

# **K2 SYSTEMS LIMITED**

**23<sup>RD</sup>**  
**ANNUAL REPORT**  
**2011-2012**

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**CORPORATE INFORMATION**

**Board of Directors:**

- |    |                              |   |          |
|----|------------------------------|---|----------|
| 1. | Mr. A. Narasimha Sarma       | — | Director |
| 2. | Mr. K. R. Srinivasa Rao      | — | Director |
| 3. | Mrs. Akella Katyayani        | — | Director |
| 4. | Mr. Venkata Ramana Akumarthi | — | Director |
| 5. | Mr. Desiraju Nagaraju        | — | Director |
| 6. | Mr. Boga Prabhakar           | — | Director |
| 7. | Mr. Boga Sharathdhruthi      | — | Director |

**Registered Office :**

6-3-650, 503, Maheswari Chambers,  
Beside Medinova Diagnostics,  
Somajiguda, Erramanzy, Hyderabad.

**Auditors:**

M/s. M.M. Reddy & Co.  
Chartered Accountants,  
Hyderabad - 500073.

**Audit Committee:**

- 1) Mr. Desiraju Nagaraju
- 2) Mr. Venkata Ramana Akumarthi
- 3) Mr. K. R. Srinivasa Rao

**Remuneration Committee:**

- 1) Mr. Desiraju Nagaraju
- 2) Mr. Venkata Ramana Akumarthi
- 3) Mr. K. R. Srinivasa Rao

**Investor Grievance Committee:**

- 1) Mr. Desiraju Nagaraju
- 2) Mr. Venkata Ramana Akumarthi
- 3) Mr. K. R. Srinivasa Rao

**Listing:**

Bangalore Stock Exchange Limited

**Registrar & Share Transfer Agents:**

Big share Services Pvt Ltd,  
E-2/3, Ansa Industrial Estate,  
Sakivihar Road, Saki Naka,  
Andheri (E), Mumbai – 400072

## K2 Systems Limited

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### NOTICE

NOTICE IS HEREBY GIVEN THAT THE 23<sup>RD</sup> ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF K2 SYSTEMS LIMITED WILL BE HELD ON SATURDAY, THE 29<sup>TH</sup> SEPTEMBER 2012 AT 11.00 AM AT 6-3-650, 503, MAHESWARI CHAMBERS, BESIDE MEDINOVA DIAGNOSTICS, SOMAJIGUDA, ERRAMANZYL, HYDERABAD-500082 TO TRANSACT THE FOLLOWING BUSINESS:

#### ORDINARY BUSINESS:

1. To consider and if thought fit, to adopt the audited Balance sheet as on 31st March, 2012 and Profit & Loss A/c for the year ended on that date along with the report of Directors and Auditors thereon
2. To appoint a director in place of Mr. K. R. Srinivasa Rao who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

#### 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. Boga Prabhakar, who was appointed as an additional director of the company pursuant to the provisions of section 260 of the Companies Act, 1956 by the board of directors w.e.f. 31.07.2012 and who holds the office up-to date of the ensuing annual general meeting and in respect of whom the company has received a notice in writing under section 257 read with section 190 of the said Act, along with requisite deposit proposing him as candidate for the office of director of the company, be and is hereby appointed as a director of the company whose period of office is liable to be determined by retirement of directors 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 Ms. Boga Sharathdhruthi, who was appointed as an additional director of the company pursuant to the provisions of section 260 of the Companies Act, 1956 by the board of directors w.e.f. 31.07.2012 and who holds the office up-to date of the ensuing annual general meeting and in respect of whom the company has received a notice in writing under section 257 read with section 190 of the said Act, along with requisite deposit proposing her as candidate for the office of director of the company, be and is hereby appointed as a director of the company whose period of office is liable to be determined by retirement of directors by rotation.”

For and on behalf of the Board  
**K2 SYSTEMS LIMITED**

Place: Hyderabad  
Date: 30.08.2012

Sd/-  
**A. Narasimha Sarma**  
Director

**NOTES:**

1. An Explanatory Statement pursuant to section 173(2) of the companies Act, 1956 in relation to the Special Business of the Meeting is annexed hereto and forms part of this notice.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
3. The Register of Members and Share Transfer Books of the Company will be closed from 24.09.2012 to 29.09.2012 (Both days inclusive).
4. Members are requested to produce the Attendance Slip duly signed as per the Specimen Signature recorded with the Company/Depository Participant for admission to the meeting hall.
5. Members are requested to notify immediately any change in their address to the Share Transfer Agents and in case their shares are held in dematerialized form, this information should be passed on to their respective Depository Participants.
6. A Member desirous of receiving any information on the accounts or operations of the company is requested to forward his/her queries to the company at least 7 working days prior to the meeting, so that the required information can be made available at the meeting.
7. Members holding shares in physical form are requested to notify immediately any change in their address along with address proof, i.e. Electric /Telephone Bill, Driving License or a copy of passport and Bank particulars to the company in case their shares are held in dematerialized form, this information should be passed on directly to their respective Depository Participants and not to the company.
8. As part of Green Initiative in Corporate Governance the Ministry of Corporate Affairs (MCA), Government of India vide its Circular has allowed paperless compliances by Companies inter-alia stating that if the Company sends official documents to their shareholders electronically, it will be in compliance with the provisions of Section 53 of the Companies Act, 1956. Keeping in view shareholders are requested to update their E-Mail ID with their DP.

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### Item No. 4:

The members may note that Mr. Boga Prabhakar was inducted into Board as an Additional Director of the company, with effect from 31.07.2012 pursuant to the provisions of section 260 of the Companies Act, 1956 and holds the office as such up to the date of ensuing Annual General Meeting. The company has received notice in writing from a member of the Company along with the requisite deposit under Section 257 read with section 190 of the Companies Act, 1956 proposing the candidature of the above said person for the Office of Director whose period of office is determinable by retirement of Directors by rotation.

As per the provisions of section 257 of the Act, any such proposal ought to be approved by the members in their General Meeting.

Hence, the Board recommends the resolution for your approval.

None of Directors except Mr. Boga Prabhakar and Ms. Boga Sharathdhruthi may be deemed to be concerned or interested in the above said resolution.

Details of the Director appointed:

Sl.No	Particulars	Details
1.	Name	Boga Prabhakar
2.	Date of Birth	02.05.1962
3.	Date of Appointment	31.07.2012
4.	Expertise in Specific functional areas	Finance
5.	Qualifications	MBA
6.	Salary	Nil
7.	No of shares held in the Company	358600
8	Directorships held in other companies (excluding Private Limited and Foreign companies)	2
9.	Positions held in mandatory committees of other companies	Nil

### Item No. 5:

The members may note that Ms. Boga Sharathdhruthi was inducted into Board as an Additional Director of the company, with effect from 31.07.2012 pursuant to the provisions of section 260 of the Companies Act, 1956 and holds the office as such up

## **K2 Systems Limited**

to the date of ensuing Annual General Meeting. The company has received notice in writing from a member of the Company along with the requisite deposit under Section 257 read with section 190 of the Companies Act, 1956 proposing the candidature of the above said person for the Office of Director whose period of office is determinable by retirement of Directors by rotation.

As per the provisions of section 257 of the Act, any such proposal ought to be approved by the members in their General Meeting.

Hence, the Board recommends the resolution for your approval.

None of Directors except Ms. Boga Sharathdhruthi and Mr. Boga Prabhakar may be deemed to be concerned or interested in the above said resolution.

Details of the Director appointed:

<b>Sl.No</b>	<b>Particulars</b>	<b>Details</b>
1.	Name	Ms. Boga Sharathdhruthi
2.	Date of Birth	27/10/1990
3.	Date of Appointment	31.07.2012
6.	Salary	Nil
7.	No of shares held in the Company	Nil
8	Directorships held in other companies (excluding Private Limited and Foreign companies)	1
9.	Positions held in mandatory committees of other companies	Nil

For and on behalf of the Board  
**K2 SYSTEMS LIMITED**

Place: Hyderabad  
Date: 30.08.2012

Sd/-  
**A. Narasimha Sarma**  
Director

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### DIRECTORS' REPORT

To,  
The Members

We have pleasure in presenting the 23rd Annual Report with Audited Statements of Accounts for the year ended 31st March 2012.

#### FINANCIAL RESULTS :

(Rupees in Lakhs)

Particulars	2011-12	2010-11
Income	3,58,67,892	13,57,629
Expenditure	3,53,29,211	13,88,930
Profit after Tax	5,88,610	(31,301)
<b>Profit / (Loss) carried to Balance Sheet</b>	<b>(41,455,400)</b>	<b>(44,044,010)</b>

#### PERFORMANCE REVIEW

The Company has recorded a turnover of Rs.35,867,892/- and a net profit of Rs. 5,88,610/- in the current year against the turnover of Rs. 1,357,629/- and a net Loss of Rs. 31,301 in the previous financial year ending 31.03.2011.

The Company has been continuously working on quality up gradation and austerity measures for achieving efficient running of the organization.

#### DIVIDEND:

Keeping the Company's expansion and growth plans in mind, your Directors have decided not to recommend dividend for the year.

#### PUBLIC DEPOSITS:

Your Company has not accepted any deposits falling within the meaning of Sec.58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, during the financial year under review.

#### LISTING:

The equity shares of your company are listed on the Bangalore Stock Exchange Limited.

#### CAPITAL OF THE COMPANY:

Authorised Share capital of the company stands is Rs.50,000,000/- (Rupees Five Crores Only) divided in to 50,00,000 equity shares of Rs.10/- and Issued, Subscribed, Paid up capital of the company is Rs.39,400,000/- (Rupees Three Crores Ninety Four Lakhs only) divided in to 39,40,000 equity shares of Rs.10/- each.

#### SUBSIDIARY COMPANY:

Your Company does not have any subsidiary company.



**MANAGEMENT DISCUSSION AND ANALYSIS:**

A detailed review of operations, performance and future outlook of your Company and its businesses is given in the Management Discussion and Analysis, which forms part of this Report.

**DIRECTORS:**

In accordance with the Companies Act, 1956 read with Articles of Association of the company the Director namely Mr. K. R. Srinivasa Rao retires by rotation and is eligible for re-appointment. Your Board recommends the re-appointment of the Director above.

During the year two new directors Mr. Boga Prabhakar and Ms. Boga Sharathdhruthi were inducted in to the Board on 31.07.2012 as additional directors.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

In pursuance of Section 217(2AA) of the Companies Amendment Act, 2000 your directors confirm

- i) That the directors in the preparation of the annual accounts the applicable accounting standards have been followed along with proper explanations relating to material departures.
- ii) That the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year.
- iii) That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safe guarding the assets of the company and for preventing and deleting fraud and other irregularities.
- iv) That the directors had prepared the annual accounts on the going concern basis.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUT GO:**

The required information as per Sec.217 (1) (e) of the Companies Act 1956 is provided hereunder:

**A. Conservation of Energy:**

Your Company's operations are not energy intensive. Adequate measures have been taken to conserve energy wherever possible by using energy efficient computers and purchase of energy efficient equipment.

**B. Technology Absorption:**

- 1. Research and Development (R&D) : NIL
- 2. Technology absorption, adoption and innovation : NIL

**C. Foreign Exchange Earnings and Out Go:**

- Foreign Exchange Earnings : NIL
- Foreign Exchange Outgo : NIL

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### **PARTICULARS OF EMPLOYEES:**

There is no employee who is falling under section 217 (2A). Therefore, the disclosures required to be made under section 217 (2A) of the Companies Act, 1956 and the rules made there under are not applicable.

### **CODE OF CONDUCT:**

The Code of Conduct has been circulated to all the members of the Board and Senior Management and the compliance of the same has been affirmed by them. Code of Conduct has also been placed on the website of the company. A declaration signed by the Managing Director is given in Annexure.

### **AUDITORS:**

Your directors propose the appointment of M/s. M. M. Reddy & Co., as statutory auditors to hold office until the conclusion of the next Annual General Meeting of the company.

### **CORPORATE GOVERNANCE:**

As a listed company, necessary measures have been taken to comply with the listing agreements of Stock Exchanges. A report on Corporate Governance, along with a certificate of compliance from the practicing company secretary forms part of this Report as Annexure.

### **ACKNOWLEDGEMENTS:**

Your directors would like to express their grateful appreciation for assistance and co-operation received from clients, banks, investors, Government, other statutory authorities and all others associated with the company. Your directors also wish to place on record their deep sense of appreciation for the excellent contribution made by the employees at all levels, which enabled the company to achieve sustained growth in the operational performance during the year under review.

For and on behalf of the Board  
**K2 SYSTEMS LIMITED**

Place: Hyderabad  
Date: 30.08.2012

Sd/-  
**A. Narasimha Sarma**  
Director

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Forming part of Directors' Report)

**a) Economic Overview**

The year witnessed a global economic slowdown in general. The market conditions were difficult and there was a volatile currency environment. In view of the difficulties faced on account of economic conditions the main focus of the company was on conserving cost and creating efficiencies thereby enhancing value. Due to slowdown considerable reductions were experienced in IT service spends all over. There was also increased regulation leading to more enterprise regulation, security and reporting, there was also a general slowdown in the IT industry.

**b) Industry Structure, Development and Outlook**

The earlier trend of smaller companies being marginalized has continued in the year under review. Another distinct trend during the year has been the preference of foreign companies to outsource their entire IT needs to the larger companies and get them to setup large offshore operations to support these contracts.

According to the Global Tech Market Outlook for 2012 and 2013, an independent report published by Forrester Research, Inc. in January 2012, purchases of IT consulting, systems integration services and IT outsourcing by global businesses and governments are estimated to grow by 6.3% in calendar year 2012, when calculated in U.S. dollars.

**c) Business performance and Segment Reporting**

During the year under review, the company has earned a Net profit of Rs.588610/- as against Net Loss of Rs. 31301/- during the previous year. The performance of the company is expected to improve during the coming years which years with increasing efforts being made in the direction of improving the working efficiency of the company.

The company is engaged in the development of software, which as per Accounting Standard 17 is considered the only reportable business.

**d) Internal Control System and its adequacy**

The system of internal control has been established to provide reasonable assurance of safeguarding assets and maintenance of proper Accounting Records and its accuracy. The business risks and its control procedures are reviewed frequently. Systems audit is also conducted regularly to review the systems with respect to Security and its Adequacy. Reports are prepared and circulated to Senior Management and action taken to strengthen controls where necessary.

**e) Risk Management**

Risk evolution and management is an ongoing process in the company

**f) Human resources and Industrial relations**

Your company continues to have cordial relations with its employees.

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### REPORT ON CORPORATE GOVERNANCE

(Forming part of Directors' Report)

#### I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

All the procedures, policies and practices followed by your Company are based on sound governance principles. The governance practices followed by your Company are continuously reviewed and the same are benchmarked to the best governed companies

#### II. BOARD OF DIRECTORS

The Board of Directors consists of 7 Members of which 4 are Independent Directors. The Composition of the Board is in conformity with the listing requirements.

The details of the Directors being appointed/ re-appointed on retirement by rotation at the ensuing Annual General Meeting, as required pursuant to Clause 49(IV)(G) of the Listing Agreement, are mentioned in the Notice to the Annual General Meeting, forming part of the Report.

**The Board of Directors met 6 times during the year on 30.04.2011, 02.06.2011, 31.07.2011 30.09.2011, 31.10.2011 and 31.01.2012 and the maximum gap between any two meetings was less than four months, as stipulated under Clause 49.**

The details of Composition of Board of Directors, directors' attendance at Board Meetings, AGM and details of other directorships, committee chairmanships/ memberships held by the Directors during the year are as follows:

S. No	Name of the Directors	Category	Attendance Particulars			No. of other Directorships and Committee memberships/ chairmanships		
			No. of Board meetings		Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
			Held	Attended				
1.	# Mr. A.N. Sarma	Executive	6	6	Yes	1	NIL	NIL
2.	Mr. K. R. Srinivasa Rao	Independent	6	6	Yes	NIL	NIL	NIL
3.	##Mrs. Akella Katyayani	Non-Executive	6	6	Yes	NIL	NIL	NIL
4.	Mr. Venkata Ramana Akumarthi	Independent	6	6	Yes	3	NIL	NIL
5.	Mr. Desiraju Nagaraju	Independent	6	6	Yes	Nil	NIL	NIL
6.	# Mr. Boga	Non-Executive						
7.	# Ms. Boga Sharathdhruthi	Independent	NIL	NIL	NIL	1	NIL	NIL

# appointed w.e.f: 31.07.2012

**Board's Procedure:**

Agenda papers along with explanatory statements were circulated to the directors in advance for each of these meetings. All relevant information as per Clause 49 of the Listing Agreement was placed before the Board from time to time.

**Committees of the Board:**

Currently, there are three (3) Committees of the Board, namely: Audit Committee, Remuneration Committee, Shareholders/ Investors Grievance Committee and Share Transfer Committee. The Board decides the terms of reference for these Committees. The minutes of the meetings of the Committees are placed before the Board for information. The details as to the composition, terms of reference, number of meetings and related attendance, etc., of these Committees are provided hereunder:

**III. AUDIT COMMITTEE**

- a) The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreements with the Stock Exchanges read with Section 292A of the Companies Act, 1956.
- b) The terms of reference of the Audit Committee include a review of;
  - Overview of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
  - Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
  - Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
  - Reviewing the financial statements and draft audit report including quarterly / half yearly financial information.
  - Reviewing with management the annual financial statements before submission to the Board, focusing on:
    1. Any changes in accounting policies and practices;
    2. Qualification in draft audit report;
    3. Significant adjustments arising out of audit;
    4. The going concern concept;
    5. Compliance with accounting standards;
    6. Compliance with stock exchange and legal requirements concerning financial statements;
    7. Any related party transactions
  - Reviewing the company's financial and risk management's policies.
  - Disclosure of contingent liabilities.
  - Reviewing with management, external and internal auditors, the adequacy of internal control systems.

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- Reviewing the adequacy of internal audit function, including the audit character, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
  - Discussion with internal auditors of any significant findings and follow-up thereon.
  - Reviewing the findings of any internal investigations by the internal auditors into the 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.
  - Looking into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
  - Reviewing compliances as regards the Company's Whistle Blower Policy.
- c) The previous Annual General Meeting of the Company was held on 30<sup>th</sup> September 2011 and Mr. D. Nagaraju, Chairman of the Audit Committee, attended previous AGM.
- d) The composition of the Audit Committee and the attendance of each member of the Audit Committee are given below:

The Company has complied with all the requirements of Clause 49 (II) (A) of the Listing Agreement relating to the composition of the Audit Committee. During the financial year 2011-2012, (4) four meetings of the Audit Committee were held on the 30.04.2011, 31.07.2011, 31.10.2011 and 31.01.2012.

The details of the composition of the Committee and attendance of the members at the meetings are given below :

Name	Designation	Category	No. of meetings attended
Mr. Desiraju Nagaraju	Chairman	Independent	4
Mr. Venkata Ramana Akumarthi	Member	Independent	4
Mr. K.R. Srinivasa Rao	Member	Independent	4

The necessary quorum was present at all the meetings.

**IV. REMUNERATION COMMITTEE:**

The details of composition of the Committee are given below:

Name	Designation	Category
Mr. Desiraju Nagaraju	Chairman	Independent
Mr. Venkata Ramana Akumarthi	Member	Independent
Mr. K.R. Srinivasa Rao	Member	Independent

**Terms of reference:**

The main term of reference of the Committee is to approve the fixation/revision of remuneration of the Managing Director/Whole Time Director or other key employees of the Company and while approving:

- To take into account the financial position of the Company, trend in the industry, appointee's qualification, experience, past performance, past remuneration etc.
- To bring out objectivity in determining the remuneration package while striking a balance between the interest of the Company and the Shareholders.

**V. SHAREHOLDERS / INVESTOR GRIEVANCE AND SHARE TRANSFER COMMITTEE**

**A) Composition, meetings and the attendance during the year:**

The Details of composition of the Committee and attendance of the members at the meetings are given below:

Name	Designation	Category
Mr. Desiraju Nagaraju	Chairman	Independent
Mr. Venkata Ramana Akumarthi	Member	Independent
Mr. K.R. Srinivasa Rao	Member	Independent

**B) Powers:**

**The committee has been delegated with the following powers:**

- To redress shareholders and investor complaints relating to transfer of shares, dematerialization of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.
- To approve, transfer, transmission, and issue of duplicate/ fresh share certificate(s).
- Consolidate and sub-division of share certificate etc.

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- To redress, approve and dispose off any, other complaints, transactions and requests etc. received from any shareholder of the company and investor in general.

The Board has delegated the power to process the transfer and transmission of shares to the Registrar and share Transfer Agents, who process share transfers within a week of lodgment in the case of shares held in physical form.

The Board has designated Mr. A. N. Sarma, Director of the Company as the Compliance Officer.

The Company has designated an exclusive e-mail ID .....for redressal of shareholders' complaints/grievances.

### Complaints received and redressed by the Company during the financial year:

During the year no complaints were received.

During the year no complaints were received.

S.No	Particulars	Remarks
1.	At the beginning of the year	NIL
2.	Received during the year	NIL
3.	At the end of the year	NIL

Financial Year	Date	Time	Venue	Special Resolution
2010-11	30.09.2011	12.30 PM	6-3-650, 503, Maheswari Chambers, Beside Medinova Diagnostics, Somajiguda, Erramanzyl, Hyderabad - 500 034.	NIL
2009-10	30.09.2010	10.00 AM	8-2-269/19/S/A/2, Sravana Buildings, Road No. 2, Hyderabad - 500 034.	NIL
2008-09	25.09.2009	10.30 AM	8-2-603/1/10, Ground Floor, Sri Venkateswara Nilayam, Road No. 10, Krishna Puram, Banjara Hills, Hyderabad.	NIL

### VII. OTHER DISCLOSURES

- (a) There were no significant related party transactions that may have potential conflict with the interests of the Company at large.
- (b) In the preparation of financial statements, no treatment materially different from that prescribed in Accounting Standards had been followed.
- (c) There were no penalties or strictures imposed on the Company by the Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets at any time during the last 3 years.



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- (d) **Whistle Blower policy:** The Company have established a mechanism for employees to report concerns about unethical behavior, fraud or violation of code of conduct of the company. The mechanism provided direct access to the Managing Director/Chairman of the Audit Committee for exceptional cases. All employees can also directly meet the Audit Committee members of the company.
- (e) The Company has complied with the non –mandatory requirements to relating to remuneration committee and Whistle Blower policy.
- (f) Managing Director of the Company has furnished the requisite Certificates to the Board of Directors under Clause 49 of the Listing Agreement.

### VIII. MEANS OF COMMUNICATION

The quarterly, half yearly and yearly financial results will be sent to the stock Exchanges immediately after the Board approves the same and these results will also be published in one English newspaper and in one vernacular newspaper.

### IX. GENERAL SHAREHOLDERS INFORMATION

a) **23<sup>RD</sup> Annual General Meeting:**

Date and Time	Saturday, the 29 <sup>th</sup> September 2012 at 11.00 A.M.
Venue	6-3-650, 503, Maheswari Chambers, Beside Medinova Diagnostics, Somajiguda, Erranmanzyl, Hyderabad - 500082.

b) **Book Closure Date** : 24.09.2012 to 29.09.2012 (Both days inclusive)

c) **Financial Year and Calendar (Tentative) 2012-13:**

The Company follows April to March as its Financial Year. The results of every quarter beginning from April are declared tentatively as follows:

**Financial Calendar**

Financial Reporting for 2012-2013 (tentative)	On or before
The First Quarter results	14.08.2012
The Second quarter results	14.11.2012
The Third quarter results	14.02.2013
The Fourth quarter results	15/30.05.2013

d) **Listing on Stock Exchanges:**

Bangalore Stock Exchange Limited

e) **Listing Fees** : Listing fee for the year 2012-13 has been paid

f) **ISIN No.** : For equity shares: - **INE441B01016**

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**g) Share Transfer System:**

The Physical shares transfers are processed and the share certificates are returned to the shareholders

Within a maximum period of one month from the date of receipt, subject to the document being valid and complete in all respects.

Any transferee who wishes to demat the shares may approach a Depository Participant along with a duly filled Demat Request Form, who shall, on the basis of the Share Certificate, generate a demat request and send the same to the Registrar and Share Transfer Agents (RTA). On receipt, the Depository Registrar confirms the request.

All the requests for Dematerialization of shares are processed and the confirmation is given to the respective Depositories i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within 21 days on receipt.

**h) Shareholding Pattern as on 31<sup>st</sup> March, 2012:**

Particulars	Category	No. of shares held	Percentage of shareholding
<b>A</b>	Shareholding of Promoter and promoter group		
1.	Promoters & Persons acting in concert	<b>1141336</b>	28.97
	<b>Sub- Total A</b>	<b>1141336</b>	28.97
<b>B</b>	Public Shareholding		
1.	Institutions	NIL	NIL
2.	Non- Institutions		
a)	Bodies Corporate	73600	1.87
b)	Indian public and others	2725064	<b>69.16</b>
c)	Any others	NIL	NIL
	i) NRI's	NIL	NIL
	ii) Clearing Members	NIL	NIL
	Sub Total B	NIL	NIL
	<b>Grand Total (A+B)</b>	<b>3940000</b>	<b>100.00</b>

**i) Dematerialization of Shares:**

The Company's shares are dematerialized on National Securities Depositories limited (NSDL) and Central Depository Services (India) Limited. The Company's ISIN is INE441B01016 . As on 31<sup>st</sup> March, 2012, 2068701 equity shares are dematerialized which is 52.51% of the paid up capital of the company and out of which 248612 shares are in CDSL and 1820089 shares are in NDSL and the balance are in physical form.

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## K2 Systems Limited

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**j) Registrar and Transfer Agents**

Bigshare Services Pvt Ltd,  
E-2/3, Ansa Industrial Estate,  
Sakivihar Road, Saki Naka,  
Andheri (E), Mumbai – 400072

**k) Address for Investors Correspondence:**

The Shareholders may correspond with the Company for the redressal of their grievances, if any to the registered office of the company.

6-3-650, 503, Maheswari Chambers,  
Beside Medinova Diagnostics,  
Somajiguda, Erramanzyl  
Hyderabad-500082

**l) CEO/MD Certification:**

As required by the clause 49 (V) of the Listing Agreement, the certificate from Director is attached elsewhere in the annual report.

**m) Compliance Certificate:**

The Statutory Auditors M/s M. M. Reddy & Co has certified that the company has complied with the conditions of the Corporate Governance as stipulated in clause 49 of the listing agreement and the same forms part of the Annual Report. The Certificate will be sent to the stock exchange along with the Annual Report of the Company.

For and on behalf of the Board  
**K2 SYSTEMS LIMITED**

Sd/-

**A. Narasimha Sarma**  
Director

Place: Hyderabad  
Date: 30.08.2012

### DECLARATION

To  
The Members of K2 Systems Limited

This is to declare that the Code of Conduct envisaged by the Company for members of the Board and the Senior Management Personnel have been complied with by all the members of the Board and the Senior Management Personnel of the Company respectively.

For and on behalf of the Board  
**K2 SYSTEMS LIMITED**

Sd/-

**A. Narasimha Sarma**  
Director

Place: Hyderabad  
Date: 30.08.2012

## **K2 Systems Limited**

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Dear Shareholder,

Please find below the Director certificate as per Clause 49(V) of the Listing Agreement:

### **DIRECTOR CERTIFICATE**

I, A. Narsimha Sarma, Director of M/s K2 Systems Limited certify that:

1. We have reviewed the financial statements for the year and that to the best of our knowledge and belief:
  - (a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (b) These statements present a true and fair view of the state of affairs of the Company and of the results of the operations and cash flows. The financial statements have been prepared in conformity, in all material respects, with the existing generally accepted accounting principles including accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of Company's code of conduct.
3. We accept overall responsibility for establishing and monitoring the Company's internal control system for financial reporting and evaluating its effectiveness. Internal Audit function monitors the internal control system for financial reporting, which encompasses the examination and evaluation of the adequacy and effectiveness. Internal Audit works with all levels of management and Statutory Auditors, and reports significant issues to the Audit Committee of the Board. The Auditors and Audit Committee are apprised of any corrective action taken with regard to significant deficiencies and material weakness.
4. We indicate to the Auditors and to the Audit Committee:
  - (a) Significant changes in internal controls over financial reporting during the year;
  - (b) Significant changes in the accounting policies during the year;
  - (c) No instances of significant fraud of which we have become aware of and which involve the management or other employees who have significant role in the Company's internal control system over financial reporting.

However, during the year there were no such changes and instances.

For and on behalf of the Board  
**K2 SYSTEMS LIMITED**

Sd/-

**A. Narasimha Sarma**  
Director

Place: Hyderabad  
Date: 30.08.2012

**CERTIFICATE ON CORPORATE GOVERNANCE**

The Members of  
K2 Systems Limited

We have examined the compliance of conditions of Corporate Governance by M/s K2 Systems Limited, for the period of 12 months ended on 31st March, 2012 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges of India.

The compliance condition of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance with 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 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 abovementioned Listing Agreement.

As required by the Guidance note issued by the Institute of Chartered Accountants of India, we have to state that the Company has certified that as on 31st March, 2012 there were no investor grievances remaining unattended/ pending for a period exceeding one month. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

**For M M REDDY & CO.**  
Chartered Accountants  
Firm Reg. No. 010271S

Sd/-  
**(M. Madhusudhana Reddy)**  
Partner  
Membership No. 213077

Place: Hyderabad  
Date : 30.09.2012

## **K2 Systems Limited**

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### **Auditors' Report**

To  
The members of **K2 Systems Limited**

1. We have audited the attached balance sheet of **K2 SYSTEMS LIMITED**, as at 31st March 2012, and also Profit and Loss Account for the year ended on that date annexed there to. 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 the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit 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 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 Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - a. We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. 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;
  - c. The balance sheet, Profit and Loss Account dealt with by this report are in agreement with the books of account;
  - d. In our opinion, the balance sheet, Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - e. On the basis of written representations received from the directors, as on 31<sup>st</sup> March 2012 and taken on record by the Board of Directors, we report

## **K2 Systems Limited**

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that none of the directors is disqualified as on 31<sup>st</sup> March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
- (a) In the case of the Balance Sheet, of the state of affairs of the company as at 31st march 2012; and
- (b) In the case of the Profit and Loss Account, of the Profit for the year ended on that date;

**For M M REDDY & CO.**  
Chartered Accountants  
Firm Reg. No. 010271S

Place: Hyderabad  
Date : 30.09.2012

Sd/-  
**(M. Madhusudhana Reddy)**  
Partner  
Membership No. 213077

## **K2 Systems Limited**

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### **Annexure to the Auditors' Report (referred to in paragraph 3 of our Report of even date to the Members of K2 SYSTEMS LIMITED for the year ended March 31, 2012)**

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) Fixed Assets have been physically verified by the management and, in our opinion, the verification is reasonable having regard to the size of the company and the nature of its assets. There is no discrepancies were noticed on such verification.  
(c) No substantial part of fixed assets has been disposed off during the year.
2. In our opinion and according to the information and explanations given to us, the Company having inventory. Accordingly, the provisions of clause 4(ii) of the Order are applicable to the Company.
3. In our opinion and according to the information and explanations given to us, the company has not granted or not taken any loans secured or unsecured to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods.
5. Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that there are no transactions that need to be entered into the register maintained under section 301.
6. a) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements needs to enter in the registers maintained under section 301 and exceeding the value of five lakh rupees in respect of any party during the year.  
b) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits within the meaning of Sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
7. In our opinion, the company has an internal audit system commensurate with the size and nature if its business.
8. The Central Government has not prescribed the maintenance of records in 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.
9. According to the records of the company, there is no dues to statutory authorities.
  - a) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding, as at 31.03.2012 for a period of more than six months from the date they became payable.
  - b) According to the records of the company, there are no dues of sale tax,



## K2 Systems Limited

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income tax, customs tax/wealth-tax, excise duty/cess within have not been deposited on account of any dispute.

10. The company has incurred accumulated losses Rs.42044010 /- as at the end of the financial year. The Company has not incurred any cash losses during the financial year covered by our audit and incurred cash losses Rs.31301/- in the immediately preceding financial year.
11. Based on our examination of documents and records, we are of the opinion that the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
12. Based on our examination of the records and evaluation of the related internal controls, we are of the opinion that proper records have been maintained of the transaction and contracts and timely entries have been made in those records. We also report that the company has not held any shares, securities, debentures and other securities in its own name.
13. In our opinion, the Company is not a chit or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
14. The company is not in the business of dealing or trading in shares, securities, debenture and other instruments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
15. The company has not given any guarantee for loans taken by others from banks or financial institutions.
16. The company has not taken any term loans from financial institutions.
17. Based on our examination of the balance sheet of the company as at 31.03.2012, since there is no loans availed by the company, the utilization of funds does not arise.
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. During the period covered by our audit report, the company does not have any outstanding debentures during the year.
20. During the year the company has not raised any money through the public issue.
21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

**For M M REDDY & CO.**  
Chartered Accountants  
Firm Reg. No. 010271S

Sd/-  
**(M. Madhusudhana Reddy)**  
Partner  
Membership No. 213077

Place: Hyderabad  
Date : 30.09.2012

<b>K 2 SYSTEMS LIMITED</b>			
<b>Balance Sheet</b>			
(All amounts in Indian Rupees except for share data or otherwise stated)			
		<b>2011-12</b>	<b>2010-11</b>
	<b>Note No's</b>	<b>As at Mar' 31, 2012</b>	<b>As at Mar' 31, 2011</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	2	39,400,000	39,400,000
Share Application Money		-	-
Reserves and Surplus	3	(41,565,273)	(42,044,009)
	<b>A</b>	<b>(2,165,273)</b>	<b>(2,644,009)</b>
<b>Non - current liabilities</b>			
Long - term borrowings	4	5,554,185	4,054,185
Deferred tax liabilities (Net)	5	(194,588)	-
Long term provisions		-	-
	<b>B</b>	<b>5,359,597</b>	<b>4,054,185</b>
<b>Current liabilities</b>			
Short - term borrowings		-	-
Trade Payables	6	935,955	481,030
Short - term provisions	7	95,526	83,314
	<b>C</b>	<b>1,031,481</b>	<b>564,344</b>
<b>Total</b>	<b>(A+B+C)</b>	<b>4,225,805</b>	<b>1,974,520</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Fixed assets</b>			
<b>Gross block</b>			
		4,522,893	4,522,893
Less: Accumulated Depreciation		3,949,093	3,869,173
<b>Net block</b>	8	573,800	653,720
	<b>A</b>	<b>573,800</b>	<b>653,720</b>
Deferred tax assets (Net)		-	-
Long - term loans and advances	-	-	-
Non-current investments	-	-	-
Other Non- Current Assets	9	-	-
	<b>B</b>	<b>-</b>	<b>-</b>
<b>Current assets</b>			
Inventories		-	-
Trade receivables	10	780,565	40,391
Cash and cash equivalents	11	97,843	6,812
Short - term loans and advances	12	2,773,597	1,273,597
Other current assets	13	-	-
	<b>C</b>	<b>3,652,005</b>	<b>1,320,800</b>
<b>Total</b>	<b>(A+B+C)</b>	<b>4,225,805</b>	<b>1,974,520</b>
The Notes to accounts form an integral part of the Balance Sheet			
This is the Balance sheet referred to in our report of even date.			
<b>For MM REDDY AND CO</b>		For and on behalf of the Board of Directors of	
<b>Firm Registration Number : 010371S</b>		<b>K 2 SYSTEMS LIMITED</b>	
<b>Chartered Accountants</b>			
M.Madhusudhana Reddy		Director	
Partner			
Membership No. 213077			
Place : Hyderabad			
Date : 03-09-2012		Director	

<b>K 2 SYSTEMS LIMITED</b>			
<b>Profit and Loss Account for the year ended</b>			
(All amounts in Indian Rupees except for share data or otherwise stated)			
		<b>2011-12</b>	<b>2010-11</b>
	<b>Note No's</b>	<b>Year Ended Mar' 31, 2012</b>	<b>Year Ended Mar' 31, 2011</b>
<b>INCOME</b>			
<b>Turnover (Gross)</b>			
Revenue from operations	14	12,867,892	1,357,629
Other Income		-	-
Increase/Decrease of Stock	15	-	-
<b>Total Revenue</b>		<b>12,867,892</b>	<b>1,357,629</b>
<b>EXPENDITURE</b>			
Operating Expenses	16	10,689,257	-
Personnel Cost	17	1,383,556	1,118,285
Administration expenses	18	335,485	190,724
Interest & Finance charges	19	-	-
Depreciation/ amortization	8	79,920	79,921
<b>Total</b>		<b>12,488,218</b>	<b>1,388,930</b>
<b>Profit / (Loss) before tax</b>		<b>379,674</b>	<b>(31,301)</b>
Provision for taxation			
- Current Year Tax		95,526	-
- Deferred tax		(194,588)	-
<b>Total tax expense</b>		<b>(99,062)</b>	<b>-</b>
Profit/(Loss) from continuing operations		478,736	(31,301)
Balance brought forward from previous year		(42,044,010)	(42,012,709)
<b>Balance carried to Balance Sheet</b>		<b>(41,565,274)</b>	<b>(42,044,010)</b>
<b>Earnings per share</b>			
Basic		0.12	(0.01)
Weighted Average Number of Shares		3,940,000	3,940,000
Nominal value		10	10
The Notes to accounts form an integral part of the Profit and Loss Account			
This is the Profit and Loss Account referred to in our report of even date.			
<b>For M M REDDY &amp; CO.,</b>		For and on behalf of the Board of Directors of	
<b>Firm Registration Number : 010371S</b>		<b>K 2 SYSTEMS LIMITED</b>	
<b>Chartered Accountants</b>			
M.Madhusudhana Reddy		Director	
Partner			
Membership No. 213077			
Place : Hyderabad		Director	
Date : 03-09-2012			

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2012

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit / Loss before tax and extraordinary item	379,674	(31,301)
<b>Adjustments for:</b>		
Depreciation	79,920	79,921
Interest paid	-	-
Other Income	-	-
Misc Exp. Written off	-	-
<b>Operating Profit before Working Capital Changes</b>	<b>459,594</b>	<b>48,620</b>
<b>Adjustments for:</b>		
Inventories		
Increase in Trade and Receivables	(982,495)	105,100
Loans & Advances	-	(78,017)
Increase in Sundry Creditors	454,925	(323,951)
Cash Generated From Operations:		
Taxes Paid		
Net cash flow/(used) from operating activities (A)	<b>(67,976)</b>	<b>(248,248)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	-	-
Purchase of Investments	-	-
Sale of Investments	-	-
Net cash flow/(used) from investing activities (B)	-	-
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of Share Capital	-	-
Secured Loans	-	-
Dividend & Dividend tax Paid	-	-
Net cash flow/(used) from financing activities (C)		-
"Net Increase / Decrease in Cash and Cash equivalents (A+B+C)"	<b>(67,976)</b>	<b>(248,248)</b>
Cash and cash equivalents as at beginning of the year	6,812	255,060
<b>Cash and cash equivalents as at end of the year</b>	<b>(61,164)</b>	<b>6,812</b>

As per our report of even date attached  
For M M REDDY & CO.,  
Chartered Accountants  
Firm Registration No.010371S

(CA M Madhusudhana Reddy)  
Partner  
Membership No.213077  
Place :Hyderabad  
Date :03/09/2012

For and on behalf of the Board  
For K2 SYSTEMS LIMITED

Director

Director

<b>K 2 SYSTEMS LIMITED</b>		
<b>Notes to Accounts</b>		
(All amounts in Indian Rupees except for share data or otherwise stated)		
	2011-12	2010-11
	As at	As at
	Mar' 31, 2012	Mar' 31, 2011
<b>Note 2 : Share Capital</b>		
<b>Authorised:</b>		
50,00,000 Equity Shares of Rs.10/- each	50,000,000	50,000,000
<b>Issues, Subscribed and Paid up</b>		
3940000 equity shares of Rs.10 each	39,400,000	39,400,000
Calls in Arrears	-	-
	<b>39,400,000</b>	<b>39,400,000</b>
<b>Note 3 : Reserves and Surplus</b>		
<b>General Reserve</b>		
Balance as per last account	-	-
<b>Profit &amp; Loss A/c Surplus</b>		
Balance in the statement of profit & loss	(42,044,009)	(42,012,709)
Additions during the year	478,736	(31,300)
	<b>(41,565,273)</b>	<b>(42,044,009)</b>
<b>Note 4 : Long - term borrowings</b>		
<b>Loans and advances from banks</b>		
<b>Term loans</b>		
From banks	-	-
From others	-	-
From Associate Company	1,430,357	1,430,357
Unsecured Loans from directors	4,123,828	2,623,828
	<b>5,554,185</b>	<b>4,054,185</b>
<b>Note 5 : Deferred tax liabilities (Net)</b>		
Opening Balance	-	-
Add/Less: Current year Provision	(194,588)	-
	<b>(194,588)</b>	<b>-</b>
<b>Note 6 : Trade Payables</b>		
Sundry Creditors	885,955	466,030
Outstanding Liabilities	50,000	15,000
	<b>935,955</b>	<b>481,030</b>
<b>Note 7 : Short - term provisions</b>		
Provision for Income tax	95,526	-
Provision for Gratuity	-	83,314
TDS Payable	-	-
service Tax Payable	-	-
	<b>95,526</b>	<b>83,314</b>
<b>Note 9 : Other Non- Current Assets</b>		
MISCELLANEOUS EXPENDITURE		
Priliminary Expenditure	-	-
Public Issue Expenditure	-	-
Less : Written off	-	-
	<b>-</b>	<b>-</b>
<b>Note 10 : Trade receivables</b>		
<b>(Unsecured, considered good, unless otherwise stated)</b>		
Debts outstanding for a period exceeding six months		
Considered good	-	-
Considered doubtful	-	-
Other debts		
Considered good	780,565	40,391
	<b>780,565</b>	<b>40,391</b>
Less: Provision for doubtful debts	-	-
	<b>780,565</b>	<b>40,391</b>
<b>Note 11 : Cash and cash equivalents</b>		
Cash on hand	97,843	6,812
Balances with scheduled banks		
On current accounts	-	-
On deposit accounts	-	-
	<b>97,843</b>	<b>6,812</b>
<b>Note 12 : Short - term loans and advances</b>		
Tax Deducted at Source	1,273,597	1,273,597
Other Advances	1,500,000	-
	<b>2,773,597</b>	<b>1,273,597</b>
<b>Note 13 : Other current assets</b>		
Prepaid Expenses	-	-
Tds Receivable	-	-
Interest Receivable	-	-
	<b>-</b>	<b>-</b>

<b>K 2 SYSTEMS LIMITED</b>		
<b>Notes to Accounts</b>		
(All amounts in Indian Rupees except for share data or otherwise stated)		
	<b>2011-12</b>	<b>2010-11</b>
	<b>Year Ended Mar' 31, 2012</b>	<b>Year Ended Mar' 31, 2011</b>
<b>Note 14 : Revenue from operations</b>		
Gross Receipts from sales	12,867,892	1,357,629
Less:sales returns	-	-
	<b>12,867,892</b>	<b>1,357,629</b>
<b>Note 15 : Material Cost</b>		
<b>a. Increase in inventories</b>		
<b>Opening stock of inventories</b>		
Work- in- progress	-	-
Finished goods	-	-
	-	-
<b>Closing stock of inventories</b>		
Work- in- progress	-	-
Finished goods	-	-
	-	-
	-	-
<b>Note 16 : Operating Expenses</b>		
Purchases made during the year	10,689,257	-
Purchase of Services	-	-
Freight Charges	-	-
	<b>10,689,257</b>	<b>-</b>
<b>Note17:Personnel Cost</b>		
Staff Salaries & Allowances	705,278	1,118,285
Directors Remuneration	600,000	-
Staff Welfare	78,278	-
	<b>1,383,556</b>	<b>1,118,285</b>
<b>Note 18 : Administration expenses</b>		
Auditors Remuneration	20,000	20,000
Filing & Registration	15,698	-
Printing & Stationary	18,278	-
Communication Expenses	32,725	18,626
Consultancy Charges	15,000	-
General Expences	8,837	-
Conveyance Expences	16,483	-
Travelling Expenses	48,962	8,197
Rent	60,000	66,860
Office Maintenance	57,828	49,981
Electricity Charges	13,420	10,248
Postage and Courier charges	28,254	16,812
	<b>335,485</b>	<b>190,724</b>
<b>Note 19 : Interest&amp; Finance charges</b>		
Interest amount paid on loans	-	-
Interest charges	-	-
Bank Charges	-	-
	-	-

**K 2 SYSTEMS LIMITED****Schedules to Accounts**

(All amounts in Indian Rupees except for share data or otherwise stated)

**Note 8 : Fixed Assets**

Particulars	Gross Block			Depreciation /amortization			Net Block	
	As at April 1, 2011	Additions	As at March 31, 2012	As at April 1, 2011	For the year	As at March 31, 2012	As at March 31, 2012	As at March 31, 2011
1. Computers	2,610,743	-	2,610,743	2,610,743	-	2,610,743	-	-
2. Office Equipmet	728,504	-	728,504	332,628	-	332,628	395,876	395,876
3. Furniture & Fixtures	715,894	-	715,894	458,050	-	458,050	257,844	257,844
4. Vehicles	467,752	-	467,752	467,752	-	467,752	-	-
<b>Total</b>	<b>4,522,893</b>	<b>-</b>	<b>4,522,893</b>	<b>3,869,173</b>	<b>-</b>	<b>3,869,173</b>	<b>653,720</b>	<b>653,720</b>
<b>Previous year</b>	<b>4,522,893</b>	<b>-</b>	<b>4,522,893</b>	<b>3,789,253</b>	<b>79,921</b>	<b>3,869,173</b>	<b>653,720</b>	<b>733,640</b>

**NOTE: 1 SIGNIFICANT ACCOUNTING POLICIES:**

**1. Basis of preparation of financial statements**

The accompanying financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention, on the basis of a going concern basis, while revenue, expenses, assets and Liabilities accounted/recognized on accrual basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India (ICAI), the provisions of the Companies Act, 1956. Accounting policies are consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

Management evaluates all recently issued or revised accounting standards on an ongoing basis. The financial statements are prepared under the historical cost convention. Recognition of income and expenses, accrual basis of accounting is followed.

**2. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts, future obligations under retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Management periodically assessed using external and internal sources whether there is an indication that an asset may be impaired. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Actual results could differ from those estimates.

**3. Revenue Recognition**

Revenue has been recognized on accrual basis.

**4. Expenditure**

Expenses are accounted on accrual basis and provisions are made for all known losses and liabilities.

**5. Fixed Assets, intangible assets and capital work-in-progress**

Fixed Assets are stated at cost, less accumulated depreciation. All direct costs are capitalized until fixed assets are ready for use including taxes, duties, freight and other incidental expenses relating to acquisition and installation. Capital work-in-progress comprises outstanding advances paid to acquire fixed assets, and the cost of fixed assets that are not yet ready for their intended use at the balance sheet date. Intangible assets are recorded at the consideration paid for acquisition.



**6. Depreciation and amortization**

Depreciation on fixed assets is applied on straight-line method, pro-rata for the period of usage, in accordance with the rates prescribed under schedule XIV of the Companies Act, 1956.

**7. Income tax**

Income taxes are computed using the tax effect accounting method, in accordance with the Accounting Standard (AS 22) "Accounting for Taxes on Income" which includes current taxes and deferred taxes. Deferred income taxes reflect the impact if current year timing differences between taxable income and accounting income for the year and the relevant of timing difference of earlier years. Deferred tax asset and liabilities are measured at the tax rates that are expected to apply to the period when the asset / liability is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred Tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

**8. Employee Benefits**

The company has recognized the employee benefits in the books of accounts as per management estimates.

**K2 SYSTEMS LIMITED**

6-3-650, 503, Maheswari Chambers, Beside Medinova Diagnostics,  
Somajiguda, Erramanzyl, Hyderabad - 500 082.

**PROXY FORM**

I/We \_\_\_\_\_ of \_\_\_\_\_

In the District of \_\_\_\_\_ being a member/members of the  
above named company, hereby appoint Mr/Mrs/Ms \_\_\_\_\_  
\_\_\_\_\_in the District of \_\_\_\_\_ as my/our  
proxy to attend and vote for me /us on my/ our behalf at the 23<sup>rd</sup> Annual General  
Meeting of the Company to be held on 6-3-650, 503, Maheswari Chambers,  
Beside Medinova Diagnostics, Somajiguda, Erramanzyl, Hyderabad - 500 082.  
held on Saturday the 29th day of September, 2012 at 11.00 A.M. and at any  
adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2012

Address \_\_\_\_\_

Folio No. / Clinent ID \_\_\_\_\_

No. of Shares held : \_\_\_\_\_

Affix  
Re. 1/-  
Revenue  
Stamp

**Note:** The proxy form duly signed completed must be signed deposited at the  
Registered Office of the Company not less than 48 hours before the time of holding the  
meeting.

**K2 SYSTEMS LIMITED**

6-3-650, 503, Maheswari Chambers, Beside Medinova Diagnostics,  
Somajiguda, Erramanzyl, Hyderabad - 500 082.

**ATTENDANCE SLIP**

I hereby record my presence at the 23<sup>rd</sup> Annual General Meeting of the Company  
to be held on 6-3-650, 503, Maheswari Chambers, Beside Medinova Diagnostics,  
Somajiguda, Erramanzyl, Hyderabad - 500 082. held on Saturday the 29th day  
of September, 2012 at 11.00 A.M. and at any adjournment thereof.

Shareholders/Proxy's Signature \_\_\_\_\_

Shareholders/Proxy's full name \_\_\_\_\_  
(In Block Letters)

Folio No. / Clind ID \_\_\_\_\_ No. of Shares held \_\_\_\_\_

**Note:** Shareholder attend the meeting in person or by proxy are required to complete  
the attendance slip and hand it over at the entrance of the meeting hall.

**PRINTED MATTER**  
**BOOK - POST**

*If undelivered please return to :*

**K2 Systems Limited**

6-3-650, 503, Maheswari Chambers, Beside Medinova  
Diagnostics, Somajiguda, Erramanzyl, Hyderabad - 500 082.