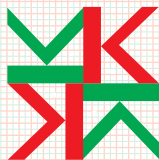


ANNUAL REPORT & ACCOUNTS

for the year ended 30th September, 2012



KANCO ENTERPRISES LIMITED



KANCO ENTERPRISES LIMITED

Annual Report & Accounts for the year ended 30th September, 2012

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BOARD OF DIRECTORS

Sri U. Kanoria

Chairman & Managing Director

Sri G. Momen

Sri P. K. Bhattacharjee

Sri P. K. Poddar

Sri Atul Doshi

Directors

COMPANY SECRETARY

Smt. Charulata Kabra

AUDITORS

M/s. B. R. Shah & Associates

Chartered Accountants

COST AUDITORS

M/s. N. D. Birla & Co.

Cost Accountants

BANKERS

State Bank of India

IDBI Bank Ltd.

REGISTERED OFFICE

Jasmine Tower, 3rd Floor

31, Shakespeare Sarani, Kolkata 700 017

Telefax : 2281 5217

Email : kanco@vsnl.com

Website : www.kanco.in

BRANCH OFFICE

207, Shitiratna, 2nd Floor

Panchavati Circle, Ahmedabad 380 006

PLANT

Kanco Overseas

Village : Walthera

Taluka : Dholka 387 810

Dist. Ahmedabad (Gujarat)

SHARE REGISTRARS

C B Management Services (P) Ltd.

P-22, Bondel Road, Kolkata 700 019

Phone : 2280 6692/93/94

Email : rta@cbmsl.com



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 22nd Annual General Meeting of KANCO ENTERPRISES LIMITED will be held at "Bharatiya Bhasha Parishad", 36A, Shakespeare Sarani, Kolkata 700 017 on Wednesday, the 30th day of January, 2013 at 10.30 A.M. inter-alia, to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Statement of Profit & Loss for the year ended 30th September, 2012, the Audited Balance Sheet as on that date and the Reports of the Board of Directors and Auditors.
2. To appoint a director in place of Mr. Parag Keshar Bhattacharjee, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr. Pavan Kumar Poddar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION :
"RESOLVED THAT Messrs B.R.Shah & Associates, Chartered Accountants (Registration No.129053W), be and are hereby re-appointed as Auditors of the Company under Section 224 read with Section 224A and other applicable provisions, if any, of the Companies Act, 1956 to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at such remuneration as may be decided by the Board, inclusive of reimbursement of out-of-pocket expenses, as may be incurred by the Auditors on account of performance of their duties."

Registered Office :

Jasmine Tower, 3rd Floor
31, Shakespeare Sarani, Kolkata 700 017
Dated, the 29th day of November, 2012

By Order of the Board
For KANCO ENTERPRISES LIMITED

CHARULATA KABRA
Company Secretary

Notes :

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL, ON HIS BEHALF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- Proxies in order to be effective must be received by the Company at its Registered Office not less than 48 hours before the meeting.
- The Company will be supplying (i) soft copies of full annual reports to all those shareholders who have registered their email addresses and ii) hard copies of full annual reports to all other shareholders.
- The Register of Members and Share Transfer Register shall remain closed with effect from 28th January 2013 to 30th January 2013 (both days inclusive).
- The shareholders are requested to communicate to the Registrar & Transfer Agent, change in address, if any, at the address given in the Annual Report.
- Members are requested to preferably send their queries to the Registered Office, seven (7) days before the date of the AGM.
- Please note that as per the green initiative of the Ministry of Company Affairs, your Company proposes to dispatch the Statement of Accounts and the notice of the Annual General Meeting through electronic media to the email addresses of all those members as available in the Register of Members of the Company and who wishes to get a copy by the electronic media. Members intending to register their Email ID can do so by registering at www.cbmsl.com/green.php

DIRECTORS' REPORT

Dear Shareholders,

Your Directors present their Twenty Second Annual Report and Audited Accounts for the year ended 30th September, 2012.

FINANCIALS

Your Company's financial performance was as follows :

	30.9.2012	30.9.2011
	(₹ in lacs) (12 Months)	(₹ in lacs) (6 Months)
Profit/(Loss) Before Interest, Depreciation and Tax	295.93	(1307.12)
Less : Interest	911.11	340.68
Gross Profit/(Loss) for the year	(615.18)	(1647.80)
Less : Depreciation	415.32	225.36
Profit/(Loss) Before Taxation	(1030.50)	(1873.16)
Less : Provision for -		
Net Current Tax	—	—
Deferred Tax	—	(1300.45)
Profit/(Loss) After Taxation	(1030.50)	(3173.61)
Balance Brought Forward from Last Account	(5504.05)	(2330.44)
Balance Carried to Balance Sheet	(6534.55)	(5504.05)

DIVIDEND

The Directors of your Company do not recommend any dividend for the year under review.

OPERATIONS

The Company started the year under review under severe financial stress due to unprecedented losses incurred in the previous accounting year. Yarn realisations improved marginally from an average of ₹ 178.46 in Sept, 2011 to ₹ 182.93 in Sept, 2012. Average Cotton prices declined from a high ₹ 46,800/- per candy to ₹ 36,300/- per candy. The decline in raw material prices and marginal improvement in yarn realisations helped in curtailing the losses. The improvement in demand helped in better capacity utilisation. The plant is working at full capacity. The Company expects further improvement in demand leading to improved operations.

FINANCE

During the year under review, the long term borrowings and short term borrowings of the Company stands at ₹ 471.63 Lakhs and ₹ 2628.98 Lakhs respectively as on 30th September, 2012.

REFERENCE TO THE BOARD OF INDUSTRIAL AND FINANCIAL RECONSTRUCTION

The accumulated losses of the Company at the end of financial year September 30, 2012, have resulted in erosion of 100% of its peak net worth in the current year. The Board of Directors have formed an opinion that the Company has become a sick industrial company and therefore the Company shall make a fresh reference to the Board for Industrial and Financial Reconstruction about such erosion of net worth as envisaged under Section 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985.

The Board of Directors have decided to prefer an appeal under Section 25(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 against the order passed by the BIFR for reference no.3/2012 filed u/s 15(1) of the SICA, 1985 on 13.01.2012.

DIRECTORS

Mr. Parag Keshar Bhattacharjee and Mr. Pavan Kumar Poddar, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and are eligible for re-election.

DIRECTORS' REPORT (Contd.)

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors state that :

- Appropriate Accounting Standards as are applicable to the Annual Statement of Accounts for the financial year ended 30th September, 2012 have been followed in preparation of the said accounts.
- The Directors have followed the accounting policies as described in the Schedule 23 (Significant Accounting Policies and other Notes on Accounts) and applied them consistently to facilitate true and fair view of the state of affairs of the Company.
- Sufficient care has been taken to maintain accounting records of the Company.
- The statement of accounts has been prepared on a going concern basis.

AUDITORS

Messrs B. R. Shah & Associates, Chartered Accountants (Registration No.129053W), retire at the conclusion of the 22nd Annual General Meeting and being eligible, have expressed their willingness to continue as Auditors of the Company, if so re-appointed by the members.

COST AUDIT

As stipulated by the Central Government and pursuant to Section 233B of the Companies Act, 1956, Cost Audit of the records relating to the Textile Business of the Company is carried out from 1998-1999 onwards. Messrs N.D. Birla & Co., Cost Accountants, of A-3, Nirant Society, Opposite Town Hall, Near Karnavati Hospital, Ellisbridge, Ahmedabad 380 006, has been re-appointed as the Cost Auditor of the Company to carry out the Cost Audit for the next financial year.

EMPLOYEE PARTICULARS

The particulars of employees pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable as no employee was in receipt of remuneration to the extent laid down in the said Rules.

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

A statement pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 on conservation of energy, technology absorption, foreign exchange earnings and outgo is annexed to and forms part of this Report.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation for the cooperation and support extended by the Employees, Banks/ Financial Institutions and all other business partners.

For and on behalf of the Board

U. KANORIA
Chairman

Kolkata, 29th day of November, 2012

Annexure to the Directors' Report

INFORMATION AS PER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER, 2012

A. Conservation of Energy

Energy Conservation measures taken :

The Company has implemented the following power saving measures by way of :

	Savings
1. Eliminated one Pneumafil Waste collection fan by modifying to common suction system	80 units/day
2. Installing Variable Frequency drive for Compressor cooling water circulation system.	90 units/day
3. O/H Water storage tank water supply made direct with Bore well pump and stopped Pumping from U/G storage pump.	102 units/day
4. Installed light weight Spindles (24 grams light) and reducing wharve dia. On one Ring Frame of 1056 Spindles.	61 units/day

Total energy consumption per unit of production is furnished in the prescribed Form "A" annexed hereto.

FORM-A

PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

(A) POWER & FUEL CONSUMPTION

	<u>Current Year</u>	<u>Previous Year</u>
(1) Electricity		
(a) Purchased (Units)	2,33,42,453	77,40,320
Total Amount (₹)	15,63,66,944	4,99,61,848
Rate/Unit (₹)	6.70	6.45
(b) Own Generation		
Through LDO/FO/Diesel (Units)	28,572	34,463
Unit per Ltr.	0.67	3.71
Cost/Unit (₹)	45.37	7.07
(2) Furnace Oil		
Quantity (K. Ltr.)	40.56	7.89
Total Amount (₹)	12,09,174	1,86,890
Average Rate (₹/K. Ltr.)	29,812	23,687
(3) Others/Internal Generation		
(a) Gas		
Quantity (cm ³)	—	—
Total Cost (₹)	—	—
Rate/Unit (₹/cm ³)	—	—
(b) LDO/Diesel		
Quantity (K. Ltr.)	2.07	1.40
Total Cost (₹)	87,019	56,699
Average (₹/K. Ltr.)	42,140	40,499

(B) CONSUMPTION PER UNIT OF PRODUCTION

	<u>Unit</u>	<u>Current Year</u>	<u>Previous Year</u>
Yarn & Fabrics	Kgs	3.96	4.02
Electricity	Unit		

For the above, there is no prescribed standard.

B. Technology Absorption

FORM-B

RESEARCH & DEVELOPMENT (R & D)

- | | |
|--|----------------|
| (1) Specific areas in which R & D carried out by the Company | Not applicable |
| (2) Benefits derived as a result of the above R & D | Not applicable |
| (3) Future plan of action | Not applicable |
| (4) Expenditure on R & D | |

	<u>Current Year</u>	<u>Previous Year</u>
(a) Capital	₹ Nil	₹ Nil
(b) Recurring	₹ 16,48,904	₹ 7,46,091
(c) Total	₹ 16,48,904	₹ 7,46,091
(d) Total R & D Expenditure as a percentage of total turnover	0.13%	0.16%

C. Foreign Exchange Earnings and Outgo

	<u>Current Year</u>	<u>Previous Year</u>
1. Foreign Exchange Earnings	₹ 9,26,80,013	₹ 31,84,64,639
2. Foreign Exchange Outgo	₹ 51,32,341	₹ 42,05,713

Annexure to the Directors' Report (Contd.)

D. Explanations for Auditors' qualification in Auditors' Report

Point No. 4 of the Auditors' Report

Please refer to Note No. 24(j) of the financial statements. The Company has no plan for winding up of its business in near future. The Company has run its factory at normal capacity in the current year and believes that with the available resources, it will continue to do so in the next year. The earnings before interest and tax for the quarter ended 30th June, 2012 and 30th September, 2012 are positive. The Company is hopeful to post better results for the quarter ended 31st December, 2012. Looking into stability in cotton prices, overall turnaround in Textile Industry and with appropriate financial restructuring, the Company has the potential to overcome the present situation.

Point No. 5 (vi) of the Auditors' Report

During the year ended 30th September, 2012, State Bank of India (SBI) has cancelled the forward contracts and debited ₹ 11,78,81,338/-, being the losses on account of foreign exchange difference in our Cash Credit Account. This is an unilateral action initiated by SBI and no mandate either for cancellation of forward contracts or debit of losses to our Cash Credit Account was given by us. The Company lodged its objection with SBI. The Company therefore disputes the forex losses and has not recognized the same in its Books of Accounts.

Point No.5 (vii) of the Auditors' Report

Interest on loan accounts with State Bank of India has been provided at the last communicated rate. SBI has not communicated any change in the rate of interest to the Company.

Kolkata,
29th day of November, 2012

For and on behalf of the Board
U. KANORIA
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

OVERVIEW

There was a slow but gradual improvement in demand since October 2011 leading to improved capacity utilization. Raw material prices too remained largely stable aiding the recovery process. The Company was able to substantially cut down the losses due to better capacity utilization and stable demand.

- a) **Industry Outlook** : There has been stability in the prices of cotton, the principal raw material and some improvement in demand. The worldwide slow down especially in Europe and USA has started affecting the growing economies of China and India also. In spite of this the outlook for the industry is of optimism. The losses suffered in the past and current year by the industry have seriously affected its financial position. This has eroded its competitive strength.
- b) **Opportunities** : India has emerged as one of the largest producers of cotton in the world. Though the current years' crop is expected to be marginally lower than last years' crop, total availability is expected to be adequate due to anticipated reduction in quantity of exports. Rising domestic demand due to higher disposable incomes and growth of organized retail will benefit the industry.

The states of Maharashtra and Gujarat have announced attractive incentives for establishment of textile industries in their states. This will give fillip to new investments in the sector.

- c) **Challenges** : The industry faces huge disadvantage in terms of high interest cost and power costs. There is acute shortage of power in certain regions resulting in production losses. There is also a serious shortage of skilled labour in the sector. Availability of migrant labour from labour surplus states/regions is decreasing. Under these circumstances optimum capacity utilisation is big challenge. Training and retaining labour force has become a focus area.

d) Product Analysis & Review :

Particulars	Units	Current Year	Previous Year	% Change
Production of Cotton Yarn/Fabrics	Kgs	58,97,465	19,33,064	205.08
Sales of Cotton Yarn/Fabrics	Kgs	59,73,029	23,14,178	158.10
Average Realisation	₹ /Kg	182.93	178.46	2.50
Average Cost of Cotton	₹ /Ton	1,02,040	1,31,410	-22.35
Profit / (Loss) Before Interest but after Depreciation	₹ in Lacs	(119.39)	(1532.47)	-92.21

Note: Figures are not comparable as previous period figures are for six months.



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Review of Operations : Though strictly not comparable the operational figures for the full year working do indicate a gradual return to normalcy. Production and capacity utilization are back to normal levels. Average realisations have improved marginally by 2.50%, average raw material prices dropped by 22.35%. The improvements are quarter on quarter basis and expected to stabilize, giving hope for better performance in the current year. The current years' operations have resulted in losses of ₹ 1030.50 lacs.

Company Outlook : The net worth of the Company was completely eroded due to last years' losses. Current years' losses have further added to the erosion. However the capacity utilization and production are back to normal levels. In spite of expectations of a marginally lower crop, raw material availability is expected to be comfortable and prices are expected to remain stable. The improvement in operational performance during the last year is expected to continue in the current year.

Risks & Concerns : Indian cotton prices are ruling higher than international cotton prices putting the industry at a disadvantage. The industry also faces a shortage of skilled workforce.

INTERNAL CONTROL SYSTEM AND ADEQUACY

The Company has adequate system of internal controls and necessary checks and balances are introduced/ strengthened so as to ensure:-

- a) that its assets are safeguarded.
- b) that all transactions are authorised, recorded and reported properly.
- c) that accounting records are properly maintained and its financial statements are reliable.

The significant findings, if any, are placed before the Audit Committee of the Board and corrective measures are recommended for implementation. The Company appoints external firms of Auditors to conduct internal audit from time to time and their reports are reviewed by the management and Audit Committee.

HUMAN RESOURCES

The Company is an ISO 9001:2000 certified Company. The Company has a favourable working environment that motivates performance, customer focus and innovation and adheres to the highest degree of quality and integrity amongst employees. Industrial relations at the Company remain cordial. Manpower employed with the Company as at 30th September, 2012 was 539 compared to 540 as on 30th September, 2011.

CAUTIONARY STATEMENT

The statements in this report describing the Company's policy, strategy, projections, estimation and expectations may appear forward looking statements within the meaning of applicable securities laws or regulations. These statements are based on certain assumptions and expectations of future events and the actual results could materially differ from those expressly mentioned in this Report or implied for various factors including those mentioned in the paragraph "Risks and Concerns" herein above and subsequent developments, information or events.

ANNEXURE-1

REPORT ON CORPORATE GOVERNANCE for the financial year ended September 30, 2012

1. Corporate Governance Philosophy

The Company's corporate culture vests in the strictest standards of integrity and transparency by adhering to the policies laid down by the Board of Directors comprising of Industrialists and Professionals. The corporate governance is based on the two most important principles of team-work and professionalism where the Shareholders, Customers, Financial Institutions/Banks, Employees and other Stakeholders are the main constituents of the 'team'. The Company has adopted a Code of Conduct for the Independent Directors, Senior Management and other Employees of the Company and a Whistle Blower Policy is in place for the employees of the Company under the Chairmanship of the Audit Committee Chairman.

Kanco Enterprises Limited's business objective is to manufacture and market the products where quality deservingly receives all the attention on a consistent basis with the ultimate aim of bringing full satisfaction to all concerned.

2. Board of Directors

Composition, Attendance at the Board Meetings and the last Annual General Meeting ('AGM'), Outside Directorships and other Board Committees:

Director	No. of Board Meetings attended	Attendance at previous AGM on 27/02/2012	No. of outside Directorships held ^(a)	No. of Membership/ Chairmanship in Committees ^(b)	Executive/Non-Executive/Independent
Mr. Umang Kanoria	6	Absent	4	4	Executive
Mr. P. K. Bhattacharjee	6	Present	11	4	Independent
Mr. Golam Momen	5	Present	10	8	Independent
Mr. Pavan Kr. Poddar	5	Present	9	2	Independent
Mr. Anil Kumar Jain*	1	Absent	3	4	Independent
Mr. Atul Doshi	6	Present	—	—	Independent

[(a) Directorship of Companies registered under the Companies Act, 1956 but excluding Private Companies and alternate directorship].

[(b) Chairmanship/Membership of Audit Committee & Shareholders/Investor Grievance Committee only]

** Mr. Anil Kumar Jain has resigned from the Board with effect from 28th of December 2011.*

Dates for the Board Meetings in the ensuing year are decided well in advance and communicated to the Directors. Board Meetings are held at the Registered Office of the Company. The Agenda along with the explanatory notes are sent in advance to the Directors. Additional meetings of the Board are held when deemed necessary by the Board.

The information as required under Annexure IA to Clause 49 is being made available to the Board. As per revised Clause 49, none of the Independent Directors and Executive Directors of the Company are related to each other.

The Board periodically reviews compliance reports of all laws applicable to the Company. Steps are taken by the Company to rectify instances of non-compliance, if any.

Board Meetings held during the Financial Year ended 30th September, 2012 (F.Y.)

During the Financial Year under review, meeting of the Board of Directors took place on 11th of November, 2011, 26th of December 2011, 30th of December 2011, 10th of February 2012, 11th of May 2012 and 10th of August, 2012.

Appointment/ Re-appointment of Directors

Information required under Clause 49 IV (G) of the Listing Agreement with respect to the Directors retiring by rotation and seeking reappointment / Directors sought to be appointed is as under:-

The following directors retire by rotation at the ensuing AGM and are eligible for reappointment. A brief profile of the directors together with the other directorship/ committee membership is given below :

Mr. P. K. Bhattacharjee – aged about 73 Years, is a Post Graduate in Economics. He has worked in different capacities with the State Bank of India and retired as Deputy Managing Director and Chief Financial Officer in the year 1999. He is empanelled as an arbitrator with NCDEX and MCX, Mumbai. He is a Director on the Boards of Cheviot Company Limited, Kilburn Chemicals Limited, Stesalit Limited, Stesalit Systems Limited, Kaushalya Infrastructure Development Corp. Limited and other companies of repute. He is the Chairman of the Audit Committee of your Company. He is holding 400 equity shares in the Company.

Mr. Pavan Kumar Poddar – aged about 63 Years is an eminent Industrialist with vast experience in Tea & Textile Industry. Mr. Poddar is the Chairman and Managing Director of Poddar Udyog Limited and at the helm of its associate companies. He is also on the Boards of eminent tea and textile companies. He is not holding any equity shares in the Company.

ANNEXURE-1 (Contd.)

3. Board Committees

3.1 Audit Committee

Audit Committee of the Board comprises of four Independent Directors namely, Mr. P.K. Bhattacharjee, Mr. G. Momen, Mr. Pavan Kumar Poddar and Mr. Atul Doshi. All the members of the Audit Committee possess financial/accounting expertise/exposure. The composition of the Audit Committee meets the requirement of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

The Company Secretary of the Company acts as the Secretary to the Committee.

The role and duties of the Audit Committee have been defined by the Board of Directors and cover the areas mentioned under Clause 49 of the Listing Agreement besides other terms as may be referred from time to time by the Board of Directors. Attendance at and dates of Audit Committee meetings held are as follows :

Name	Attendance at the Meeting					
	11.11.11	26.12.11	30.12.11	10.02.12	11.05.12	10.08.12
Mr. P. K. Bhattacharjee	Present	Present	Present	Present	Present	Present
Mr. G. Momen	Present	Present	Present	Present	Absent	Present
Mr. Pavan Kr. Poddar	Present	Present	Present	Present	Present	Absent
Mr. Atul Doshi**	—	—	—	—	—	Present

** Mr. Atul Doshi was inducted in the Audit Committee with effect from 11th of May 2012.

3.2 Remuneration Committee

Remuneration Committee of the Board comprises of three Independent Directors, namely, Mr. P K Poddar, Mr. Golam Momen Mr. Atul Doshi, and is headed by Mr. P K Poddar. Attendance at and dates of Remuneration Committee meetings held are as follows :

Name	Attendance at the Meeting on 27.12.2011
Mr. P. K. Poddar	Present
Mr. G. Momen	Present
Mr. Anil Kumar Jain	Present
Mr. Atul Doshi ^a	—

^a Mr. Atul Doshi was inducted in the Remuneration Committee with effect from 30th of December, 2011.

Remuneration policy of the Company is based on the need to attract the best available talent and is in line with the Industry. The Company pays sitting fees at the rate of Rs.10,000/- (Rupees Ten Thousand) per meeting to the Non-Executive Directors for attending Meeting of the Board. No remuneration is paid to the Non-Executive Directors for attending Committee Meetings and any other Meetings.

Remuneration of Directors for the financial year ended 30th September, 2012 and their shareholding in the Company:

Name of Director	Sitting Fees (₹)	Salaries and Perquisites (₹)	Total (₹)	No. of Shares held
Mr. U. Kanoria	Nil	13,76,498	13,76,498	40,08,929
Mr. P K Bhattacharjee	60,000	Nil	60,000	400
Mr. G. Momen	50,000	Nil	50,000	650
Mr. Pavan Kr. Poddar	50,000	Nil	50,000	Nil
Mr. A. K. Jain	10,000	Nil	10,000	Nil
Mr. Atul Doshi	60,000	Nil	60,000	10

3.3 Shareholders/Investors Grievance Committee

Shareholders/Investors Grievance Committee is headed by Mr. Pavan Kumar Poddar, a Non-Executive Independent Director with Mr. Umang Kanoria and Mr. Golam Momen, are the other two members. Ms. Charulata Kabra is the Compliance Officer. No complaint was received from shareholders during the period under review.

All valid requests for transfer of shares received during the financial year ended 30th September, 2012 have been acted upon by the Company and no such transfer is pending.

4. General Body Meetings

a) Location, Venue, Date and Time of last three Annual General Meetings (AGM) :

Year	Kind of Meeting	Venue	Date	Time	No. of Special Resolutions passed
April '11– Sept '11	21st Annual General Meeting	'Kalakunj', 48, Shakespeare Sarani, Kolkata 700 017	27th February, 2012	10.30 A.M.	One
2011	20th Annual General Meeting	'Kalakunj', 48, Shakespeare Sarani, Kolkata 700 017	29th July, 2011	10.30 A.M.	Nil
2010	19th Annual General Meeting	Bharatiya Bhasha Parishad 36A, Shakespeare Sarani, Kolkata 700 017	13th August, 2010	12.00 Noon	One

ANNEXURE-1 (Contd.)

- b) No Extra-Ordinary General Meeting of the shareholders was held during the year.
 c) No Postal ballot was conducted during the year. None of the resolutions proposed at the ensuing Annual General Meeting need to be passed by Postal Ballot.

Special Resolutions passed in last three General Meetings :

- At the 21st Annual General Meeting, the Company passed a special resolution for re-appointment of Mr. Umang Kanoria as the Managing Director of the Company.
- At the 20th Annual General Meeting, the Company has not passed any special resolution.
- At the 19th Annual General Meeting, the Company passed a special resolution for Preferential Allotment of shares.

5. Disclosures

The related party transactions have been disclosed in the Notes on Accounts forming part of the Statement of Accounts for the financial year ended 30th September, 2012 and no transaction is considered to be pecuniary and/or in potential conflict with the interests of the Company at large.

There has not been any non-compliance, penalties or strictures imposed on the Company by the Stock Exchange(s), Securities and Exchange Board of India or any other statutory authority, on any matter relating to the capital markets, during the last 3 years.

6. Code of Conduct

In compliance to Clause 49 and to emphasize the importance of ethical behaviour and for protection of all stakeholders' interests, Code of Conduct for directors and senior management was laid down by the Board of Directors of the Company and is posted on the Company's website. As per the declarations received from the directors and senior management, there has been due compliance of the Code of Conduct.

7. Means of Communication

Half-yearly report to shareholders, Quarterly Results, Newspaper in which published, Website etc.

The Quarterly, Half-yearly and Annual Results are generally published by the Company in English (Financial Express/Business Standard) and Vernacular (Arthik Lipi/ Kalantar) dailies. The Company's website address is www.kanco.in and the periodic results are posted thereon. Official news releases and notices etc. are sent to the Calcutta Stock Exchange Limited, where shares of the Company are listed and Bombay Stock Exchange Limited, where the shares of the Company are traded.

8. Whistle Blower Policy

To achieve the objective of transparent culture wherein the concerns of employees at all levels can be expressed without any fear of retribution, Whistle Blower Policy formulated and adopted by the Board is looked into by the Audit Committee under the Chairmanship of Mr. P. K. Bhattacharjee, an Independent Director and no personnel has been denied access to the Audit Committee.

9. General Shareholder Information

Annual General Meeting	
Date and Time	30th of January, 2013 at 10.30 A.M.
Venue	Bharatiya Bhasha Parishad, 36A, Shakespeare Sarani, Kolkata 700 017

Financial Year : 1st October, 2012 to 30th September, 2013
 Dates of Book Closure : 28th January, 2013 to 30th January, 2013 (Both days inclusive)
 Financial Calendar (Tentative)

Quarter ending 31st December, 2012	15th February, 2013
Quarter ending 31st March, 2013	15th May, 2013
Quarter ending 30th June, 2013	14th August, 2013
Year ending 30th September, 2013	Last week of November, 2013

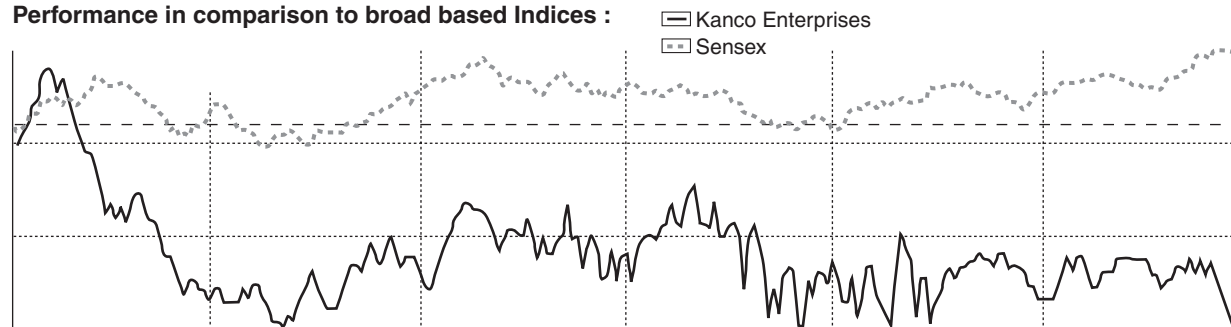
Listing on Stock Exchange and Stock Code

Equity Shares of the Company are listed at the Calcutta Stock Exchange Ltd. (Scrip Codes 21381 & 10021381). The Shares of the Company are traded at the Bombay Stock Exchange (Scrip Code 590084).

ISIN for Dematerialisation : INE 248D01011

Market Price Data : High/Low in each month of Financial Year ended 30th September, 2012

Month	Oct '11	Nov '11	Dec '11	Jan '12	Feb '12	Mar '12	Apr '12	May '12	Jun '12	Jul '12	Aug '12	Sep '12
High (₹)	4.37	3.38	2.61	2.89	3.29	3.21	3.57	3.28	3.17	2.77	2.73	2.81
Low (₹)	3.22	2.38	2.05	2.30	2.35	2.27	2.45	1.79	2.08	2.23	2.47	2.12
Volume	19,571	12,422	11,426	17,803	27,40,192	7,27,133	45,737	50,758	9,976	20,668	7,236	11,517

ANNEXURE-1 (Contd.)
Performance in comparison to broad based Indices :

Registrars and Transfer Agents ('RTA'), Share Transfer System

M/s C.B. Management Services (P) Limited, P-22 Bondel Road, Kolkata 700 029 is the RTA for both physical and dematerialised share maintenance. Share transfers are generally effected within 15 days of lodgment .

Categories of Shareholding as on 30th September, 2012

Category	Number of Shares held	% of Total Shares
Promoters including Persons deemed to be Acting in Concert	1,11,96,289	62.44
Mutual Funds	54,183	0.30
Financial Institutions/Banks	1,33,321	0.74
State Government	14,976	0.08
Others (Including Corporate bodies)	65,31,605	36.44
Total	1,79,30,374	100.00

Dematerialisation of Shares and Liquidity : The Shares of the Company are compulsory traded in the stock exchanges in the dematerialised mode and are available for trading under both the Depository Systems, i.e. National Securities Depository Limited and Central Depository Services (India) Limited.

As on 30th September, 2012, 16854760 equity shares of the Company of ₹ 10/- each, representing 94% of the total paid up equity capital of the Company stands dematerialised.

Outstanding ADRs/GDRs/Warrants or any convertible instruments, conversion date and likely impact on equity:- Not Applicable.

Distribution of Shareholding as on 30th September, 2012

No. of Shares	Number of Shares	% to Total Shares	Number of Shareholders	% of Shareholders
1 to 500	13,55,840	7.56	16,856	96.65
501 to 1000	2,05,712	1.15	279	1.60
1001 to 2000	2,09,352	1.17	142	0.81
2001 to 3000	1,11,707	0.62	44	0.25
3001 to 4000	74,722	0.42	21	0.12
4001 to 5000	75,395	0.42	16	0.09
5001 to 10000	2,79,360	1.56	38	0.22
10001 to 50000	6,26,109	3.49	26	0.15
50001 and 100000	4,31,668	2.41	6	0.03
100001 and above	1,45,60,509	81.20	14	0.08
Total	1,79,30,374	100.00	17,442	100.00

Plant Location : The Company's plant is located at : Kanco Overseas, Village : Walthera, Taluka : Dholka, Dist : Ahmedabad (Gujarat), Telephone : (02714) 247 404/05



ANNEXURE-1 (Contd.)

Address for Correspondence :

- | | |
|--|--|
| 1. Kanco Enterprises Limited
Jasmine Tower, 3rd Floor, 31, Shakespeare Sarani, Kolkata-700 017
Telefax : (033) 2281 5217, Email for Investors : kanco@vsnl.com
Website : www.kanco.in | 2. C. B. Management Services (P) Ltd.
P-22, Bondel Road, Kolkata-700 019
Phone : 2280 6692/93/94
Email : rta@cbmsl.com
On behalf of the Board of Directors |
|--|--|

Kolkata
29th day of November, 2012

U. KANORIA
Chairman

Declaration by the Chief Executive Officer (C.E.O.) of the Company

I, Sushil V Tewary, Chief Executive Officer (CEO) of the Company, to the best of my knowledge and belief, declare that all the board members and senior managerial personnel have affirmed compliance with code of conduct for the financial year ended 30th September, 2012.

Ahmedabad
29th day of November, 2012

Sushil V Tewary
Chief Executive Officer

Certificate by Chief Executive Officer (CEO) and Chief Financial Officer (CFO)

We hereby certify

1. That we have reviewed the financial statements and the cash flow statement for the year ended 30th September, 2012 and that to the best of our knowledge and belief:-
 - these statements do not contain any materially untrue statement nor omit any material fact nor contain statements that might be misleading, and
 - these statements present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
2. That there are, to the best of my knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the company's code of conduct;
3. That we accept the responsibility for establishing and maintaining internal controls, we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps that we have taken or propose to take to rectify the identified deficiencies and
4. That we have informed the auditors and the audit committee of :
 - I. significant changes in internal control during the year;
 - II. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - III. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

Kolkata
29th day of November, 2012

Sushil V Tewary
Chief Executive Officer

U. KANORIA
CFO & Managing Director

CERTIFICATE ON CORPORATE GOVERNANCE TO THE MEMBERS OF KANCO ENTERPRISES LIMITED

We have examined the compliance of conditions of Corporate Governance by KANCO ENTERPRISES LIMITED ("the Company") for the year ended on 30th September, 2012, as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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 explanation given to us, and 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 Clause 49 of 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 B. R. SHAH & ASSOCIATES
Firm Registration No. 129053W
Chartered Accountants

BHARAT SHAH
Partner

Place : Ahmedabad
Date : 29th day of November, 2012

Membership No. 5806



AUDITORS' REPORT

TO THE MEMBERS OF KANCO ENTERPRISES LIMITED

1. We have audited the attached Balance Sheet of KANCO ENTERPRISES LIMITED ('the Company') as at September 30, 2012 and the Statement of Profit and Loss and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Without qualifying our opinion, we draw attention to Note 24 (2) (j) in the financial statements which indicates that the Company incurred a net loss of ₹ 65,34,55,528/- as on year ended September 30, 2012. These conditions, along with other matters as set forth in Note 24 (2) (j), indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.
5. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. 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;
 - iii. 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;
 - iv. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - v. On the basis of the written representations received from the directors, as on September 30, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on September 30, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - vi. *As referred to in note no. 24(2) (k) of financial statements, during the year ended September 30, 2012, the Company has not accounted for Foreign Exchange loss of ₹ 11,78,81,338/-, arising out of Cancellation of Forward Contract. On account of this loss, for the year, stated in attached Statement of Profit and Loss is lower by ₹ 11,78,81,338/-. If this Foreign Exchange loss would have been accounted then losses per share for the year would have been higher by ₹ 6.57. The loss above does not include interest, if any.*
 - vii. *Interest on Loan accounts with State Bank of India has been debited in the accounts as per last agreed rate. We have been explained that the Company has no information about any changes in rate of Interest so impact of the same on Statement of Profit and Loss and Reserve and Surplus is not determinable.*
 - viii. In our opinion and to the best of our information and according to the explanations given to us, and subject to matters referred in paragraph 4, 5(vi) and 5(vii) above, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at September 30, 2012;
 - b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
 - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For B. R. SHAH & ASSOCIATES
Firm Registration No. 129053W
Chartered Accountants

BHARAT SHAH
Partner

Place : Ahmedabad

Date : 29th day of November, 2012

Membership No. 5806

ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Kanco Enterprises Limited on the financial statements for the year ended September 30, 2012

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
(b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items at regular intervals which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies between the book records and the physical inventory have been noticed.
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. (a) The inventory (excluding stocks with third parties) has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
(b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Consequently, Clause (iii) (b), (iii) (c) and (iii) (d) of paragraph 4 of the order are not applicable.
(b) The Company has taken unsecured loan from companies covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance amounts to ₹ 4,83,29,308/- and ₹ 4,71,62,990/- respectively.
(c) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
(d) In respect of the aforesaid loans, the Company is regular in repaying the principal amounts as stipulated and is also regular in payment of interest, wherever applicable.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements and exceeding the value of Rs. Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at that time.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the Books of Account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of Cost Records under Section 209 (1) (d) of the Companies Act, 1956, in respect of its products to which the said rules are made applicable, and are of the opinion that prima-facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing undisputed statutory dues including investor education and protection fund, employees' state insurance, income-tax, wealth tax, service tax, customs duty, excise duty and other material statutory dues as applicable, with the appropriate authorities. According to the information and explanations given to us, there are no statutory dues outstanding as at September 30, 2012 for a period of more than six months from the date they became payable.
(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, sales tax, wealth-tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
10. The Company's accumulated losses at the end of the year are more than fifty percent of its net worth. The Company has incurred cash losses during the current year as well as in the immediately preceding financial period.

ANNEXURE TO AUDITORS' REPORT (Contd.)

11. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or debenture holders as at the Balance Sheet date. However, Company has defaulted in repayment of dues to bank as detailed below :

Particulars	Outstanding Since	Period of Default as on September 30, 2012 (In days)	Amount of Default - Loan Rupees
IDBI - Rupee Loan	Oct-11	366	54,00,000
	Jan-12	274	54,00,000
	Apr-12	183	54,00,000
	Jul-12	92	54,00,000
SBI - Rupee Loan	Sep-11	367	26,50,000
	Dec-11	275	37,50,000
	Mar-12	184	37,50,000
	Jun-12	93	42,50,000
	Sep-12	1	42,50,000
S.B.I. Corporate Loan	Sep-11	367	30,00,000
	Dec-11	275	30,00,000
	Mar-12	184	30,00,000
	Jun-12	93	30,00,000
	Sep-12	1	30,00,000
S.B.I. - Rupee Loan (FITL)	Sep-12	1	15,00,000
I.D.B.I. Line Of Credit	Aug-11	427	50,00,000
	Sep-11	396	50,00,000
I.D.B.I. Rupee Term Loan (WCTL)	Aug-11	427	16,70,000
	Sep-11	396	16,10,000

12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/ societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. The Company has not received any term loans during the year.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The Company has not issued debentures during the year.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For B. R. SHAH & ASSOCIATES
 Firm Registration No. 129053W
 Chartered Accountants
 BHARAT SHAH
 Partner
 Membership No. 5806

Place : Ahmedabad
 Date : 29th day of November, 2012

BALANCE SHEET as at September 30, 2012

(Amount in ₹)

Particulars	Note	September 30, 2012	September 30, 2011
I. EQUITY AND LIABILITIES			
1 Shareholders' Funds			
(a) Share Capital	1	17,93,03,740	17,93,03,740
(b) Reserves and Surplus	2	(43,98,02,591)	(33,67,52,061)
		<u>(26,04,98,851)</u>	<u>(15,74,48,321)</u>
2 Non-current Liabilities			
(a) Long-term Borrowings	3	4,71,62,991	23,00,32,735
(b) Long-term Provisions	4	46,06,655	58,28,447
		<u>5,17,69,646</u>	<u>23,58,61,182</u>
3 Current Liabilities			
(a) Short-term Borrowings	5	26,28,97,831	24,55,73,792
(b) Trade Payables	6	17,89,38,815	17,46,32,293
(c) Other Current Liabilities	7	32,56,32,815	11,25,63,249
(d) Short-term Provisions	8	9,04,864	11,79,817
		<u>76,83,74,325</u>	<u>53,39,49,151</u>
		<u>55,96,45,120</u>	<u>61,23,62,012</u>
II ASSETS			
1 Non-current Assets			
(a) Fixed Assets			
(i) Tangible Assets	9	30,77,64,317	34,72,11,380
(ii) Capital Work in Progress	9	3,72,830	—
(b) Deferred Tax Assets (net)	10	—	—
(c) Long-term Loans and Advances	11	40,65,407	40,50,700
		<u>31,22,02,554</u>	<u>35,12,62,080</u>
2 Current Assets			
(a) Current Investments	12	4,08,000	4,10,500
(b) Inventories	13	15,40,13,655	12,14,61,075
(c) Trade Receivables	14	88,99,224	4,47,37,482
(d) Cash and Bank Balances	15	44,19,025	57,30,457
(e) Short-term Loans and Advances	16	7,97,02,662	8,87,60,418
		<u>24,74,42,566</u>	<u>26,10,99,932</u>
		<u>55,96,45,120</u>	<u>61,23,62,012</u>

Significant Accounting Policies and other Notes to Account 24

The notes are an integral part of these financial statements

 As per our report of even date.
 For B. R. SHAH & ASSOCIATES
 Firm Registration No. 129053W
 Chartered Accountants

 BHARAT SHAH
 Partner

Membership No. 5806

Place : Ahmedabad

Dated : 29th day of November, 2012

 CHARULATA KABRA
 Company Secretary

**For and on behalf of the Board of Directors of
 Kanco Enterprises Limited**

 U. KANORIA
 Managing Director

 P. K. BHATTACHARJEE
 Director

STATEMENT OF PROFIT & LOSS for the year ended September 30, 2012

(Amount in ₹)			
Particulars	Note	Year ended on September 30, 2012	Six Months Period ended on September 30, 2011
Revenue from Operations	17	123,27,27,831	48,64,91,210
Other Income	18	54,24,388	40,17,517
Total Revenue		<u>123,81,52,219</u>	<u>49,05,08,727</u>
Expenses			
Cost of Materials Consumed	19	87,06,36,873	39,13,37,053
Changes in Inventories of Finished Goods and Work-in-Progress	20	1,09,03,286	10,32,14,701
Employee Benefits Expense	21	8,12,14,522	3,34,96,168
Finance Costs	22	9,11,11,369	3,40,68,740
Depreciation	9	4,15,32,343	2,25,35,639
Other Expenses	23	24,58,04,356	9,31,72,515
Total Expenses		<u>134,12,02,749</u>	<u>67,78,24,816</u>
Loss before Tax		<u>(10,30,50,530)</u>	<u>(18,73,16,089)</u>
Tax Expenses			
(1) Current tax		—	—
(2) Deferred tax	10	—	13,00,45,301
Loss for the year		<u>(10,30,50,530)</u>	<u>(31,73,61,390)</u>
Earnings per Equity Share			
Equity Share of par value of Rs. 10/- each			
Basic and Diluted		(5.75)	(17.70)

Significant Accounting Policies and
other Notes to Account 24
The notes are an integral part of these financial statements

As per our report of even date.
For B. R. SHAH & ASSOCIATES
Firm Registration No. 129053W
Chartered Accountants
BHARAT SHAH
Partner
Membership No. 5806
Place : Ahmedabad
Dated : 29th day of November, 2012

CHARULATA KABRA
Company Secretary

**For and on behalf of the Board of Directors of
Kanco Enterprises Limited**

U. KANORIA
Managing Director
P. K. BHATTACHARJEE
Director

CASH FLOW STATEMENT for the year ended September 30, 2012

(Amount in ₹)

Particulars	September 30, 2012	September 30, 2011
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Loss before Tax	(10,30,50,530)	(18,73,16,091)
Add/Less : Adjustments		
Interest Paid	9,11,11,369	3,40,68,740
Depreciation	4,15,32,343	2,25,35,639
Interest Received	(11,31,280)	(8,62,416)
Profit/(Loss) on Revaluation of Current Investment	2,500	89,500
Profit/(Loss) on Fixed Assets Sold	(29,571)	—
Operating Profit Before Working Capital Changes	<u>2,84,34,831</u>	<u>(13,14,84,628)</u>
ADJUSTMENT FOR :		
Trade & Other Receivables	4,48,03,043	(2,92,48,021)
Inventories	(3,25,52,580)	16,84,47,478
Trade & Other Payables	(1,06,39,105)	10,68,56,520
Cash Generated From Operations	<u>3,00,46,189</u>	<u>11,45,71,349</u>
Income Tax Paid (Net of Refund)	78,264	(86,242)
Net Cash Flow From Operating Activities	<u>3,01,24,453</u>	<u>11,44,85,107</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(27,66,162)	(25,29,186)
Proceeds from the Sale of Fixed Assets	3,37,623	—
Interest Received	11,31,280	8,62,416
Net Cash Flow used in Investing Activities	<u>(12,97,259)</u>	<u>(16,66,770)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase / (Repayment) in Borrowings	1,01,72,677	(7,30,81,990)
Interest Paid	(4,03,11,303)	(3,76,23,740)
Net Cash Used in Financing Activities	<u>(3,01,38,626)</u>	<u>(11,07,05,730)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	(13,11,432)	21,12,607
Cash and Cash Equivalents as at Beginning of the Year	57,30,457	36,17,850
Cash and Cash Equivalents as at End of the Year	<u>44,19,025</u>	<u>57,30,457</u>

- Notes : 1. The above Cash Flow Statement has been prepared under the "Indirect Method" set out in Accounting Standard 3 - Cash Flow Statement referred to in "The Companies (Accounting Standards) Rules, 2006."
 2. Cash and Cash Equivalents represent cash and bank balances only.

As per our report of even date.
 For B. R. SHAH & ASSOCIATES
 Firm Registration No. 129053W
 Chartered Accountants

BHARAT SHAH
 Partner
 Membership No. 5806
 Place : Ahmedabad
 Dated : 29th day of November, 2012

CHARULATA KABRA
 Company Secretary

**For and on behalf of the Board of Directors of
 Kanco Enterprises Limited**

U. KANORIA
 Managing Director

P. K. BHATTACHARJEE
 Director

Notes '1' to '24' annexed to and forming part of the Balance Sheet as at and Statement of Profit and Loss for the year ended September 30, 2012

	As at September 30, 2012		As at September 30, 2011	
	Number	Amount (₹)	Number	Amount (₹)
(Amount in ₹)				
1 SHARE CAPITAL				
(a) Details of Authorised, Issued, Subscribed and fully Paid up Shares				
Authorised				
Equity Shares of ₹ 10 each	1,85,00,000	18,50,00,000	1,85,00,000	18,50,00,000
Issued, Subscribed and Paid up				
Equity Shares of ₹ 10 each fully paid	1,79,30,374	17,93,03,740	1,79,30,374	17,93,03,740
	1,79,30,374	17,93,03,740	1,79,30,374	17,93,03,740

(b) Terms/Rights attached to Equity Shares

The Company has one class of equity shares having a par value of ₹ 10 per share. Each shareholder is eligible for one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(c) Details of Shareholders holding more than Five Percent of Shares

	September 30, 2012		September 30, 2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Umang Kanoria	40,08,929	22.36%	4,89,065	2.73%
Kanco Tea & Industries Limited	33,14,291	18.48%	33,14,291	18.48%
B.T. Investments Pvt. Ltd.	15,28,150	8.52%	15,28,150	8.52%
Jainex Securities Pvt. Ltd.	15,00,000	8.37%	15,00,000	8.37%
Cosmos Resources Pvt. Ltd.	13,26,429	7.40%	13,26,429	7.40%
Magenta Nirman Pvt. Ltd.	10,00,000	5.58%	10,00,000	5.58%
E. T. Resources Pvt. Ltd.	4,22,895	2.36%	18,22,895	10.17%

2 RESERVES & SURPLUS

	As at September 30, 2012	As at September 30, 2011
a. Capital Reserves	25,00,000	25,00,000
b. Securities Premium Account	2,50,00,000	2,50,00,000
c. General Reserves	18,61,52,937	18,61,52,937
d. Surplus : Opening Balance	(55,04,04,998)	(23,30,43,608)
Add : Profit / (Loss) transferred from Statement of Profit and Loss	(10,30,50,530)	(31,73,61,390)
Closing Balance	<u>(65,34,55,528)</u>	<u>(55,04,04,998)</u>
	<u>(43,98,02,591)</u>	<u>(33,67,52,061)</u>

3 LONG TERM BORROWINGS

	As at September 30, 2012	As at September 30, 2011
I Secured		
Term Loans from Banks		
(A) I. D.B.I. Rupee Term Loan ^{(A)&(B)}	—	7,88,25,000
S.B.I. Rupee Term Loan ^{(A)&(B)}	—	6,62,50,000
S.B.I. Corporate Loan ^{(A)&(B)}	—	60,00,000
I. D.B.I. Rupee Term Loan (WCTL) ^{(A)&(B)}	—	—
S.B.I. Rupee Term Loan (F.I.T.L) ^{(A)&(B)}	—	3,30,00,000
(B) HDFC Bank Ltd. - Car Loan ^(C)	—	—
	—	18,40,75,000
II Unsecured		
Term Loans from Related Parties (Interest free)	4,71,62,991	4,59,57,735
	<u>4,71,62,991</u>	<u>4,59,57,735</u>
	<u>4,71,62,991</u>	<u>23,00,32,735</u>

NOTES 1 to 24 (Contd.)
(i) Nature of Security

- (A) Secured against joint equitable mortgage of all immovable properties both present and future ranking pari passu inter se and Hypothecation of all movable properties both present and future (Save and Except Book Debts) including movable machinery, machinery spares, tools and accessories, subject to prior charge created and/or to be created in favour of Company's Bankers for Working Capital Facilities.
- (B) Loans are guaranteed by the Managing Director.
- (C) Secured by Hypothecation of Motor Cars purchased against said loans.

(ii) Terms of Re-payment of Loan

Particulars	Original Loan Amount	Repayment Terms
I.D.B.I. Rupee Term Loan	15,00,00,000	32 Quarterly Installment of varying amount starting from October, 2007 interest rate 10.25%
I.D.B.I. Rupee Term Loan (WCTL)	3,00,00,000	18 Monthly Installment of varying amount starting from, April 2010 interest rate 15.25%
S.B.I. Rupee Term Loan	11,58,00,000	32 Quarterly Installment of varying amount starting from December, 2007 interest rate 15.25%
S.B.I. Corporate Loan	3,00,00,000	10 Quarterly Installment of equal amount starting from December, 2010 interest rate 15.75%
S.B.I. Rupee Term Loan (F.I.T.L.)	4,70,00,000	24 Quarterly Installment of varying amount starting from June, 2010 interest rate 12.75%
HDFC Bank Ltd. - Car Loan	4,50,000	36 Monthly Installment of varying amount starting from March, 2009 interest rate 11.47%
HDFC Bank Ltd. - Car Loan	4,60,000	36 Monthly Installment of varying amount starting from May, 2009 interest rate 11.48%

(iii) Details of continuing default as on the balance sheet date in repayment of loans

Particulars	Outstanding Since	Period of Default as on September 30, 2012 (In days)	Amount of Default - Loan Rupees
I.D.B.I. - Rupee Loan	Oct-11	366	54,00,000
	Jan-12	274	54,00,000
	Apr-12	183	54,00,000
	Jul-12	92	54,00,000
S.B.I. - Rupee Loan	Sep-11	367	26,50,000
	Dec-11	275	37,50,000
	Mar-12	184	37,50,000
	Jun-12	93	42,50,000
	Sep-12	1	42,50,000
S.B.I. Corporate Loan	Sep-11	367	30,00,000
	Dec-11	275	30,00,000
	Mar-12	184	30,00,000
	Jun-12	93	30,00,000
	Sep-12	1	30,00,000
S.B.I. - Rupee Loan (FITL)	Sep-12	1	15,00,000
I.D.B.I. Line Of Credit	Aug-11	427	50,00,000
	Sep-11	396	50,00,000
I.D.B.I. Rupee Term Loan (WCTL)	Aug-11	427	16,70,000
	Sep-11	396	16,10,000
Total Principle Amount			7,00,30,000
Interest Accrued and due on above loans			4,66,80,987
Total			11,67,10,987

- (iv) During the year State Bank of India has recalled the loan on account of breach of loan covenant, while the Company has made default in repayment of term loan from IDBI Bank, so the same loans have been classified as current maturities of long term borrowings for the current year. Interest has been provided as per last communicated rates or at the rate debited by Bank.

NOTES 1 to 24 (Contd.)

(Amount in ₹)

	As at	
	September 30, 2012	September 30, 2011
4 LONG TERM PROVISIONS		
Provision for Employee Benefits		
Unavailed Leave	19,14,294	10,30,676
Gratuity [(Refer note 24(1)(h) & 24(2)(g)]	26,92,361	47,97,771
	<u>46,06,655</u>	<u>58,28,447</u>
5 SHORT TERM BORROWINGS		
I Secured^{(i) & (ii)}		
Loan from Banks		
S.B.I. (PCFC)	—	4,60,30,001
S.B.I. (Export Packing Credit)	9,00,16,384	5,61,48,069
I.D.B.I. Line of Credit	1,00,00,000	1,50,00,000
State Bank of India	4,48,81,447	5,53,95,722
	<u>14,48,97,831</u>	<u>17,25,73,792</u>
II Unsecured		
(a) Term Loans from Related Parties	8,40,00,000	2,90,00,000
(a) Term Loans from Other Parties	3,40,00,000	4,40,00,000
	<u>11,80,00,000</u>	<u>7,30,00,000</u>
	<u>26,28,97,831</u>	<u>24,55,73,792</u>
Nature of Security		
(i) Secured by hypothecation of all tangible assets including movable machinery, stock in trade, stores, book debts, etc and second charge on entire fixed assets, present and future, and guaranteed by Managing Director.		
(ii) Loans are guaranteed by the Managing Director		
(iii) Terms of Re-payment of Loan		
Particulars	Repayment Terms	
I.D.B.I. Line of Credit	6 Monthly Installment of equal amount starting from April, 2011 Interest rate 15.25%	
State Bank of India	Repayable on demand	
S.B.I. (Export Packing Credit)	Repayable on demand	
S.B.I. (PCFC)	Repayable on demand	
6 TRADE PAYABLES		
Payable to Micro, Small and Medium Enterprises ⁽¹⁾	—	—
Payable to Others	17,89,38,815	17,46,32,293
	<u>17,89,38,815</u>	<u>17,46,32,293</u>
(1) The Company has not received any intimation from the suppliers regarding status under the Micro, Small & Medium Enterprises Development Act, 2006 (The Act) and hence disclosures regarding : a) Amount due and outstanding to suppliers as at the accounting period, b) Interest paid during period, c) Interest payable at the end of the accounting period and d) Interest accrued at the end of accounting period, has not been disclosed or provided.		
7 OTHER CURRENT LIABILITIES		
(a) Current Maturities of Long-term Debt		
Term Loans from Banks⁽¹⁾		
(A) I.D.B.I. Rupee Term Loan	10,04,25,000	2,70,00,000
S.B.I. Rupee Term Loan	8,49,00,000	1,97,50,000
S.B.I. Corporate Loan	2,10,00,000	1,50,00,000
I.D.B.I. Rupee Term Loan (WCTL)	32,80,000	49,50,000
S.B.I. Rupee Term Loan (F.I.T.L.)	3,44,99,895	15,00,000
(B) HDFC Bank Ltd. - Car Loan	—	1,86,513
	<u>24,41,04,895</u>	<u>6,83,86,513</u>

NOTES 1 to 24 (Contd.)

(Amount in ₹)

	As at	
	September 30, 2012	September 30, 2011
7 OTHER CURRENT LIABILITIES (Contd.)		
Balance Brought Forward	24,41,04,895	6,83,86,513
(b) Interest accrued and due on Borrowings	5,25,41,282	17,41,216
(c) Accrued Salaries and Benefits		
Salaries	1,08,34,776	1,09,18,985
Contribution of Provident and Other Funds	5,68,064	17,35,803
	<u>1,14,02,840</u>	<u>1,26,54,788</u>
(d) Other Payables		
Statutory Obligation	18,78,917	5,90,885
Advance from Customers	63,54,387	35,65,109
Others Payable ⁽²⁾	93,50,494	2,56,24,738
	<u>1,75,83,798</u>	<u>2,97,80,732</u>
	<u>32,56,32,815</u>	<u>11,25,63,249</u>

(1) For disclosure regarding, Security, amount guaranteed by directors and others, repayment terms of loan and amount of continuing defaults, refer Note 3.

(2) Includes ₹25,000/- (Previous Year ₹25,000) payable to Director.

8 SHORT TERM PROVISIONS
Provision for Employee Benefits

Unavailed Leave	2,50,983	11,79,817
Gratuity (Refer note 24(1)(h) & 24(2)(g))	6,53,881	—
	<u>9,04,864</u>	<u>11,79,817</u>

9 FIXED ASSETS

Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at 01.10.2011	Additions during the year	Disposal	As at 30.09.2012	As at 01.10.2011	For the year	On Disposals	As at 30.09.2012	As at 30.09.2012	As at 30.09.2011
Tangible Assets										
Land	40,76,694	—	—	40,76,694	—	—	—	—	40,76,694	40,76,694
Buildings ⁽¹⁾	18,93,52,993	13,29,933	—	19,06,82,926	4,64,32,836	54,49,708	—	5,18,82,544	13,88,00,382	14,29,20,157
Plant and Equipment	79,13,07,982	7,02,206	19,06,759	79,01,03,429	59,58,05,473	3,51,53,601	1811,421	62,91,47,653	16,09,55,776	19,55,02,509
Furniture and Fixtures	32,86,989	2,26,786	—	35,13,775	24,37,492	3,52,834	—	27,90,326	7,23,449	8,49,497
Vehicles	55,44,847	58,357	8,43,056	47,60,148	33,76,720	3,73,964	630,342	31,20,342	16,39,806	21,68,127
Office Equipment	52,81,078	76,050	—	53,57,128	35,86,682	2,02,236	—	37,88,918	15,68,210	16,94,396
	<u>99,88,50,583</u>	<u>23,93,332</u>	<u>27,49,815</u>	<u>99,84,94,100</u>	<u>65,16,39,203</u>	<u>4,15,32,343</u>	<u>24,41,763</u>	<u>69,07,29,783</u>	<u>30,77,64,317</u>	<u>34,72,11,380</u>
Capital work-in-progress	—	3,72,830	—	3,72,830	—	—	—	—	3,72,830	—
Previous period	99,72,21,322	16,29,261	—	99,88,50,583	62,91,03,564	2,25,35,639	—	65,16,39,203	34,72,11,380	—

(1) Buildings include cost of Ownership Premises ₹71,37,356/- (Previous period ₹71,37,356/-) and cost of Shares in Co-operative Society ₹2,000/- (Previous period ₹2,000/-)

10 DEFERRED TAX ASSETS

	As at September 30, 2011	Charge/ Credit During the Year	As at September 30, 2012
Deferred Tax Assets on Account of Following			
Depreciation (Including unabsorbed)	(51,49,845)	(1,56,48,720)	(2,07,98,565)
Provision for Bonus	15,69,295	3,34,780	19,04,075
Provision for Gratuity	14,82,511	(3,96,823)	10,85,688
Provision for Leave Encashment	6,83,041	19,483	7,02,524
Provision for Super Annuation Fund	14,14,998	(13,55,740)	59,258
Interest on Term Loan	—	1,70,47,019	1,70,47,019
Deferred Tax (Assets) / Liabilities (Net)	<u>—</u>	<u>—</u>	<u>—</u>

(i) At present Company's net worth is fully eroded and further considering the present scenario prevailing in Textile Industry Management is of the view that there is no virtual certainty of future profitability which can absorb unabsorbed depreciation in near future. In view of this Management has decided to recognized the Deferred tax Assets only to the extent of Deferred Tax Liabilities.

NOTES 1 to 24 (Contd.)

(Amount in ₹)

	As at	
	September 30, 2012	September 30, 2011
11 LONG TERM LOANS AND ADVANCES		
Capital Advances	40,50,700	40,50,700
Prepaid Expenses	14,707	—
	<u>40,65,407</u>	<u>40,50,700</u>
12 CURRENT INVESTMENTS		
Current Investment ⁽¹⁾		
Investments in Mutual Funds - SBI Infrastructure Fund	5,00,000	5,00,000
Less: Provision for Decrease in Value on account of Revaluation	92,000	89,500
	<u>4,08,000</u>	<u>4,10,500</u>
(1) Valued at lower of cost or fair value		
13 INVENTORIES		
a. Raw Materials and Components ⁽¹⁾	7,89,08,944	3,48,10,636
b. Work-in-Progress ⁽¹⁾	2,72,82,853	3,13,50,156
c. Finished Goods ⁽¹⁾	3,26,42,408	4,06,81,889
d. Stores and Spares ⁽¹⁾	1,09,92,478	1,16,34,920
e. Waste ⁽²⁾	41,86,972	29,83,474
	<u>15,40,13,655</u>	<u>12,14,61,075</u>
(1) Valued at cost or net realizable value whichever is lower		
(2) At Net Realisable Value		
Details of inventory		
i) Goods manufactured		
Yarn/Knitted Fabrics	3,26,42,408	4,06,81,889
ii) Work-in-progress		
Yarn/Knitted Fabrics	2,72,82,853	3,13,50,156
14 TRADE RECEIVABLES		
Unsecured, considered good		
Outstanding for a period exceeding six months from the date they become due for Payment	—	61,854
Other receivables	88,99,224	4,46,75,628
	<u>88,99,224</u>	<u>4,47,37,482</u>
15 CASH AND BANK BALANCES		
Cash and Cash Equivalents		
Cash on hand	4,04,061	3,75,430
Balances with Banks		
In Current Accounts	37,95,017	53,55,027
In Fixed Deposit Accounts	2,19,947	—
	<u>44,19,025</u>	<u>57,30,457</u>
16 SHORT TERM LOANS AND ADVANCES		
Others - Unsecured, considered good		
Prepaid Expenses	3,85,094	7,67,873
Deposits	1,99,04,522	1,78,75,947
Amount with Government Authorities	4,39,34,480	3,58,21,555
Advances to Suppliers	15,06,491	36,15,676
Advances to Staff	7,04,119	9,96,505
Advance Income Tax	6,38,978	7,17,242
Others	1,26,28,978	2,89,65,620
	<u>7,97,02,662</u>	<u>8,87,60,418</u>

NOTES 1 to 24 (Contd.)

	Year ended on September 30, 2012	(Amount in ₹) Six Months period ended on September 30, 2011
17 REVENUE FROM OPERATIONS		
Sale of Products	122,71,63,117	46,20,04,697
Sale of Services	9,39,461	—
Other Operating Revenues		
Export Benefits received	38,86,225	2,41,79,087
Scrap Sales	7,39,028	3,07,426
	<u>46,25,253</u>	<u>2,44,86,513</u>
	<u>123,27,27,831</u>	<u>48,64,91,210</u>
Details of Goods Sold		
Yarn/Knitted Fabrics	109,26,18,234	41,29,98,864
Others	13,45,44,883	4,90,05,833
	<u>122,71,63,117</u>	<u>46,20,04,697</u>
18 OTHER INCOME		
Interest Income	11,31,280	8,62,416
Exchange Rate Difference	37,05,819	31,53,118
Liabilities / Provision no longer required	5,49,338	—
Surplus on sale of fixed assets (net)	29,571	—
Other non-operating income	647	1,983
Service tax Refund	7,733	—
	<u>54,24,388</u>	<u>40,17,517</u>
19 COST OF MATERIALS CONSUMED		
Raw Material Consumption		
Opening Stock	3,48,10,636	10,11,02,198
Add: Purchases	91,47,35,181	32,50,45,491
Less: Closing Stock	7,89,08,944	3,48,10,636
Total Cost of Material Consumed	<u>87,06,36,873</u>	<u>39,13,37,053</u>
Details of Raw Material Consumed		
Cotton	<u>87,06,36,873</u>	<u>39,13,37,053</u>
	<u>87,06,36,873</u>	<u>39,13,37,053</u>
20 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS		
Changes in Inventory		
Work-in-Progress		
Opening	3,13,50,156	4,59,27,858
Closing	2,72,82,853	3,13,50,156
Finished Goods		
Opening	4,36,65,363	13,23,02,362
Closing	3,68,29,380	4,36,65,363
(Increase) / Decrease in Inventory	<u>1,09,03,286</u>	<u>10,32,14,701</u>
21 EMPLOYEE BENEFIT EXPENSES		
Salaries and Incentives	7,09,34,602	2,76,30,028
Contributions to Provident and other funds	63,83,766	43,88,146
Staff Welfare Expenses	38,96,154	14,77,994
	<u>8,12,14,522</u>	<u>3,34,96,168</u>
22 FINANCE COSTS		
Interest Expense	8,93,61,807	3,18,87,158
Other Borrowing Costs	17,49,562	21,81,582
	<u>9,11,11,369</u>	<u>3,40,68,740</u>

NOTES 1 to 24 (Contd.)

	Year ended on September 30, 2012	(Amount in ₹) Six Months period ended on September 30, 2011
23 OTHER EXPENSES		
Consumption of Store materials	2,04,33,960	65,43,373
Power and Fuel	15,76,71,156	5,02,16,052
Repairs to buildings	5,78,785	3,85,283
Repairs to machinery	2,61,13,156	87,14,856
Repairs to others	12,04,304	3,06,409
Insurance	6,21,845	3,35,905
Rates and Taxes	2,62,156	1,32,790
Commission and discount	1,35,01,065	74,40,078
Freight and despatch charges	62,24,627	1,10,79,062
Travelling and conveyance	41,23,623	3,67,145
Vehicle Expenses	24,87,441	10,99,666
Director's Sitting Fees	2,30,000	80,000
Sundry Balances Written Off	63,445	—
Payment to Auditors (Refer note 24(2)(d))	2,12,197	1,27,949
Provision for Diminutions in the value of Investment	2,500	89,500
Miscellaneous Expenses	1,20,74,096	62,54,447
	<u>24,58,04,356</u>	<u>9,31,72,515</u>

24 SIGNIFICANT ACCOUNTING POLICIES AND OTHER NOTES TO ACCOUNT
1. SIGNIFICANT ACCOUNTING POLICIES
a) Basis of Accounting

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current – non current classification of assets and liabilities.

b) Fixed Assets and Depreciation

Fixed Assets : Fixed Assets are stated at cost / book value less depreciation and net of cenvat and subsidy except on freehold land.

Depreciation : (i) Depreciation is being provided on Straight Line Method in terms of Section 205(2) (b) of the Companies Act, 1956 at the rates and in the manner specified in Schedule XIV to the said Act.

(ii) In respect of assets acquired/sold during the year, depreciation has been provided on pro-rata basis.

c) Investments

All long term investments and are stated at cost unless there is a permanent fall in the value of Investments. All current investment are stated at cost or realisable value which ever is lower.

NOTES 1 to 24 (Contd.)

24 SIGNIFICANT ACCOUNTING POLICIES AND OTHER NOTES TO ACCOUNT (Contd.)

d) Inventories

- (i) Stores and Spares are valued at cost. Cost is arrived at on F.I.F.O. basis.
- (ii) Raw Materials are valued at cost or net realisable value whichever is lower. Cost is arrived at on the basis of cost of respective lots remaining in stock and related expenses.
- (iii) Materials in Process is valued at cost (*) or net realisable value whichever is lower.
- (iv) Yarn and Knitted Fabrics are valued at cost(*) or net realisable value whichever is lower.
- * (v) Cost of Valuation of materials in process and yarn has been arrived at 'by adding direct cost & relevant overhead cost' in accordance with the revised Accounting Standard(AS-2) "Valuation of Inventories".
- (vi) Waste is valued at estimated realisable value.
- (vii) Materials in transit are valued at cost to date of the Balance Sheet.

e) Exchange Fluctuations

Monetary Current Assets and Liabilities in foreign currency outstanding at the close of the financial year are valued at the appropriate exchange rates at the close of the year. The loss or gain due to fluctuation of exchange rates is charged to Statement of Profit & Loss.

f) Revenue Recognition

- (i) Sale of goods is recognised at the point of transfer of significant risk and rewards to the customers.
- (ii) Benefit on account of entitlement to import goods free of duty under the "Duty Entitlement Pass Book under the Duty Exemption Scheme" and "Duty Draw Back Scheme" are accounted in the year of export.

g) Government Grants and Subsidy

Revenue Grants and Subsidy received during the year have been shown by way of deduction from related expenses.

h) Employee Benefits

- (i) Defined Contribution Plan : The Company has defined contribution plans in the form of Provident Fund, Pension Scheme, EDLI, Super Annuation Fund and Labour Welfare Fund and the contributions are charged to the Statement of Profit and Loss of the year when the contribution to the respective funds are due. There are no other contributions other than the contributions payable to the respective funds.
- (ii) Defined Benefit Plan :
 Funded Plan: The Company has defined benefit plans in the form of Gratuity, the liability for which is determined on the basis of actuarial valuation at the end of the year. Gains and losses arising out of actuarial valuation are recognised immediately to the Statement of Profit and Loss as income or expense.
 Unfunded Plan : The Company has unfunded Defined Benefit Plans in the form of Compensated Absences, as per Company Policy.
- (iii) Other Defined Benefits : Provision for other defined benefit for long term leave encashment is made based on an independent actuarial valuation on projected unit credit method at the end of each financial year. Actuarial gain and losses are recognised immediately in the Statement of Profit and Loss Account as income or expenses. Company recognised the undiscounted amount of short term employee benefits during the accounting period based on service rendered by an employee.

i) Borrowing Cost

Borrowing costs in relation to acquisition and construction of assets are capitalised as part of the cost of such assets up to the date when such assets are ready for intended use. Other borrowing costs are charged as an expense in the year in which these are incurred.

j) Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred Tax is recognised, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

NOTES 1 to 24 (Contd.)
24 SIGNIFICANT ACCOUNTING POLICIES AND OTHER NOTES TO ACCOUNT (Contd.)
k) Impairment of Assets

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An Impairment loss will be recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to the present value by using weighted average cost of capital.

2. OTHER NOTES TO ACCOUNTS
(a) Contingent Liabilities and Commitments (to the extent not provided for) (Amount in ₹)

	As at	
	30.09.2012	30.09.2011
(i) Contingent Liabilities		
(a) Claims against the Company not acknowledged as debt - Labour Matters	3,35,231	2,28,950
(b) Bills Discounted (Since Realised)	—	8,03,00,066
	<u>3,35,231</u>	<u>8,05,29,016</u>
(ii) Commitments		
Estimated amount of contracts remaining to be executed on Capital Account and not provided for	4,23,45,734	4,14,95,104
	<u>4,23,45,734</u>	<u>4,14,95,104</u>
	<u>4,26,80,965</u>	<u>12,20,24,120</u>

(b) As of the Balance Sheet date, the Company's net foreign currency exposures that are not hedged by a derivative instrument or otherwise is as follows :

Trade Receivable	USD	—	\$ 6,22,847
	INR	—	3,06,25,986

(c) Segment Reporting

In accordance with the requirements of Accounting Standard 17 - "Segment Reporting" the Company has determined its business segment as Textile Products. Since 100% of the Company's business is from Textile Products, there are no other primary reportable segments. Thus the segment revenue, segment results, total carrying amount of segment liabilities, total cost incurred to acquire segment assets, the total amount of charge for depreciation and amortisation during the year are all as reflected in the financial statements for the year ended September 30, 2012 and as on that date.

Secondary Segment- Geographical by location of customers

	As at	
	30.09.2012	30.09.2011
Sales & Operating Income		
In India	113,85,86,069	16,32,45,202
Outside India	9,41,41,762	32,32,46,008
	<u>123,27,27,831</u>	<u>48,64,91,210</u>
Carrying cost of Assets by Location		
In India	55,96,45,120	58,17,36,026
Outside India	—	3,06,25,986
	<u>55,96,45,120</u>	<u>61,23,62,012</u>
Capital Expenditure		
In India	27,66,162	16,29,261
Outside India	—	—
	<u>27,66,162</u>	<u>16,29,261</u>

NOTES 1 to 24 (Contd.)
24 SIGNIFICANT ACCOUNTING POLICIES AND OTHER NOTES TO ACCOUNT (Contd.) (Amount in ₹)

(d) Payment to Auditors

	30.09.2012	30.09.2011
Auditor		
a. For audit services	1,00,000	75,000
b. For taxation matters	15,000	—
c. For other services	63,500	24,000
d. Expenses	—	1,980
	<u>1,78,500</u>	<u>1,00,980</u>
Cost Auditor		
a. Cost audit fees	32,318	25,590
b. For reimbursement of expenses	1,379	1,379
	<u>33,697</u>	<u>26,969</u>
	<u>2,12,197</u>	<u>1,27,949</u>

(e) Earning Per Share

	As at	
	30.09.2012	30.09.2011
Loss for the year attributable to the Equity Shareholders	(10,30,50,530)	(31,73,61,392)
Basic/weighted average number of Equity Shares outstanding during the year	1,79,30,374	1,79,30,374
Nominal Value of Equity Share	₹ 10/-	₹ 10/-
Basic and Diluted Earning Per Share	(₹ 5.75)	(₹ 17.70)

(f) Other Details
(i) Value of Raw Materials Consumed

	September 30, 2012		September 30, 2011	
	Amount	%	Amount	%
Indigenous	87,06,36,873	100.00	39,13,37,053	100.00
	<u>87,06,36,873</u>	<u>100.00</u>	<u>39,13,37,053</u>	<u>100.00</u>

(ii) Value of Spares Consumed

	September 30, 2012		September 30, 2011	
	Amount	%	Amount	%
Imported	3,118,519	12.85	14,67,929	18.13
Indigenous	21,157,806	87.15	66,26,652	81.87
	<u>24,276,325</u>	<u>100.00</u>	<u>80,94,581</u>	<u>100.00</u>

(iii) Value of Imports on C.I.F. Basis

	30.9.2012	30.9.2011
Spare Parts	28,61,415	15,28,062
	<u>28,61,415</u>	<u>15,28,062</u>

(iv) Expenditure in Foreign Currency

	30.9.2012	30.9.2011
Travelling	14,36,093	—
Bank Charges	3,74,886	3,74,990
Commission	4,59,947	23,02,661
	<u>22,70,926</u>	<u>26,77,651</u>

(v) Earnings in Foreign Currency

	30.9.2012	30.9.2011
F.O.B. Value of Exports	9,26,80,013	31,84,64,639
	<u>9,26,80,013</u>	<u>31,84,64,639</u>

(vi) Export Sales

	30.9.2012	30.9.2011
Direct Exports	9,41,41,762	32,32,46,008
Through Export House	73,54,51,958	2,53,32,652
	<u>82,95,93,720</u>	<u>34,85,78,660</u>

NOTES 1 to 24 (Contd.)
24 SIGNIFICANT ACCOUNTING POLICIES AND OTHER NOTES TO ACCOUNT (Contd.)
(g) Disclosure pursuant to Accounting Standard -15 (Revised) "Employee Benefits":
a. Defined Contribution Plans :

Amount of ₹54,35,295/- (Previous period ₹28,77,557/-) is recognised as expense and included in "Employee Benefits Expenses" in Note - 21 to the Statement of Profit & Loss.

b. Defined Benefit Plans :

(Amount in ₹)

i. Reconciliation of opening and closing balances of the Present Value of the Defined Benefit Obligation:

Particulars	Gratuity as at	
	30.09.2012	30.09.2011
a. Present value of Defined Benefit obligation at the beginning of the year	1,00,83,368	91,48,508
b. Interest cost	8,06,669	3,65,940
c. Current service cost	9,99,646	5,66,792
d. Actuarial Losses/(Gains)	(78,148)	8,18,742
e. Benefits paid	(28,92,967)	8,16,614
f. Present value of Defined Benefit Obligation at the close of the year	89,18,568	1,00,83,368

ii. Changes in the fair value of Plan Assets and the reconciliation thereof:

a. Fair value of Plan Assets at the beginning of the year	52,85,597	56,61,326
b. Add: Expected Return on Plan Assets	4,66,118	2,40,886
c. Add/Less: Actuarial Losses/(Gains)	3,13,578	—
d. Add: Contributions	24,00,000	2,00,000
e. Less: Benefits Paid	(28,92,967)	8,16,615
f. Fair value of Plan Assets at the close of the year	55,72,326	52,85,597

iii. Amount Recognised in the Balance Sheet including a reconciliation of the present value of the defined obligation in (i) and the fair value of the plan assets in (ii) to assets and liabilities recognised in the Balance Sheet.

a. Present value of Defined Benefit obligation	89,18,568	100,83,368
b. Less: Fair value of plan Assets	55,72,326	52,85,597
c. Present value of unfunded obligation	33,46,242	47,97,771
d. Net Liability/(Asset) recognised in the Balance Sheet	33,46,242	47,97,771

iv. Amount recognised in the Statement of Profit and Loss are as follows:

a. Current Service Cost	9,99,646	5,66,792
b. Interest Cost	8,06,669	3,65,940
c. Expected Return on Plan Assets	(4,66,118)	2,40,886
d. Actuarial Losses/(Gains)	(3,91,726)	8,18,742
e. Past services costs	—	—
f. Effect of Curtailment/Settlement	—	—
g. Adjustments for earlier years	—	—
h. Recognised in the Statement of Profit and Loss	9,48,471	15,10,588

v. Actuarial Assumptions at the Balance Sheet date:

a. Discount Rate	8.25%	8.00%
b. Expected Rate of Return on Plan Assets	9.25%	9.00%
c. Salary Escalation Rate - Management Staff	3.00%	3.00%
d. Salary Escalation Rate - Non Management Staff	3.00%	3.00%



NOTES 1 to 24 (Contd.)

24 SIGNIFICANT ACCOUNTING POLICIES AND OTHER NOTES TO ACCOUNT (Contd.)

vi. Experience Adjustments :		
a. Defined Benefit Obligation	89,18,568	1,00,83,368
b. Plant Assets	55,72,326	52,85,597
c. (Surplus) / Deficit	33,46,242	47,97,771
d. Experience adjustments on plan liabilities (gain) / loss	1,20,833	8,18,742
e. Experience adjustments on plan assets (gain) / loss	(3,13,578)	—

Experience adjustment is on account of attrition in number of employees as compared to the previous year and changes in actuarial assumptions.

The Estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

vii. Amount recognised as an expense in respect of Compensated Leave Absences is ₹11,34,601/- (Previous period ₹4,62,009/-)

(h) Related Party Disclosures

Related party disclosures, as required by AS-18 “Related Party Disclosures”, are given below:

1. Relationships:

(i) Key Management Personnel and their relatives :

Mr. Umang Kanoria	Miss Stuti Kanoria
Mrs. Anuradha Kanoria	Master Satvik Kanoria

(ii) Enterprises over which the key management personnel and/or their relatives have significant influence :

B.T. Investments Pvt. Ltd.	Innova Properties Pvt. Ltd.
Cosmos Resources Pvt. Ltd.	Milan Agencies Pvt. Ltd.
Kanco Tea & Industries Ltd.	Nidhi Pvt. Ltd.
E.T. Resources Pvt. Ltd.	OCL Investments & Leasing Ltd.
Facitcon Investments Pvt. Ltd.	S.T. Investment Pvt. Ltd.
Suryasakti Commodities Pvt. Ltd.	

2. The following transactions were carried out with the related parties in the ordinary course of business :

Details relating to parties referred to in item 1(i) and 1(ii) above: (Amount in ₹)

	September 30, 2012		September 30, 2011	
	In Relation to Item 1(i)	In Relation to Item 1(ii)	In Relation to Item 1(i)	In Relation to Item 1(ii)
Intercorporate Loan Repaid				
S.T. Investment Pvt. Ltd.	—	—	—	1,50,00,000
Intercorporate Loan Received				
S.T. Investment Pvt. Ltd.	—	5,50,00,000	—	50,00,000
Kanco Tea & Industries Ltd.(Net)	—	12,05,256	—	18,74,402
Remuneration	21,05,966	—	19,47,662	—
Interest Paid				
S.T. Investment Pvt. Ltd.	—	77,92,377	—	17,06,918
Nidhi Pvt. Ltd.	—	9,00,000	—	4,51,233
Outstanding Balances at the end				
(Payable)/Receivable (Net)	(25,000)	(13,11,62,991)	(25,000)	(7,49,57,734)

NOTES 1 to 24 (Contd.)

24 SIGNIFICANT ACCOUNTING POLICIES AND OTHER NOTES TO ACCOUNT (Contd.)

- (i) The Company has decided to file an appeal u/s 25(1) the Sick Industrial Companies (Special Provisions) Act, 1985 against the order passed by the Board of Industrial and Financial Reconstruction (BIFR) for reference bearing no.3/2012 filed u/s 15(1) of the SICA, 1985 on 13/01/2012.
- (j) The Company has incurred accumulated loss of ₹65,34,55,528/- as on September 30, 2012, which has resulted in erosion of its net worth by more than 100%. The Company will make a fresh reference u/s 15(1) of the SICA, 1985 along with a rehabilitation scheme to the BIFR. The Company has no specific plan for windup operations in the near future. The Management, on the basis of Techno Economic Viability study conducted by an approved consultant, looking into the stability in the cotton price and overall turnaround in the Textile Industry, believes that it will have sufficient funds to meet its liability for the next twelve months and hence continue to present its financial statements on going concern basis.
- (k) During the year ended 30th September, 2012, State Bank of India(SBI) has unilaterally cancelled the forward contracts and debited ₹ 11,78,81,338/-, being the losses on account of foreign exchange difference, excluding interest, if any, into our Cash Credit Account without any authorization from us. The Company is not in agreement with the action taken by the SBI and have already lodged its objection with SBI. The Company therefore disputes the forex losses and has not recognized the same in its Books of Accounts.
- (l) The previous period figures have been regrouped/reclassified, wherever necessary to conform to the current year presentation. The figures for the previous period are for the period of six months and are thus not comparable with current year figures.

As per our report of even date.
For B. R. SHAH & ASSOCIATES
Firm Registration No. 129053W
Chartered Accountants
BHARAT SHAH
Partner
Membership No. 5806
Place : Ahmedabad
Dated : 29th day of November, 2012

CHARULATA KABRA
Company Secretary

**For and on behalf of the Board of Directors of
Kanco Enterprises Limited**

U. KANORIA
Managing Director
P. K. BHATTACHARJEE
Director



KANCO ENTERPRISES LIMITED

Registered Office : Jasmine Tower, 3rd Floor
31, Shakespeare Sarani, Kolkata 700 017

Please complete the Attendance Slip and hand it over at the entrance of the Meeting Hall. Please also bring your copy of the Annual Report.

ATTENDANCE SLIP

I hereby record my presence at the TWENTY SECOND ANNUAL GENERAL MEETING of the Company being held at "Bharatiya Bhasha Parishad", 36A, Shakespeare Sarani, Kolkata 700 017 on Wednesday, the 30th January, 2013 at 10.30 A.M.

REGD. FOLIO/BENEFICIARY ID NO. :	NO. OF SHARES :
NAME OF THE MEMBER (IN BLOCK CAPITALS)	
SIGNATURE OF THE MEMBER OR PROXY	



KANCO ENTERPRISES LIMITED

Registered Office : Jasmine Tower, 3rd Floor
31, Shakespeare Sarani, Kolkata 700 017

PROXY FORM

REGD. FOLIO /BENEFICIARY ID NO. :

NO. OF SHARES :

I/We

of

..... being a Member/Members of KANCO ENTERPRISES LIMITED

hereby appoint of

or failing him of

or failing him..... of

as my/our Proxy to attend and vote for me/us on my/our behalf at the TWENTY SECOND ANNUAL GENERAL MEETING of the Company to be held on Wednesday, the 30th January, 2013 at 10.30 A.M. and at any adjournment thereof.

Signed thisday of2013.

Signature.....



Note : The Proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.