,399 | 9,440 | - | 20,839 | 14,160 | - | 14,160 | 23,601 |
| Previous Year | - | 35,000 | - | - | 35,000 | - | 11,399 | - | 11,399 | 23,601 | - | 23,601 | - |

In accordance with the Accounting Standard (AS - 28) on "Impairment of Assets", there was no impairment loss on Fixed Assets during the year ended March 31, 2013.

| Particulars | Current Year Amount (₹) | Previous Year Amount (₹) |
|-------------|----------------------------|-----------------------------|
|-------------|----------------------------|-----------------------------|

NOTE NO. 10 - NON-CURRENT INVESTMENTS**(a) Long-term Non-Trade Investments****(i) Quoted: Fully Paid-up****In Equity Shares of other Companies**

Shipping Corporation of India Ltd.

Nil Equity Shares of ₹ 10 each

(92,265 Equity Shares)

- 12,917,100

(ii) Unquoted: Fully Paid up**In Equity Shares of Subsidiary Company**

KLG Stock Brokers Pvt. Ltd.

360,000 Equity Shares of ₹ 10 each

(360,000 Equity Shares)

3,600,000

3,600,000

KLG Capital Services Limited

NOTES ON FINANCIAL STATEMENT FOR THE YEAR MARCH 31, 2013

| Particulars | Current Year Amount (₹) | Previous Year Amount (₹) |
|--|----------------------------|-----------------------------|
| (iii) Unquoted: Fully Paid up In Equity Shares of other Companies | | |
| Catholic Syrian Bank Ltd. 407,200 Equity Shares of ₹ 10 each (305,400 Equity Shares) | 95,895,600 | 88,260,600 |
| | <u>99,495,600</u> | <u>104,777,700</u> |
| (b) Aggregate Value of :- | | |
| - Quoted Investment | | |
| Book value | - | 12,917,100 |
| Market Value | 5,720,430 | 5,720,430 |
| Book value | 99,495,600 | 91,860,600 |
| NOTE NO. 11 - CURRENT INVESTMENTS | | |
| (a) Short-term Investments | | |
| Quoted: Fully Paid-up In Equity Shares of other Companies | | |
| Neha International Ltd. 141,000 Equity Shares of ₹10 each (141,000 Equity Shares) | 18,392,295 | 18,392,295 |
| | <u>18,392,295</u> | <u>18,392,295</u> |
| (b) Aggregate Value of: - | | |
| - Quoted Investment | | |
| Book value | 18,392,295 | 18,392,295 |
| Market Value | 1,237,980 | 7,057,050 |
| (Diminution in value of Investments is provided in Profit & Loss Account) | | |
| NOTE NO. 12 - TRADE RECEIVABLES | | |
| (Unsecured & Considered Good) | | |
| (a) Debts due for a period exceeding six months | 1,489,050 | - |
| (b) Debts due for a period less than six months | 5,055,638 | 4,467,150 |
| | <u>6,544,688</u> | <u>4,467,150</u> |
| NOTE NO. 13 - CASH AND CASH EQUIVALENTS | | |
| (a) Cash on Hand | 89,159 | 78,629 |
| (b) Balance with Banks | 86,610 | 4,823,820 |
| | <u>175,769</u> | <u>4,902,450</u> |
| NOTE NO. 14 - SHORT-TERM LOANS AND ADVANCES | | |
| (Unsecured & Considered Good) | | |
| (a) (i) Advance recoverable in cash or in kind for value to be received | | |
| - Related Parties | - | - |
| - Others | - | 1,722,480 |
| | - | <u>1,722,480</u> |
| (ii) Deposits for Rent | | |
| - Related Parties | 4,000,000 | 4,000,000 |
| | <u>4,000,000</u> | <u>5,722,480</u> |
| (b) Loans and Advances and Deposits to Related Parties | | |
| Deposit of ₹ 4,000,000 against use of Office Premises has been made to Awaita Properties Pvt. Ltd., Holding Company. | | |

NOTES ON FINANCIAL STATEMENT FOR THE YEAR MARCH 31, 2013

| Particulars | Current Year Amount (₹) | Previous Year Amount (₹) |
|---|----------------------------|-----------------------------|
| NOTE NO. 15 - REVENUE FROM OPERATIONS | | |
| Income from Consultancy & Arrangement fees | 48,679,034 | 87,780,000 |
| Loss in Futures & Options | (14,728,884) | (36,051,891) |
| | 33,950,150 | 51,728,109 |
| NOTE NO. 16 - OTHER INCOME | | |
| Dividend Income | 458,100 | 411,063 |
| | 458,100 | 411,063 |
| NOTE NO. 17 - EMPLOYEE BENEFITS EXPENSES | | |
| Salary & Wages | 368,691 | 917,997 |
| Bonus | - | 34,405 |
| Staff Welfare Expenses | 25,685 | 3,840 |
| | 394,376 | 956,242 |
| NOTE NO. 18 - OTHER EXPENSES | | |
| ADMINISTRATIVE AND GENERAL EXPENSES | | |
| Advertisement | 102,386 | 52,440 |
| Payment to Auditors | | |
| - Audit Fees | 56,180 | 55,150 |
| - Tax Audit Fees | 56,180 | 27,575 |
| - Certification /other Charges | 25,281 | 52,394 |
| - Other matters | - | - |
| | 137,641 | 135,119 |
| Bank Charges | 1,906 | 341 |
| Fee, Taxes & Legal Charges | 31,892 | 35,898 |
| Filing Fees | 4,214 | 2,550 |
| Loss on Sales of Investment | 8,429,321 | 20,319,148 |
| Miscellaneous Expenses | 41,530 | 5,068 |
| Other Administrative Expenses | 8,261 | 4,083 |
| Printing & Stationary | 79,533 | 16,062 |
| Professional Charges | 65,221 | 178,424 |
| Provision for Loss on Current Investments | 5,869,648 | 11,335,245 |
| Rent Expenses | 134,832 | 140,633 |
| Sitting Fees to Directors | 131,742 | 95,000 |
| Telephone Expenses | - | 5,468 |
| Travelling & Conveyance | 70,166 | 110,569 |
| Web Design Expenses | 9,594 | 19,030 |
| | 15,117,888 | 32,455,079 |

KLG Capital Services Limited**NOTES ON FINANCIAL STATEMENT FOR THE YEAR MARCH 31, 2013****NOTE NO. 19 - RELATED PARTY DISCLOSURE: (AS IDENTIFIED BY THE MANAGEMENT)****a) List of Related Parties**

- i) Major Shareholder having control over the Company : Awaita Properties Pvt. Ltd.
ii) Subsidiary : KLG Stock Brokers Pvt. Ltd.
iii) Key Management Personnel : Hemendra Singh (Whole-time Director)
iv) Companies under Common Control : Awaita Properties Pvt. Ltd.

b) Disclosure of Related Party Transactions between the Company and related parties for the year ended March 31, 2013:

| Particulars | | As At March 31, 2013 (Amount in ₹) | As At March 31, 2012 (Amount in ₹) |
|-------------|---|--|--|
| i) | Rent Paid Awaita Properties Pvt. Ltd. | 134,832 | 132,360 |
| ii) | Unsecured Loans (Liability) Awaita Properties Pvt. Ltd. | 1,304,027 | 44,587,007 |
| iii) | Investment in Equity Shares/Advances KLG Stock Brokers Pvt. Ltd. | 3,600,000 | 3,600,000 |
| iv) | Deposit against use of Office Premises Awaita Properties Pvt. Ltd. | 4,000,000 | 4,000,000 |

NOTE NO. 20 - DIRECTOR'S REMUNERATION

No remuneration has been paid to any of the Directors.

NOTE NO. 21 - FOREIGN CURRENCY TRANSACTIONS

There is no income or expenditure in foreign currency during the year.

NOTE NO. 22

Company has policy of making provision for retirement benefits as and when the liability arises.

NOTE NO. 23 - EARNINGS PER SHARE (EPS)

| Particulars | As At March 31, 2013 | As At March 31, 2012 |
|--|-------------------------|-------------------------|
| Net Profit / (Loss) After Tax available for Equity Shareholders (in ₹) | 11,331,704 | 2,231,588 |
| Weighted Average Number of Equity Shares of ₹10/- each outstanding during the year | 3,202,400 | 3,202,400 |
| Basic/Diluted EPS (in ₹) | 3.54 | 0.70 |

NOTE NO. 24

- a. Figures are rounded off to nearest rupees.
b. In the opinion of the Management current assets, advances are approximately of the value stated, if realized in the ordinary course of business, except otherwise stated.
c. Previous year figures have been regrouped or rearranged, wherever necessary.

AS PER OUR REPORT OF EVEN DATE

For NBS & Co.
Chartered Accountants
Firm Reg. No. 110100W

Sd/-
Devdas Bhat
Partner
Membership No. 48094

Place : Mumbai
Date : May 29, 2013

For and on behalf of the Board of Directors

Sd/-
Hemendra Singh
Whole-time Director

Sd/-
B. S. Bhalerao
Director

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of **KLG CAPITAL SERVICES LIMITED**

We have audited the accompanying consolidated financial statements of **KLG CAPITAL SERVICES LIMITED** ("the Company") and its subsidiaries (together, 'the Group'), which comprise the consolidated Balance Sheet as at March 31, 2013, and the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2013;
- (b) In the case of the Consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) In the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For NBS & Co.
Chartered Accountants
Firm Reg. No. 110100W

Sd/-
Devdas Bhat
Partner
Membership No. 48094

Place : Mumbai
Date : May 29, 2013

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2013

| Particulars | Note No. | Current Year | | Previous Year |
|---|----------|--------------|--------------------|--------------------|
| | | Amount (₹) | Amount (₹) | Amount (₹) |
| I EQUITY & LIABILITIES: | | | | |
| (1) SHAREHOLDERS' FUNDS | | | | |
| Share Capital | 2 | 32,024,000 | | 32,024,000 |
| Reserves and Surplus | 3 | 30,644,508 | | 19,411,944 |
| | | | 62,668,508 | 51,435,944 |
| Share Application Money Pending Allotment | | | - | - |
| (2) NON-CURRENT LIABILITIES | | | | |
| Deferred Tax Liabilities (Net) | 4 | | 2,777 | 3,115 |
| (3) CURRENT LIABILITIES | | | | |
| Short-term Borrowings | 5 | 1,304,027 | | 44,587,007 |
| Other Current Liabilities | 7 | 23,223,219 | | 9,401,054 |
| Short-term Provisions | 8 | 41,274,830 | | 32,802,425 |
| | | | 65,802,076 | 86,790,486 |
| TOTAL | | | 128,473,361 | 138,229,546 |
| II ASSETS: | | | | |
| (1) NON-CURRENT ASSETS | | | | |
| Fixed Assets | 9 | | | |
| - Tangible Assets | | | 14,160 | 23,601 |
| Non-Current Investments | 10 | | 95,895,600 | 101,177,700 |
| Long-term Loan and Advances | 11 | | 100,000 | 100,000 |
| Other Non-Current Assets | 12 | | 236,748 | 315,664 |
| (2) CURRENT ASSETS | | | | |
| Current Investments | 13 | 18,392,295 | | 18,392,295 |
| Trade Receivables | 14 | 6,544,688 | | 4,467,150 |
| Cash and Cash Equivalents | 15 | 283,956 | | 8,030,656 |
| Short Term Loans and Advances | 16 | 7,005,914 | | 5,722,480 |
| | | | 32,226,853 | 36,612,581 |
| TOTAL | | | 128,473,361 | 138,229,546 |
| Significant Accounting Policies | 1 | | | |
| Notes on Financial Statements | 2 to 26 | | | |

AS PER OUR REPORT OF EVEN DATE

For NBS & Co.
Chartered Accountants
Firm Reg. No. 110100W

For and on behalf of the Board of Directors

Sd/-
Devdas Bhat
Partner
Membership No. 48094

Sd/-
Hemendra Singh
Whole-time Director

Sd/-
B. S. Bhalerao
Director

Place : Mumbai
Date : May 29, 2013

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

| Particulars | Note No. | Current Year Amount (₹) | Previous Year Amount (₹) |
|---|-----------------|------------------------------------|-------------------------------------|
| Revenue from Operation | 17 | 33,950,150 | 51,728,109 |
| Other Income | 18 | 458,100 | 478,871 |
| Total Revenue | | 34,408,250 | 52,206,979 |
| Expenditure | | | |
| Employee Benefits Expenses | 19 | 394,376 | 956,242 |
| Depreciation and Amortization Expenses | 9 | 88,356 | 90,315 |
| Other Expenses | 20 | 15,138,112 | 32,505,218 |
| Total Expenses | | 15,620,844 | 33,551,775 |
| Profit/(Loss) before Exceptional and Extraordinary Items and Tax | | 18,787,407 | 18,655,204 |
| Exceptional Items | | - | - |
| Profit/(Loss) before Extraordinary Items and Tax | | 18,787,407 | 18,655,204 |
| Extraordinary Items | | - | - |
| Profit/(Loss) before Tax | | 18,787,407 | 18,655,204 |
| Tax Expenses | | | |
| - Current Tax | | 7,554,619 | 16,481,749 |
| - Deferred Tax | | (338) | 3,115 |
| Profit/(Loss) for the period from Continuing Operations | | 11,233,126 | 2,170,340 |
| Profit/(Loss) for the period from Discontinuing Operations (After Tax) | | - | - |
| Profit/(Loss) for the period | | 11,233,126 | 2,170,340 |
| Earnings per share (Basic and Diluted) (Refer Note No. 25) | | 3.51 | 0.68 |
| Significant Accounting Policies | 1 | | |
| Notes on Financial Statements | 2 to 26 | | |

AS PER OUR REPORT OF EVEN DATE

For NBS & Co.
Chartered Accountants
Firm Reg. No. 110100W

Sd/-
Devdas Bhat
Partner
Membership No. 48094

Place : Mumbai
Date : May 29, 2013

For and on behalf of the Board of Directors

Sd/-
Hemendra Singh
Whole-time Director

Sd/-
B. S. Bhalerao
Director

KLG Capital Services Limited

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2013

| Particulars | Note No. | Current Year Amount (₹) | Previous Year Amount (₹) |
|--|----------|----------------------------|-----------------------------|
| A. Cash flow from Operating Activities | | | |
| Net Profit after Tax & Extraordinary items | | 11,232,788 | 2,170,340 |
| Adjustment for: | | | |
| Depreciation, Amortisation and Impairment of Goodwill | | 88,018 | 93,430 |
| Dividend Income | | (458,100) | (411,063) |
| Profit on Sale of Fixed Assets | | - | - |
| Operating Profit before working capital changes | | 10,862,706 | 1,852,708 |
| Adjustment for Working Capital Changes | | | |
| (Increase)/Decrease in Debtors | | (2,077,538) | 55,577,050 |
| (Increase)/Decrease in Inventories | | - | - |
| (Increase)/Decrease in Advance Payment | | (1,283,434) | 15,707,367 |
| Increase/(Decrease) in Trade and Other Payable | | 13,822,165 | 7,955,067 |
| Increase/(Decrease) in Provisions | | 8,472,405 | 17,949,693 |
| Cash generated from Operations | | 29,796,304 | 99,041,885 |
| Direct taxes | | - | - |
| Cash flow before Extraordinary items | | 29,796,304 | 99,041,885 |
| Extraordinary items | | - | - |
| Cash flow from Operating Activities | (A) | 29,796,304 | 99,041,885 |
| B. Cash flow from Investing Activities | | | |
| Purchase of Fixed Assets | | - | (35,000) |
| Sales of Fixed Assets | | - | - |
| Purchase of Investments-Long Term | | 12,916,875 | 77,000,000 |
| Purchase of Investments-Short Term | | - | 16,305,225 |
| Dividend Income | | 458,100 | 411,063 |
| Membership Deposit | | - | - |
| Sale of Investment | | (7,635,000) | - |
| Net cash used in Investment Activities | (B) | 5,739,975 | 93,681,288 |
| C. Cash flow from Financing Activities | | | |
| Increase/(Decrease) in Term Loan (Net of Repayment) | | - | - |
| Increase/(Decrease) in Unsecured Loan (Net of Repayment) | | (43,282,980) | (188,595,416) |
| Proceeds from issue of Share Capital | | - | - |
| Dividend Paid (Net) | | - | - |
| Net cash used in Financing Activities | (C) | (43,282,980) | (188,595,416) |
| Net increase / decrease in Cash and Cash Equivalents | (A+B+C) | (7,746,701) | 4,127,756 |
| Cash & Cash Equivalents as at April 1, 2012 | | 8,030,656 | 3,902,900 |
| (Opening Balance) Cash in Hand & Balance with Banks | | | |
| Cash & Cash Equivalents as at March 31, 2013 | | 283,956 | 8,030,656 |
| (Closing balance) Cash in Hand & Balance with Banks | | | |

Note: Figures in brackets represent outflows

AS PER OUR REPORT OF EVEN DATE

For NBS & Co.
Chartered Accountants
Firm Reg. No. 110100W

For and on behalf of the Board of Directors

Sd/-
Devdas Bhat
Partner
Membership No. 48094

Sd/-
Hemendra Singh
Whole-time Director

Sd/-
B. S. Bhalerao
Director

Place : Mumbai
Date : May 29, 2013

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR MARCH 31, 2013**NOTE NO. 1 - SIGNIFICANT ACCOUNTING POLICIES**

1. A. The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS-21) - "Consolidated Financial Statements" notified by the Companies (Accounting Standards) Rules, 2006. The Consolidated Financial Statements have been prepared under historical cost convention and in an accrual basis.
- B. The subsidiaries (which along with KLG Capital Service Limited, the Parent, constitute the Group) considered in the preparation of these Consolidated Financial Statements are:

| Name | Percentage of Ownership interest | |
|--|----------------------------------|----------------------|
| | As At March 31, 2013 | As At March 31, 2012 |
| KLG Stock Brokers Pvt. Ltd. (Incorporated in India) | 100 | 100 |

The Financial Statements of all the subsidiaries considered in the consolidated accounts are drawn up to March 31, 2013.

a. Basis of preparation of Accounts

The financial statements are prepared on accrual basis, following the historical cost convention in accordance with the Generally Accepted Accounting Principles (GAAP), which are consistently adopted by the Company, and in compliance with the Accounting Standard issued by the Institute of Chartered Accountants of India and provisions of the Companies Act 1956, to the extent applicable.

b. Use of Estimates

The presentation of financial statements in conformity with GAAP requires estimates and assumptions to be made that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements. Any differences between the actual results and the estimates are recognized in the period in which the results are known / materialized.

c. Fixed Assets

Fixed Assets are stated at cost of acquisition including expenses incidental to their acquisition less accumulated depreciation & impairment.

d. Depreciation

Depreciation on Fixed Assets is provided on the Written Down Value Method, at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

e. Revenue Recognition

All the incomes are accounted on accrual basis.

f. Employee Benefits

- i) Short-term employee benefits are recognized as an expense at the undiscounted amount in the Profit and Loss Account for the year in which the related service is rendered.
- ii) Post employment and other long term employee benefits are recognised as an expense in the Profit & Loss Account for the year in which the employee has rendered services. The expense is recognised at the present value of the amount payable determined using actuarial valuation techniques. Actuarial gains and loss in respect of post employment and other long term benefits are charged to the Profit & Loss Account.

g. Retirement Benefits

Company has policy of making provision for retirement benefits as and when the liability arises.

h. Impairment of Assets

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

i. Provision for Current and Deferred Tax

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred tax resulting from "time differences" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on Balance Sheet date. The effect of deferred tax asset & liabilities of a change in tax rates is recognised in the Profit & Loss Account in the year of change.

KLG Capital Services Limited

NOTES ON CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR MARCH 31, 2013

| Particulars | Current Year Amount (₹) | Previous Year Amount (₹) |
|---|----------------------------|-----------------------------|
| NOTE NO. 2 - SHARE CAPITAL | | |
| (a) Authorised | | |
| 3,500,000 Equity Shares of ₹ 10/- each (Previous Year 3,500,000) | 35,000,000 | 35,000,000 |
| (b) Issued, Subscribed and Paid-up | | |
| 3,202,400 Equity Shares of ₹ 10/- each (Fully Paid-up) (Previous Year 3,202,400) | 32,024,000 | 32,024,000 |
| | <u>32,024,000</u> | <u>32,024,000</u> |
| (c) Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period | | |
| | Current Year | Previous Year |
| | No. of Shares | No. of Shares |
| Equity Shares at the beginning of the year | 3,202,400 | 3,202,400 |
| Add: Issue of Shares during the year | - | - |
| No. of Shares at the end of the year | <u>3,202,400</u> | <u>3,202,400</u> |
| (d) Details of Shareholder holding more than 5% | | |
| Equity Shares held by | Current Year | Previous Year |
| | No. of Shares | % of Holding |
| Holding Company: | | |
| Awaita Properties Pvt. Ltd. | 1,936,075 | 60.46% |
| | 1,936,075 | 60.46% |
| Particulars | Current Year | Previous Year |
| | Amount (₹) | Amount (₹) |
| NOTE NO. 3 - RESERVES AND SURPLUS | | |
| (a) General Reserve | | |
| Balance as per last Balance Sheet | 1,012,242 | 1,012,242 |
| Add: Transfer from Profit & Loss Account | - | - |
| | <u>1,012,242</u> | <u>1,012,242</u> |
| (b) Statutory Reserve Fund | | |
| Balance as per last Balance Sheet | 2,882,397 | 2,436,079 |
| Add: Transfer from Profit & Loss Account | 2,266,341 | 446,318 |
| | <u>5,148,738</u> | <u>2,882,397</u> |
| (c) Profit & Loss Account | | |
| Balance as per last Balance Sheet | 15,517,305 | 13,793,282 |
| Add: Profit & Loss during the Year | 11,232,564 | 2,170,341 |
| Less: *Transfer to Statutory Reserve Account | 2,266,341 | 446,318 |
| | <u>24,483,528</u> | <u>15,517,305</u> |
| | <u>30,644,508</u> | <u>19,411,944</u> |
| * Transfer to Statutory Reserve as per Section 45-IC of Reserve Bank of India Act, 1934. | | |
| NOTE NO. 4 - DEFERRED TAX LIABILITIES (NET) | | |
| Deferred Tax Liabilities | | |
| (a) Fixed Assets | 2,777 | 3,115 |
| (Impact of difference between tax depreciation and depreciation charged for financial reporting) | | |
| (b) Others Timing differences | - | - |
| | <u>2,777</u> | <u>3,115</u> |
| Deferred Tax Assets | | |
| (a) Any disallowance under Income Tax Act/Others | - | - |
| Net Deferred Tax Liabilities | <u>2,777</u> | <u>3,115</u> |

NOTES ON CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR MARCH 31, 2013

| Particulars | Current Year Amount (₹) | Previous Year Amount (₹) |
|--|-------------------------|--------------------------|
| NOTE NO. 5 - SHORT-TERM BORROWINGS | | |
| Unsecured Loan | | |
| -From Holding Company (Repayable on Demand) | 1,304,027 | 44,587,007 |
| | 1,304,027 | 44,587,007 |

NOTE NO. 6 - TRADE PAYABLES

The Company does not have in its records any intimation from suppliers regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure, if any relating to amounts unpaid at the year end together with interest paid/payable as required under the said Act have not been furnished.

NOTE NO. 7 - OTHER CURRENT LIABILITIES

| | | |
|-------------------------|-------------------|------------------|
| Creditors for Expenses | 8,704,553 | 203,887 |
| Others-Duties and Taxes | 14,518,666 | 9,197,167 |
| | 23,223,219 | 9,401,054 |

NOTE NO. 8 - SHORT-TERM PROVISIONS

| | | |
|---|-------------------|-------------------|
| Provisions for Income Tax (Net) | 24,069,937 | 21,467,180 |
| Diminution in value of Investments held | 17,204,893 | 11,335,245 |
| | 41,274,830 | 32,802,425 |

NOTE NO. 9 - FIXED ASSETS

(Amount in ₹)

| PARTICULARS | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | | | | |
|---|---------------------|---------------------------|--|---|----------------------|--------------------|--------------------------|---|---------------------|--|------------|----------------------|----------------------|
| | As at April 1, 2012 | Additions during the year | Acquisitions through Business combinations | Deductions/ Adjustments during the year | As at March 31, 2013 | Upto April 1, 2012 | Provided during the year | Deductions/ Adjustments during the year | Upto March 31, 2013 | Before Impairment as at March 31, 2013 | Impairment | As at March 31, 2013 | As at March 31, 2012 |
| (Owned Asset) Tangible Assets | | | | | | | | | | | | | |
| Computer | 35,000 | - | - | - | 35,000 | 11,399 | 9,440 | - | 20,839 | 14,160 | - | 14,160 | 23,601 |
| Total | 35,000 | - | - | - | 35,000 | 11,399 | 9,440 | - | 20,839 | 14,160 | - | 14,160 | 23,601 |
| Previous Year | - | 35,000 | - | - | 35,000 | - | 11,399 | - | 11,399 | 23,601 | - | 23,601 | - |

In accordance with the Accounting Standard (AS - 28) on "Impairment of Assets", there was no impairment loss on Fixed Assets during the year ended March 31, 2013.

| Particulars | Current Year Amount (₹) | Previous Year Amount (₹) |
|---|-------------------------|--------------------------|
| NOTE NO. 10 - NON-CURRENT INVESTMENT | | |
| (a) Long-term Non-Trade Investments | | |
| (i) Quoted: Fully Paid-up | | |
| In Equity Shares of other Companies | | |
| Shipping Corporation of India Ltd Nil Equity Shares of ₹ 10 each (92,265 Equity Shares) | - | 12,917,100 |
| (ii) Unquoted: Fully Paid up | | |
| In Equity Shares of other Companies | | |
| Catholic Syrian Bank Ltd 407,200 Equity Shares of ₹ 10 each (305,400 Equity Shares) | 95,895,600 | 88,260,600 |
| | 95,895,600 | 101,177,700 |

KLG Capital Services Limited

NOTES ON CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR MARCH 31, 2013

| Particulars | Current Year Amount (₹) | Previous Year Amount (₹) |
|--|-------------------------|--------------------------|
| (b) Aggregate Value of: - | | |
| - Quoted Investment | | |
| Book value | - | 12,917,100 |
| Market Value | 5,720,430 | 5,725,043 |
| - Unquoted Investment | | |
| Book value | 95,895,600 | 88,260,600 |
| NOTE NO. 11 - LONG-TERM LOANS & ADVANCES | | |
| Membership Deposit | 100,000 | 100,000 |
| | <u>100,000</u> | <u>100,000</u> |
| NOTE NO. 12 - OTHER NON-CURRENT ASSETS | | |
| Preliminary Expenses and Pre-operative Expenses | 236,748 | 315,664 |
| | <u>236,748</u> | <u>315,664</u> |
| NOTE NO. 13 - CURRENT INVESTMENT | | |
| (a) Short-term Investments | | |
| Quoted: Fully Paid-up | | |
| In Equity Shares of other Companies | | |
| Neha International Limited | 18,392,295 | 18,392,295 |
| 1,41,000 Equity Shares of ₹10 each | <u>18,392,295</u> | <u>18,392,295</u> |
| (1,41,000 Equity Shares) | | |
| (b) Aggregate Value of :- | | |
| - Quoted Investment | | |
| Book value | 18,392,295 | 18,392,295 |
| Market Value | 1,237,980 | 7,057,050 |
| (Diminution in value of Investments is provided in Profit & Loss Account) | | |
| NOTE NO. 14 - TRADE RECEIVABLES | | |
| (Unsecured & Considered Good) | | |
| (a) Debts due for a period exceeding six months | 1,489,050 | - |
| (b) Debts due for a period less than six months | 5,055,638 | 4,467,150 |
| | <u>6,544,688</u> | <u>4,467,150</u> |
| NOTE NO. 15 - CASH AND CASH EQUIVALENTS | | |
| (a) Cash on Hand | 95,259 | 84,730 |
| (b) Balance with Banks | 188,697 | 7,945,925 |
| | <u>283,956</u> | <u>8,030,656</u> |
| NOTE NO. 16 - SHORT-TERM LOANS AND ADVANCES | | |
| (Unsecured & Considered Good) | | |
| (a) (i) Advance recoverable in cash or in kind for value to to be received | | |
| - Related Parties | - | - |
| - Others | 5,914 | 1,722,480 |
| | | 1,722,480 |
| (ii) Deposits for Rent | | |
| - Related Parties | 7,000,000 | 4,000,000 |
| | <u>7,005,914</u> | <u>5,722,480</u> |
| (b) Loans and advances and Deposits to Related Parties | | |
| Deposit of ₹ 4,000,000 against use of Office Premises has been made to Awaita Properties Pvt Ltd, Holding Company. | | |
| NOTE NO. 17 - REVENUE FROM OPERATIONS | | |
| Income from Consultancy & Arrangement fees | 48,679,034 | 87,780,000 |
| Loss in Futures & Options | (14,728,884) | (36,051,891) |
| | <u>33,950,150</u> | <u>51,728,109</u> |

NOTES ON CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR MARCH 31, 2013

| Particulars | Current Year Amount (₹) | Previous Year Amount (₹) |
|---|----------------------------|-----------------------------|
| NOTE NO. 18 - OTHER INCOME | | |
| Interest on FD | - | 67,808 |
| Dividend Income | 458,100 | 411,063 |
| | <u>458,100</u> | <u>478,871</u> |
| NOTE NO. 19 - EMPLOYEE BENEFITS EXPENSES | | |
| Salary & Wages | 368,691 | 917,997 |
| Bonus | - | 34,405 |
| Staff Welfare Expenses | 25,685 | 3,840 |
| | <u>394,376</u> | <u>956,242</u> |
| NOTE NO. 20 - OTHER EXPENSES | | |
| ADMINISTRATIVE AND GENERAL EXPENSES | | |
| Advertisement | 102,386 | 52,440 |
| Payment to Auditors | | |
| - Audit Fees | 67,416 | 66,180 |
| - Tax Audit Fees | 56,180 | 27,575 |
| - Certification /other Charges | 25,487 | 52,394 |
| - Other matters | - | - |
| | 149,083 | 146,149 |
| Bank Charges | 1,906 | 341 |
| Broker Membership Fees | - | 27,920 |
| Fee, Taxes & Legal Charges | 31,892 | 35,898 |
| Filing Fees | 6,254 | 3,570 |
| Loss on Sales of Investment | 8,429,321 | 20,319,148 |
| Miscellaneous Expenses | 41,530 | 5,068 |
| Other Administrative Expenses | 8,261 | 4,083 |
| Printing & Stationary | 79,533 | 16,462 |
| Professional Charges | 71,963 | 186,553 |
| Provision for Loss on Current Investments | 5,869,648 | 11,335,245 |
| Rent Expenses | 134,832 | 140,633 |
| Sitting Fees to Directors | 131,742 | 95,000 |
| Shop & Establishment | - | 1,640 |
| Telephone Expenses | - | 5,468 |
| Travelling & Conveyance | 70,166 | 110,569 |
| Web Design Expenses | 9,594 | 19,030 |
| | <u>15,138,112</u> | <u>32,505,218</u> |

NOTE NO. 21- RELATED PARTY DISCLOSURE: (AS IDENTIFIED BY THE MANAGEMENT)**a) List of Related Parties**

- | | | | |
|------|---|---|--------------------------------------|
| i) | Major Shareholder having control over the Company | : | Awaita Properties Pvt. Ltd |
| ii) | Key Management Personnel | : | Hemendra Singh (Whole-time Director) |
| iii) | Companies under Common Control | : | Awaita Properties Pvt. Ltd |

b) Disclosure of Related Party Transactions between the Company and related parties for the year ended March 31, 2013:

| Particulars | | As At March 31, 2013 (Amount in ₹) | As At March 31, 2012 (Amount in ₹) |
|-------------|---|--|--|
| i) | Rent Paid Awaita Properties Pvt. Ltd. | 134,832 | 132,360 |
| ii) | Unsecured Loans (Liability) Awaita Properties Pvt. Ltd. | 1,304,027 | 44,587,007 |
| iii) | Deposit against use of Office Premises Awaita Properties Pvt. Ltd. | 7,000,000 | 7,000,000 |

KLG Capital Services Limited**NOTES ON CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR MARCH 31, 2013****NOTE NO. 22 - DIRECTOR'S REMUNERATION**

No remuneration has been paid to any of the Directors.

NOTE NO. 23 - FOREIGN CURRENCY TRANSACTIONS

There is no income or expenditure in foreign currency during the year.

NOTE NO. 24 -

Management has policy of making provision of leave encashment on accrual basis as per 'AS-15' regarding Retirement benefits.

NOTE NO. 25 - EARNINGS PER SHARE (EPS)

| Particulars | As At March 31, 2013 | As At March 31, 2012 |
|--|-------------------------|-------------------------|
| Net Profit / (Loss) After Tax available for Equity Shareholders (in ₹) | 11,233,126 | 2,173,455 |
| Weighted Average Number of Equity Shares of ₹10/- each outstanding during the year | 3,202,400 | 3,202,400 |
| Basic/Diluted EPS (in ₹) | 3.51 | 0.68 |

NOTE NO. 26

- Figures are rounded off to nearest rupees.
- In the opinion of the Management current assets, advances are approximately of the value stated, if realized in the ordinary course of business, except otherwise stated.
- Previous year figures have been regrouped or rearranged, wherever necessary.

Summary of financial information of Subsidiary Companies for the year ended March 31, 2013.

(Amount in ₹)

| | |
|--|-----------------------------------|
| Name of the Subsidiary | KLG Stock Brokers Private Limited |
| Financial Year ending on | March 31, 2013 |
| Paid-up Equity Share Capital | 3,600,000 |
| Reserve & Surplus | (160,387) |
| Total Assets | 3,450,849 |
| Total Liabilities | 3,450,849 |
| Details of Investment (Except in case of investment in subsidiaries) | Nil |
| Turnover (including other Income) | Nil |
| Profit/(Loss) Before Taxation | (99,140) |
| Provision for Taxation | - |
| Profit/(Loss) after Taxation | (99,140) |
| Proposed Dividend | - |

AS PER OUR REPORT OF EVEN DATE

For NBS & Co.
Chartered Accountants
Firm Reg. No. 110100W

Sd/-
Devdas Bhat
Partner
Membership No. 48094

Place : Mumbai
Date : May 29, 2013

For and on behalf of the Board of Directors

Sd/-
Hemendra Singh
Whole-time Director

Sd/-
B. S. Bhalerao
Director

Disclosures of details as required by Revised Para 13 of Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 2007, earlier Para 9BB of Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.

LIABILITIES SIDE

| | | (₹ In Lacs) | |
|-------------|---|--------------------|----------------|
| Particulars | | Amount Outstanding | Amount Overdue |
| 1 | Loans and Advances availed by the NBFCs inclusive of Interest accrued thereon but not paid | | |
| a | Debentures | 0.00 | 0.00 |
| | Secured | 0.00 | 0.00 |
| | Unsecured (other than falling within the meaning of Public Deposits) | 0.00 | 0.00 |
| b | Deferred Credits | 0.00 | 0.00 |
| c | Term Loans | 0.00 | 0.00 |
| d | Inter-corporate loans and borrowing | 0.00 | 0.00 |
| e | Commercial Paper | 0.00 | 0.00 |
| f | Other loans | 13.04 | 0.00 |
| | Total | 13.04 | 0.00 |

ASSET SIDE

| | | (₹ In Lacs) | |
|-------------|---|--------------------|---------------|
| Particulars | | Amount Outstanding | |
| 2 | Break up of Loans and Advances including bills receivables (other than those included in [4] below): | | |
| a | Secured | | 0.00 |
| b | Unsecured | | 0.00 |
| | Total | | 0.00 |
| 3 | Break up of Leased Assets and stock on hire and other assets counting towards AFC activities | | |
| (i) | Lease assets including lease rentals under sundry debtors: | | |
| a | Financial Lease | | 0.00 |
| b | Operating Lease | | 0.00 |
| (ii) | Stock on hire including hire charges under sundry debtors: | | |
| a | Assets on hire | | 0.00 |
| b | Repossessed Assets | | 0.00 |
| (iii) | Other loans counting towards AFC activities: | | |
| a | Loans where assets have been repossessed | | 0.00 |
| b | Loans other than (a) above | | 0.00 |
| | Total | | 0.00 |
| 4 | Break-up of Investments: | | |
| | Current Investment: | | |
| 1 | Quoted: | | |
| (i) | Shares: | | |
| a. | Equity | | 183.92 |
| b. | Preference | | 0.00 |
| (ii) | Debentures and Bonds | | 0.00 |
| (iii) | Units of Mutual Funds | | 0.00 |
| (iv) | Government Securities | | 0.00 |
| (v) | Others | | 0.00 |
| | Total | | 183.92 |
| 2 | Unquoted: | | |
| (i) | Shares: | | 0.00 |
| a. | Equity | | 0.00 |
| b. | Preference | | 0.00 |
| (ii) | Debentures and Bonds | | 0.00 |
| (iii) | Units of Mutual Funds | | 0.00 |
| (iv) | Government Securities | | 0.00 |
| (v) | Others | | 0.00 |
| | Total | | 0.00 |

KLG Capital Services Limited
ASSET SIDE (Contd.)

| | | (₹ In Lacs) |
|-----------------------|-----------------------------|--------------------|
| Particulars | | Amount Outstanding |
| Long Term Investment: | | |
| 1. | Quoted: | |
| | (i) Shares: | |
| | a. Equity | 0.00 |
| | b. Preference | 0.00 |
| | (ii) Debentures and Bonds | 0.00 |
| | (iii) Units of Mutual Funds | 0.00 |
| | (iv) Government Securities | 0.00 |
| | (v) Others | 0.00 |
| | Total | 0.00 |
| 2 | Unquoted: | |
| | (i) Shares: | |
| | a. Equity | 994.96 |
| | b. Preference | 0.00 |
| | (ii) Debentures and Bonds | 0.00 |
| | (iii) Units of Mutual Funds | 0.00 |
| | (iv) Government Securities | 0.00 |
| | (v) Others | 0.00 |
| | Total | 994.96 |

5 Borrower group-wise classification of assets financed as in (2) and (3) above: (₹ In Lacs)

| | | (₹ In Lacs) | | |
|----------|--------------------------------|--------------------------|-------------|-------------|
| Category | | Amount net of provisions | | |
| | | Secured | Unsecured | Total |
| 1 | Related Parties | | | |
| | a. Subsidiaries | 0.00 | 0.00 | 0.00 |
| | b. Companies in the same group | 0.00 | 0.00 | 0.00 |
| | c. Other related parties | 0.00 | 0.00 | 0.00 |
| 2 | Other than related parties | 0.00 | 0.00 | 0.00 |
| | Total | 0.00 | 0.00 | 0.00 |

6 Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):

| | | (₹ In Lacs) | |
|----------|--------------------------------|--|--------------------------------|
| Category | | Market Value / Break up of fair value or NAV | Book Value (Net of Provisions) |
| 1 | Related Parties | | |
| | a. Subsidiaries | 36.00 | 36.00 |
| | b. Companies in the same group | 0.00 | 0.00 |
| | c. Other related parties | 0.00 | 0.00 |
| 2 | Other than related parties | 0.00 | 0.00 |
| | Total | 36.00 | 36.00 |

7 Other Information

| | | (₹ In Lacs) |
|-------|---|-------------|
| (i) | Gross Non-performing Assets | |
| | a. Related parties | 0.00 |
| | b. Other than related parties | 0.00 |
| (ii) | Gross Non-performing Assets | |
| | a. Related parties | 0.00 |
| | b. Other than related parties | 0.00 |
| (iii) | Assets acquired in satisfaction of debt | 0.00 |

AS PER OUR REPORT OF EVEN DATE

For NBS & Co.
Chartered Accountants
Firm Reg. No. 110100W

Sd/-
Devdas Bhat
Partner
Membership No. 48094

Place : Mumbai
Date : May 29, 2013

For and on behalf of the Board of Directors

Sd/-
Hemendra Singh
Whole-time Director

Sd/-
B. S. Bhalerao
Director

ATTENDANCE SLIP

KLG CAPITAL SERVICES LIMITED

SKIL House, 209, Bank Street Cross Lane, Fort, Mumbai - 400 023.

Shareholders attending the Meeting in person or by proxy are requested to complete the attendance slip and hand it over at the entrance of the Meeting hall.

I hereby record my presence at the **19th ANNUAL GENERAL MEETING** of the Members of the Company at Bombay Club Suite, Royal Bombay Yacht Club, Chhatrapati Shivaji Maharaj Marg, Apollo Bunder, Near Taj Mahal Hotel, Mumbai - 400 001 on Monday, September 30, 2013 at 4.30 p.m.

Name of the Shareholder

Signature

Folio No. : _____

No. of Shares _____

DP ID No. : _____

Full Name of Proxy

Note: No Duplicate Attendance Slip will be issued at the Meeting hall. You are requested to bring your copy of Annual Report to the Meeting.

-----Tere here-----

PROXY FORM

KLG CAPITAL SERVICES LIMITED

SKIL House, 209, Bank Street Cross Lane, Fort, Mumbai - 400 023.

I/We.....of.....in
the District ofbeing a Member/ Members of above named
Company hereby appointof.....
in the district of orfailing
.....him.....of
.....in the District of as my / our proxy vote for me/us
on my/our behalf at the **19th ANNUAL GENERAL MEETING** of the Members of the Company to be held
on Monday, September 30, 2013 at 4.30 p.m. and at any adjournment thereof.

Signed this..... day of, 2013.

Revenue
Stamp
Re. 1/-

Folio No. :

DP ID no. :

No. of Shares :

Signature

Note: This form in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before commencement of the Meeting.

Book - Post

If Undelivered, Please return to :
KLG Capital Services Limited
SKIL House,
209, Bank Street Cross Lane,
Fort, Mumbai - 400 023

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KLG Capital Services Limited

Registered & Corporate Office :

SKIL House,
209 Bank Street Cross Lane,
Fort, Mumbai - 400 023
Tel: 022-6619 9000, Fax: 022-2269 6024

FORM A

Format of covering letter of the Annual Audit Report to be filed with the Stock Exchange

| | | |
|----|--|------------------------------|
| 1. | Name of the company | KLG Capital Services Limited |
| 2. | Annual financial statements for the year ended | March 31, 2013 |
| 3. | Type of Audit observation | Un-qualified |
| 4. | Frequency of observation | Not Applicable |

| | |
|---|---|
| <p>For KLG Capital Services Limited</p>  <p>Hemendra Singh Whole-time Director</p>  <p>Mr. B. S. Bhalerao Chairman of the Audit Committee</p> | <p>M/s. NBS & Co., Chartered Accountants, Firm Registration No. 110100W</p>  <p>Devdas Bhat Partner Membership No. 48094</p>  |
|---|---|