

K2 SYSTEMS LIMITED

**26th
ANNUAL REPORT
2014-2015**

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CORPORATE INFORMATION

BOARD OF DIRECTORS:

- | | | |
|----------------------------|---|--|
| 1. Mr. Boga Prabhakar | - | Whole Time Director (DIN: 01832368) |
| 2. Ms. Boga Sharathdruthi | - | Non Executive Director (DIN: 05273091) |
| 3. Mrs. B. Nageshwar Rao | - | Independent Director (DIN: 06549041) |
| 4. Mr. K. R. Srinivasa Rao | - | Independent Director (DIN: 01682859) |
| 5. Mr. A. Narasimha Sarma | - | Independent Director (DIN: 01582638) |

REGISTERED OFFICE:

H. No. 10-4-1/A/8, Flat No G-3,
Ramakrishna Nagar,
Srilaxmi Nlayam, Lower Masab Tank,
Hyderabad - 500028
bogaprabhakar@yahoo.com

AUDITORS:

M/s. M. M. Reddy & Co.
Chartered Accountants,
G-8, Amrutha Ville, Opp. Yashodha Hospital,
Rajbhavan Road, Somajiguda,
Hyderabad - 500 082

AUDIT COMMITTEE:

- | | | |
|----------------------------|----|----------|
| 1) Mr. B. Nageshwar Rao | -- | Chairman |
| 2) Mr. Narasimha Sarma | -- | Member |
| 3) Mr. K. R. Srinivasa Rao | -- | Member |

NOMINATION & REMUNERATION COMMITTEE:

- | | | |
|----------------------------|----|----------|
| 1) Mr. Narasimha Sarma | -- | Chairman |
| 2) Mr. B. Nageshwar Rao | -- | Member |
| 3) Mr. K. R. Srinivasa Rao | -- | Member |

STAKEHOLDERS RELATIONSHIP COMMITTEE:

- | | | |
|----------------------------|----|----------|
| 1) Mr. B. Nageshwar Rao | -- | Chairman |
| 2) Mr. Narasimha Sarma | -- | Member |
| 3) Mr. K. R. Srinivasa Rao | -- | Member |

INDEPENDENT DIRECTORS COMMITTEE:

- 1) Mr. K. R. Srinivasa Rao -- Chairman
- 2) Mr. B. Nageshwar Rao -- Member
- 3) Mr. Narasimha Sarma -- Member

RISK MANAGEMENT COMMITTEE:

- 1) Mr. K. R. Srinivasa Rao -- Chairman
- 2) Mr. Boga Prabhakar -- Member
- 3) Mr. B. Nageshwar Rao -- Member

LISTING:

Metropolitan Stock Exchange of India Ltd

REGISTRAR & SHARE TRANSFER AGENTS:

Big Share Services Private Limited
E – 2/3, Ansa Industrial Estate
Sakivihar Road, Saki Naka
Andheri (E), Mumbai - 400072

CIN:

L72200TG1989PLC010200

DEMAT ISIN NUMBER

INE441B01016

WEBSITE:

www.K2sy.com

INVESTOR MAIL-ID:

ktwosys@gmail.com

NOTICE

NOTICE is hereby given that the 26th Annual General Meeting of the Shareholders of **M/s. K2 Systems Limited** will be held on Wednesday, 30th day of September, 2015 at 10.30. a.m. at the registered office of the Company at H. No. 10-4-1/A/8, Flat No. G-3, Ramakrishna Nagar, Srilaxmi Niyam, Lower Masab Tank, Hyderabad - 500028 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Standalone Audited Balance Sheet as at March 31st, 2015, the Statement of Profit & Loss and Cash Flow Statement for the year ended on that date together with the Annexure and Notes attached thereto, along with the Reports of Auditors and Directors thereon.
2. To appoint a director in place of Mr. Boga Prabhakar who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s. M.M. Reddy & Co., Statutory Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company at remuneration as may be fixed by the Board.

SPECIAL BUSINESS:

4. AMENDMENT OF ARTICLES OF ASSOCIATION OF THE COMPANY:

To consider and if thought fit, to pass, with or without modification(s) the following resolution as a **Special Resolution**:

“RESOLVED THAT pursuant to provisions of Section 5 read with section 14 and all other applicable provisions of the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof, for the time being in force) the new draft Articles as contained in the Articles of Association submitted be and are hereby approved and adopted in substitution, and to the entire exclusion of the regulations contained in the existing Articles of Association of the Company.”

“RESOLVED FURTHER THAT the Board of Directors of the Company (which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this resolution) and the Company Secretary of the Company, be and are hereby severally authorised to take all such steps as may be necessary, proper and expedient to give effect to this resolution.”

For and on Behalf of the Board
K2 Systems Limited

Sd/-
Boga Prabhakar
Whole-Time Director
(DIN: 01832368)

Place: Hyderabad
Date: 14.08.2015

Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.** The instrument of Proxy in order to be effective shall be deposited at the Corporate Office of the Company by not less than 48 hours before the commencement of the Meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 26.09.2015 to 30.09.2015 (Both days inclusive).
3. Members holding shares in the electronic form are requested to inform any changes in address/bank mandate directly to their respective Depository Participants.
4. Members are requested to hand over the enclosed Attendance Slip, duly signed in accordance with their specimen signature(s) registered with the Company for admission to the meeting hall. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID Numbers for identification.
5. Corporate Members are requested to send to the Company's Registrar & Transfer Agent, a duly certified copy of the Board Resolution authorizing their representative to attend and vote at the Annual General Meeting.
6. In case of joint holders attending the Meeting, only such joint holders who are higher in the order of names will be entitled to vote.
7. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore requested to submit the PAN to their Depository Participant with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.
8. As a measure of austerity, copies of the annual report will not be distributed at the Annual General Meeting. Members are therefore, requested to bring their copies of the Annual Report to the Meeting.
9. Members holding shares in the same name under different ledger folios are requested to apply for Consolidation of such folios and send the relevant share certificates to M/s. Bigshare Services Pvt Ltd, Share Transfer Agents of the Company for their doing the needful.

10. Electronic copy of the Annual Report for 2014-15 is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report for 2014-2015 is being sent in the permitted mode.
11. Members may also note that the Notice of the 26th Annual General Meeting and the Annual Report for 2014-15 will also be available on the Company's website www.K2sy.com for their download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office for inspection during normal business hours on working days. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post free of cost. For any communication, the shareholders may also send requests to the Company's investor email id ktwosys@gmail.com
12. In respect of shares held in physical mode, all shareholders are requested to intimate changes, if any, in their registered address immediately to the registrar and share transfer agent of the company and correspond with them directly regarding share transfer/transmission /transposition, Demat/Remat, change of address, issue of duplicate shares certificates, ECS and nomination facility.
13. In terms of Section 72 of the Companies Act, 2013, a member of the company may nominate a person on whom the shares held by him/her shall vest in the event of his/her death. Members desirous of availing this facility may submit nomination in prescribed Form-SH-13 to the company/RTA in case shares are held in physical form, and to their respective depository participant, if held in electronic form.
14. The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date (record date) of 25.09.2015.
15. The Register of Directors' and Key Managerial Personnel and their shareholding maintained under Section 170 of the Companies Act, 2013, the Register of Contracts or arrangements in which the directors are interested under Section 189 of the Companies Act, 2013, will be available for inspection at the AGM.
16. Relevant documents referred to in the accompanying Notice, as well as Annual Reports and Annual Accounts of the Subsidiaries Companies whose Annual Accounts have been consolidated with the Company are

open for inspection at the Registered Office of the Company, during the office hours, on all working days between 10.00 A.M. to 5.00 P.M. up to the date of Annual General Meeting.

17. The Ministry of Corporate Affairs (vide circular nos. 17/2011 and 18/2011 dated April 21 and April 29, 2011 respectively), has undertaken a 'Green Initiative in Corporate Governance' and allowed companies to share documents with its shareholders through an electronic mode. Members are requested to support this green initiative by registering/uploading their email addresses, in respect of shares held in dematerialized form with their respective Depository Participant and in respect of shares held in physical form with the Company's Registrar and Share Transfer Agents.
18. Voting through electronic means

Pursuant to Section 108 of the Companies Act, 2013, read with the relevant Rules of the Act, the Company is pleased to provide the facility to Members to exercise their right to vote by electronic means. The Members, whose names appear in the Register of Members / list of Beneficial Owners as on 23.09.2015 are entitled to vote on the Resolutions set forth in this Notice. The e-voting period will commence at 9.00 a.m. on 27th September, 2015 and will end at 5.00 p.m. on 29th September, 2015. The facility for voting through electronic voting system ('Insta Poll') shall be made available at the meeting and the members attending the meeting who have not cast their vote by remote e-voting shall be able to vote at the meeting through 'Insta Poll'. The Company has appointed Mr. S. Sarveswar Reddy, Practising Company Secretary, to act as the Scrutinizer, to scrutinize the Insta Poll and e-voting process in a fair and transparent manner. The Members desiring to vote through remote e-voting refer to the detailed procedure given hereinafter

- (A) In case of members receiving e-mail:
- (i) Log on to the e-voting website www.evotingindia.com
 - (ii) Click on "Shareholders" tab to cast your votes.
 - (iii) Now, select the Electronic Voting Sequence Number - "EVSN" along with "COMPANY NAME" from the drop down menu and click on "SUBMIT"
 - (iv) Enter your User ID- For CDSL: 16 digits beneficiary ID followed by 8 Digits Client ID, Members holding shares in Physical form should enter Folio Number registered with the Company and then enter the Captcha Code as displayed and click on login.
-

(v) If you are holding shares in Demat form and have already voted earlier on www.evotingindia.co.in for a voting of any Company, then your existing login id and password are to be used. If you are a first time user follow the steps given below.

(vi) Now, fill up the following details in the appropriate boxes:

	For Members holding shares in Demat Form	For Members holding shares in Physical Form
User ID	For CDSL: 16 digits beneficiary ID For NSDL: 8 Character DP ID followed by 8 Digits Client ID	Folio Number registered with the Company
PAN*	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department when prompted by the system while e-voting (applicable for both demat shareholders as well as physical shareholders)	
DOB#	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.	
Dividend Bank Details#	Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.	

* Members who have not updated their **PAN** with the Company/Depository Participant are requested to use the first two letters of their name and the sequence number (available in the Address Label pasted in the cover and/or in the e-mail sent to Members) in the PAN field. In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name. Eg. If your name is Mohan with sequence number 1 then enter MO00000001 in the PAN Field.

please enter any one of the details in order to login. In case both the details are not recorded with the depository or Company, please enter the Member id/folio number in the Dividend Bank details field.

(vii) After entering these details appropriately, click on "SUBMIT" tab.

(viii) Members holding shares in physical form will then reach directly the EVSN selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character (@ # \$ % & *).

Kindly note that this password is also to be used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Kindly note that this changed password is to be also used by the Demat holders for voting for resolutions for the Company or any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform.

- (ix) Click on the relevant EVSN on which you choose to vote.
 - (x) On the voting page, you will see Resolution Description and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
 - (xi) Click on the “Resolutions File Link” if you wish to view the entire Resolutions.
 - (xii) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
 - (xiii) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
 - (xiv) You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.
 - (xv) If Demat account holder has forgotten the same password then enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (II) In case of members receiving the Physical copy of Notice of AGM [for members whose e-mail IDs are not registered with the company/ depository participant(s) or requesting physical copy]:**
- (A) Please follow all steps from sl. no. (ii) to sl. no. (xv) above, to cast vote.
 - (B) Institutional shareholders (i.e., other than individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.co.in> and register themselves, link their account which they wish to vote on and then

cast their vote. They should upload a scanned copy of the Board Resolution and POA in favour of the Custodian who they have authorized to vote on their behalf, in PDF format in the system for the scrutinizer to verify the vote.

- (C) The voting period begins on 27.09.2015 at 9.00 A.M. and ends on 29.09.2015 at 5.00.P.M. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on 25.09.2015 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
- (D) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com under help section or write an email to helpdesk.evoting@cdslindia.com.
- (xvi). Mr. S. Sarveswara Reddy, Practicing Company Secretary, bearing C.P. Number 7478 has been appointed as the Scrutinizer to scrutinize the e-voting process.
- (xvii). The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
- (xviii). The Results shall be declared on or after the AGM of the Company. The Results declared along with the Scrutinizer's Report shall be placed on the Company's website www.K2sy.com and on the website of CDSL within two(2) days of passing of the resolutions at the AGM of the Company and communicated to the MCX Limited.

For and on Behalf of the Board
K2 Systems Limited

Sd/-
Boga Prabhakar
Whole-Time Director
(DIN: 01832368)

Place: Hyderabad
Date: 14.08.2015

EXPLANATORY STATEMENT

(Pursuant to Section 102(2) of the Companies Act, 2013)

Item No. 4:

The Articles of Association of the Company (“Articles”) as currently in force was adopted pursuant to the provisions under the Companies Act, 1956. The Companies Act, 1956 has been superseded by the Companies Act, 2013. The references to specific sections of the Companies Act, 1956 in the existing Articles of Association is hence to be amended to align the extant Articles with the provisions of the Companies Act, 2013 and rules thereunder.

Salient aspects of the proposed amended Articles:

Under the proposed amended Articles, salient aspects of sections of Table-F of Schedule I to the Companies Act, 2013 which sets out the model Articles of Association for a Company limited by shares have been adopted. As mentioned in the previous para, changes that are required to be carried out pursuant to the Companies Act, 2013 and rules thereunder coming into force have been duly carried out.

The resolution as set out in item no. 4 has been recommended by the Board of Directors for approval of the Members by special resolution.

The proposed new draft of Articles of Association is also available for inspection by the Members at the Registered Office of the Company on any working day excluding public holidays and Sunday from the date here upto 30.09.2015.

None of the Directors or Key Managerial Personnel of the Company or their relatives are in any way are concerned or interested, financially or otherwise, in the Special Resolution set out at item No. 4 of the Notice.

For and on Behalf of the Board
K2 Systems Limited

Sd/-
Boga Prabhakar
Whole-Time Director
(DIN: 01832368)

Place: Hyderabad
Date: 14.08.2015

BOARD'S REPORT

To
The Members,

The Directors have pleasure in presenting before you the 26th Annual Report of the Company together with the Audited Statements of Accounts for the year ended 31st March, 2015.

1. FINANCIAL SUMMARY/HIGHLIGHTS, OPERATIONS, STATE OF AFFAIRS:

The performance during the period ended 31st March, 2015 has been as under:

Particulars	2014-2015	2013-2014
Gross Income	14,223,275	25,465,184
Profit Before Interest and Depreciation	13,768,835	24847644
Finance Charges	--	--
Gross Profit	454,440	617540
Provision for Depreciation	--	79,920
Net Profit Before Tax	454,440	537620
Provision for Tax	184,355	360,514
Net Profit After Tax	270,085	177,106
Balance of Profit brought forward	(40,825,553)	(41,002,659)
Balance available for appropriation	--	--
Proposed Dividend on Equity Shares	--	--
Tax on proposed Dividend	--	--
Transfer to General Reserve	--	--
Surplus carried to Balance Sheet	(40,555,468)	(40,825,553)

During the year under review, the Company has recorded an income of Rs. 14,223,275 and the profit of Rs. 270,085 as against the income of Rs. 25,465,184 and profit of Rs. 177,106 in the previous financial year ending 31.03.2014.

2. EVENTS SUBSEQUENT TO THE DATE OF FINANCIAL STATEMENTS:

There were no material changes and commitments affecting financial position of the company between 31st March and the date of Board's Report. (i.e. 14.08.2015)

3. CHANGE IN THE NATURE OF BUSINESS, IF ANY:

During the period under review and the date of Board's Report there was no change in the nature of Business.

4. FIXED DEPOSITS:

Your Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

5. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations.

6. INDUSTRIAL RELATIONS:

During the year under review, your Company enjoyed cordial relationship with workers and employees at all levels.

7. DIVIDEND:

No dividend is proposed to be declared for the year.

8. BOARD MEETINGS:

The Board of Directors met 5 times during the year on 29.05.2014, 13.08.2014, 13.09.2014, 14.11.2014, 14.02.2015 and the maximum gap between any two meetings was less than four months, as stipulated under Clause 49.

9. DIRECTORS AND KEY MANAGERIAL PERSONNEL:

In accordance with the Companies Act, 2013 read with Articles of Association of the company the Director namely Mr. Boga Prabhakar

retires by rotation and being eligible, offers himself for re-appointment at this ensuring Annual General Meeting. Your Directors recommend his re-appointment.

During the period under review, there is no appointment, resignation or casual vacancy of any director during the year.

POLICY FOR SELECTION OF DIRECTORS AND DETERMINING DIRECTORS' INDEPENDENCE:

1. Scope:

This policy sets out the guiding principles for the Nomination & Remuneration Committee for identifying persons who are qualified to become Directors and to determine the independence of Directors, in case of their appointment as independent Directors of the Company.

2. Terms and References:

2.1 "Director" means a director appointed to the Board of a Company.

2.2 "Nomination and Remuneration Committee means the committee constituted in accordance with the provisions of Section 178 of the Companies Act, 2013 and clause 49 of the Equity Listing Agreement.

2.3 "Independent Director" means a director referred to in sub-section (6) of Section 149 of the Companies Act, 2013 and Clause 49(II)(B) of the Equity Listing Agreement.

3. Policy:

Qualifications and criteria

3.1.1 The Nomination and Remuneration Committee, and the Board, shall review on annual basis, appropriate skills, knowledge and experience required of the Board as a whole and its individual members. The objective is to have a board with diverse background and experience that are relevant for the Company's operations.

3.1.2 In evaluating the suitability of individual Board member the Nomination and Remuneration Committee may take into account factors, such as:

- General understanding of the company's business dynamics, global business and social perspective;

- Educational and professional background
- Standing in the profession;
- Personal and professional ethics, integrity and values;
- Willingness to devote sufficient time and energy in carrying out their duties and responsibilities effectively.

3.1.3 The proposed appointee shall also fulfill the following requirements:

- shall possess a Director Identification Number;
- shall not be disqualified under the companies Act, 2013;
- shall Endeavour to attend all Board Meeting and Wherever he is appointed as a Committee Member, the Committee Meeting;
- shall abide by the code of Conduct established by the company for Directors and senior Management personnel;
- shall disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals including his shareholding at the first meeting of the Board in every financial year and thereafter whenever there is a change in the disclosures already made;
- Such other requirements as any be prescribed, from time to time, under the companies Act, 2013, Equity listing Agreements and other relevant laws.

3.1.4 The Nomination & Remuneration Committee shall evaluate each individual with the objective of having a group that best enables the success of the company's business.

3.2 criteria of independence

3.2.1 The Nomination & Remuneration Committee shall assess the independence of Directors at time of appointment/ re-appointment and the Board shall assess the same annually. The Board shall re-assess determinations of independence when any new interest or relationships are disclosed by a Director.

3.2.2 The criteria of independence shall be in accordance with the guidelines as laid down in companies Act, 2013 and Clause 49 of the Equity Listing Agreement.

3.2.3 The independent Director shall abide by the "code for independent Directors" as specified in Schedule IV to the companies Act, 2013.

3.3 other directorships/committee memberships

- 3.3.1 The Board members are expected to have adequate time and expertise and experience to contribute to effective Board performance Accordingly, members should voluntarily limit their directorships in other listed public limited companies in such a way that it does not interfere with their role as director of the company. The Nomination and Remuneration Committee shall take into account the nature of, and the time involved in a director service on other Boards, in evaluating the suitability of the individual Director and making its recommendations to the Board.
- 3.3.2 A Director shall not serve as director in more than 20 companies of which not more than 10 shall be public limited companies.
- 3.3.3 A Director shall not serve an independent Director in more than 7 listed companies and not more than 3 listed companies in case he is serving as a whole-time Director in any listed company.
- 3.3.4 A Director shall not be a member in more than 10 committee or act chairman of more than 5 committee across all companies in which he holds directorships.

For the purpose of considering the limit of the committee, Audit committee and stakeholder's relationship committee of all public limited companies, whether listed or not, shall be included and all other companies including private limited companies, foreign companies and companies under section 8 of the companies Act, 2013 shall be excluded.

Remuneration policy for Directors, key managerial personnel and other employees

- 1. Scope:
 - 1.1 This policy sets out the guiding principles for the Nomination and Remuneration committee for recommending to the Board the remuneration of the directors, key managerial personnel and other employees of the company.

2. Terms and Reference:

In this policy the following terms shall have the following meanings:

- 2.1 "Director" means a director appointed to the Board of the company.
- 2.2 "key managerial personnel" means

- (i) The Chief Executive Officer or the managing director or the manager;
- (ii) The company secretary;
- (iii) The whole-time director;
- (iv) The chief financial Officer; and
- (v) Such other office as may be prescribed under the companies Act, 2013

2.3 “Nomination and Remuneration committee” means the committee constituted by Board in accordance with the provisions of section 178 of the companies Act, 2013 and clause 49 of the Equity Listing Agreement.

3. Policy:

3.1 Remuneration to Executive Director and key managerial personnel

3.1.1 The Board on the recommendation of the Nomination and Remuneration (NR) committee shall review and approve the remuneration payable to the Executive Director of the company within the overall approved by the shareholders.

3.1.2 The Board on the recommendation of the Nomination and Remuneration committee shall also review and approve the remuneration payable to the key managerial personnel of the company.

3.1.3 The remuneration structure to the Executive Director and key managerial personnel shall include the following components:

- (i) Basic pay
- (ii) Perquisites and Allowances
- (iii) Stock Options
- (iv) Commission (Applicable in case of Executive Directors)
- (v) Retrial benefits
- (vi) Annual performance Bonus

3.1.4 The Annual plan and Objectives for Executive committee shall be reviewed by the NR committee and Annual performance Bonus will be approved by the committee based on the achievement against the Annual plan and Objectives.

3.2 Remuneration to Non – Executive Directors

3.2.1 The Board, on the recommendation of the NR Committee, shall review and approve the remuneration payable to the Non – Executive Directors of the Company within the overall limits approved by the

shareholders as per the provisions of Companies Act, 2013.

3.2.2 Non – Executive Directors shall be entitled to sitting fees attending the meetings of the Board and the Committees thereof. The Non-Executive Directors shall also be entitled to profit related commission in addition to the sitting fees.

3.3. Remuneration to other employees

3.3.1. Employees shall be assigned grades according to their qualifications and work experience, competencies as well as their roles and responsibilities in the organization. Individual remuneration shall be determined within the appropriate grade and shall be based on various factors such as job profile skill sets, seniority, experience and prevailing remuneration levels for equivalent jobs.

10. DECLARATION FROM INDEPENDENT DIRECTORS ON ANNUAL BASIS

The Company has received necessary declaration from Mr. K. R. Srinivasa Rao, Mr. A. Narasimha Sarma and Mr. B. Nageshwar Rao Independent Directors of the Company, under Section 149(7) of the Companies Act, 2013 that the Independent Directors of the Company meet with the criteria of their Independence laid down in Section 149(6).(Format Annexure II)

10. COMPOSITION OF AUDIT COMMITTEE

i) 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 177 of the Companies Act, 2013.

ii) 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.
 - 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.
- iii) The previous Annual General Meeting of the Company was held on 30th September, 2014 and Mr. B. Nageshwar Rao, Chairman of the Audit Committee, attended previous AGM.
- iv) The composition, meetings and the attendance during the year of the Audit Committee is 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 2014-2015, (4) four meetings of the Audit Committee were held on the 29.05.2014, 13.08.2014, 14.11.2014 and 14.02.2015.

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

Name	Designation	Category	No. of meetings held during the year	No. of meeting attended during the year
Mr. B. Nageshwar Rao	Chairman	NED (I)	4	4
Mr. Narasimha Sarma	Member	NED (I)	4	4
Mr. K. R. Srinivasa Rao	Member	NED (I)	4	4

NED (I): Non Executive Independent Director
ED: Executive Director

NOMINATION AND REMUNERATION COMMITTEE:

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

Name	Designation	Category
Mr. Narasimha Sarma	Chairman	NED (I)
Mr. B. Nageshwar Rao	Member	NED (I)
Mr. K. R. Srinivasa Rao	Member	NED (I)

NED (I): Non Executive Independent Director
ED: Executive Director

Terms of reference:

The main term of reference of the Committee is to approve the fixation/revision of remuneration of the Directors 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.

Remuneration Policy:

The objectives of the remuneration policy are to motivate Directors to excel in their performance, recognize their contribution and retain talent in the organization and reward merit.

The remuneration levels are governed by industry pattern, qualifications and experience of the Directors, responsibilities shouldered, individual performance etc.

No remuneration was paid to Non-Executive Directors of the Company for the financial year 2014-15. The details of remuneration paid to the Executive Director for the financial year 2014-15 are given below

Name of the Director	Designation	Salary (Rs in Lakhs)	Commission (Rs in Lakhs)	Perquisites (Rs in Lakhs)	Retirement Benefits (Rs in Lakhs)
Mr. Boga Prabhakar	Whole -	6,00,000	Nil	Nil	Nil
	Time Director		Nil	Nil	Nil
TOTAL		6,00,000			

STAKEHOLDERS RELATIONSHIP COMMITTEE:**Composition:**

The shareholders/ Investors Grievance Committee was constituted to look into the redressing of shareholders and Investors Complaints concerning transfer of shares, non receipt of Dividend and other allied complaints.

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

Name	Designation	Category
Mr. B. Nageshwar Rao	Chairman	NED (I)
Mr. Narasimha Sarma	Member	NED (I)
Mr. K. R. Srinivasa Rao	Member	NED (I)

Powers:

The Committee has been delegated with the following powers:

- To redress shareholder 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 certificates etc.
- 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 Company has designated Mr. Boga Prabhakar, Whole-Time Director of the Company as a Compliance Officer.

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

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

11. VIGIL MECHANISM:

Report details of establishment of vigil mechanism (for directors and employees to report genuine concerns) pursuant to the provisions of section 177(9) & (10) of the Companies Act, 2013.

- 1.1. Section 177 of the Companies Act, 2013 requires every listed company and such class or classes of companies, as may be prescribed to establish a vigil mechanism for the directors and employees to report genuine concerns in such manner as may be prescribed. Such a vigil

mechanism shall provide for adequate safeguards against victimization of persons who use such mechanism and also make provision for direct access to the chairperson of the Audit Committee in appropriate or exceptional cases.

- 1.2. K2 Systems Limited, being a Listed Company proposes to establish a Whistle Blower Policy/ Vigil Mechanism and to formulate a policy for the same.
- 1.3 Clause 49 of the Listing Agreement between listed companies and the Stock Exchanges, inter alia, provides for a non-mandatory requirement for all listed companies to establish a mechanism called 'Whistle Blower Policy' for employees to report to the management instances of unethical behavior, actual or suspected, fraud or violation of the company's code of conduct.

12. DIRECTOR'S RESPONSIBILITY STATEMENT:

In pursuance of section 134 (5) of the Companies Act, 2013, the Directors hereby confirm that:

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) 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 and of the profit and loss of the company for that period;
- (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) the directors had prepared the annual accounts on a going concern basis; and
- (e) the directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

13. INFORMATION ABOUT THE FINANCIAL PERFORMANCE / FINANCIAL POSITION OF THE SUBSIDIARIES / ASSOCIATES/ JOINT VENTURES:

Your Company does not have any subsidiary company.

14. EXTRACT OF ANNUAL RETURN:

As required pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of annual return in MGT 9 as a part of this Annual Report **(FORMAT IN ANNEXURE I)**

15. 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.

16. SECRETARIAL AUDIT:

Pursuant to the provisions of Section 134(3)(f) & Section 204 of the Companies Act, 2013, Secretarial audit report as provided by M/s. S. S. Reddy & Associates, Practicing Company Secretaries is annexed to this Report as annexure.

17. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO:

(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 |

18. DETAILS RELATING TO DEPOSITS, COVERING THE FOLLOWING:

Your Company has not accepted any deposits falling within the meaning of Sec.73, 74 & 76 of the Companies Act, 2013 read with the Rule 8(v) of Companies (Accounts) Rules 2014, during the financial year under review.

19. SIGNIFICANT & MATERIAL ORDERS PASSED BY THE REGULATORS:

During the period under review there were no significant and material orders passed by the regulators or Courts or Tribunals impacting the going concern status and the company's operations in future.

20. DETAILS OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS:

During the period under review the Company has maintained adequate Internal Financial Controls with reference to the Financial Statements.

21. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:

The company has not given loans, Guarantees or Investments

22. RISK MANAGEMENT POLICY:

Your Company follows a comprehensive system of Risk Management. Your Company has adopted a procedure for assessment and minimization of probable risks. It ensures that all the risks are timely defined and mitigated in accordance with the well structured risk management process.

23. CORPORATE SOCIAL RESPONSIBILITY POLICY:

Corporate Social Responsibility is not applicable to the Company since the Net Profit of the Company is less than 5 Crores, the Net worth of the Company is less than 500 Crores and also the Turnover of the Company is less than 1000 Crores. .

24. RELATED PARTY TRANSACTIONS:

During the year, the Company had not entered into any contract/arrangement/transaction with related parties which could be considered material in accordance with the policy of the company on materiality of related party transactions.

25. FORMAL ANNUAL EVALUATION:

Statement about the manner in which the formal evaluation made by the Board of its own performance and that of its committees and individual Directors.

26. DISCLOSURE ABOUT COST AUDIT:

Cost Audit is not applicable to the Company.

27. RATIO OF REMUNERATION TO EACH DIRECTOR:

Under section 197(12) of the Companies Act, 2013, and Rule 5(1)(2) & (3) of the Companies(Appointment & Remuneration) Rules, 2014, no remuneration is being paid to any of the Directors of the Company.

28. LISTING WITH STOCK EXCHANGES:

The Company is listed with **Metropolitan Stock Exchange of India Ltd** the Company confirms that it has paid the Annual Listing Fees for the year 2015-2016 where the Company's Shares are listed.

29. CORPORATE GOVERNANCE AND SHAREHOLDERS INFORMATION:

Report on Corporate Governance is not applicable to the Company since the Paid-up Capital of the Company is less than 10 Crores and the Net worth of the Company is less than 25 Crores.

30. INDUSTRY BASED DISCLOSURES AS MANDATED BY THE RESPECTIVE LAWS GOVERNING THE COMPANY NBFC, HOUSING COMPANIES ETC.

NotApplicable

31. SECRETARIAL STANDARDS

EVENT BASED DISCLOSURES:

- | | |
|--|----|
| 1. Issue of sweat equity share: | NA |
| 2. Issue of shares with differential rights: | NA |
| 3. Issue of shares under employee's stock option scheme: | NA |
| 4. Disclosure on purchase by company or giving of loans by it for purchase of its shares: NA | |
| 5. Buy back shares: | NA |
| 6. Disclosure about revision: | NA |
| 7. Reduction of Share Capital of the Company: | |

The Company has been generating marginal profits for past couple of years which are not sufficient for the Company in terms of its growth, expansion and has undertaken this proposal of setting off huge accumulated losses to the extent of Rs. 3,54,60,000/- against the paid up equity capital of the company which is unrepresented by assets. Even the shareholders have suffered a total erosion of value of their investments on account of the losses suffered by the company. Further in view of the complete erosion of the Net Worth, the Company is not in a position to undertake operations in a reasonable way.

Hence, the company during the year High Court approval reduced 90% of its existing paid up equity share capital against the accumulated losses. upon the reduction of capital stands at 39,40,000.

33. EMPLOYEE RELATIONS:

Your Directors are pleased to record their sincere appreciation of the contribution by the staff at all levels in the improved performance of the Company.

None of the employees is drawing Rs. 5,00,000/- and above per month or Rs.60,00,000/- and above in aggregate per annum, the limits prescribed under Section 134 of the Companies Act, 2013

34. DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has in place an Anti Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act, 2013. Internal Complaint Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees are covered under this policy.

The following is the summary of sexual harassment complaints received and disposed during the calendar year.

No. of complaints received:	Nil
No. of complaints disposed off:	Nil

35. ACKNOWLEDGEMENTS:

Your Directors wish to place on record their appreciation of the contribution made by the employees at all levels, to the continued growth and prosperity of your Company.

Your Directors also wish to place on record their appreciation of business constituents, banks and other financial institutions and shareholders of the Company like SEBI, BSE, NSDL, CDSL, ICICI Bank etc. for their continued support for the growth of the Company.

For and on Behalf of the Board
K2 Systems Limited

Sd/-
Boga Prabhakar
Whole-Time Director
(DIN: 01832368)

Place: Hyderabad
Date: 14.08.2015

DECLARATION BY DIRECTOR OF AFFIRMATION BY DIRECTORS AND SENIOR MANAGEMENT PERSONNEL OF COMPLIANCE WITH THE CODE OF CONDUCT:

The Shareholders

I, Boga Prabhakar, Whole Time Director of the Company do hereby declare that the directors and senior management of the Company have exercised their authority and powers and discharged their duties and functions in accordance with the requirements of the code of conduct as prescribed by the Company and have adhered to the provision of the same.

For and on Behalf of the Board
K2 Systems Limited

Place: Hyderabad
Date: 14.08.2015

Sd/-
Boga Prabhakar
Whole-Time Director
(DIN: 01832368)

Sd/-
B. Sharathdhruthi
Director
(DIN: 05273091)

ANNEXURE INDEX

Annexure number	Details of annexure
I	Annual Return Extracts in MGT 9
II	Format of declaration by Independent Director
III	AOC 2 – Related Party Transactions disclosure
IV	Ratio of Remuneration

MGT 9**Extract of Annual Return****as on the Financial Year 31.03.2015****[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]**

I. REGISTRATION AND OTHER DETAILS :					
i.	CIN:-	L72200TG1989PLC010200			
ii.	Registration Date	03.07.1989			
iii.	Name of the Company	K2 Systems Limited			
iv.	Category / Sub-Category of the Company	Company limited by shares/Non government company			
v.	Address of the Registered office and contact details	1-3-1026 &1027,Singadikunta, Kavadiguda Hyderabad- 500080, Telangana			
vi.	Whether listed company Yes / No	Yes			
vii.	Name, Address and Contact details of Registrar and Transfer Agent, if any	Bigshare Services Pvt. Ltd. 306, 3rd Floor, Right Wing, Amrutha Ville, Opp. Yashoda Hospital, Rajbhavan Road , Somajiguda, Hyderabad - 500082, Telangana			
II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:					
All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-					
Sl. No.	Name and Description of main products /services	NIC Code of the Product / service	% to total turnover of the company		
1.	Design and development services of a web page including content development	99831411	14,223,275		
2.	Design and development services of software applications including customised and packaged software	99831413	-		
III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES: Not Applicable					
S.NO	Name and Address of the Company	CIN/GLN	Holding/Subsidiary /Associate	% of shares held	Applicable Section

K2 SYSTEMS LIMITED

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)									
i) Category-wise Share Holding:-									
Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				%Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	Demat
Individual/HUF	4,00,784	3,77,713	7,78,497	19.76	53,934	23,916	77,850	19.76	0
Central Govt	0	0	0	0	0	0	0	0	0
State Govt (s)	0	0	0	0	0	0	0	0	0
Bodies Corp.	0	0	0	0	0	0	0	0	0
Banks / FI	0	0	0	0	0	0	0	0	0
Any Other....	0	0	0	0	0	0	0	0	0
Sub-total (A) (1) :-	4,00,784	3,77,713	7,78,497	19.76	53,934	23,916	77,850	19.76	0
(2) Foreign									
a) NRIs - Individuals	0	0	0	0	0	0	0	0	0
b) Other – Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks / FI	0	0	0	0	0	0	0	0	0
e) Any Other....	0	0	0	0	0	0	0	0	0
Sub-total (A) (2):-	0	0	0	0	0	0	0	0	0
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	4,00,784	3,77,713	7,78,497	19.76	53,934	23,916	77,850	19.76	0
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	0	0	0	0	0	0	0	0	0
b) Banks / FI	0	0	0	0	0	0	0	0	0
c) Central Govt	0	0	0	0	0	0	0	0	0
d) State Govt(s)	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0

K2 SYSTEMS LIMITED

f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital Fund	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
2. Non Institutions									
a) Bodies Corp.	0								
i) Indian	63,695	9,905	73,600	1.87	6,810	0	6,810	1.73	0.14
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital up to Rs. 1 lakh	11,86,460	9,70,071	21,56,531	54.73	1,09,455	44,161	1,53,616	38.98	15.75
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	417762	5,13,610	9,31,372	23.64	35,210	1,19,025	1,54,235	39.52	15.88
c) Others (specify)	0	0	0	0	1470	0	1470	0.37	0
Sub-total (B)(2):- Total Public Shareholding (B)=(B)(1)+(B)(2)	16,67,917	14,93,586	31,61,503	80.24	1,52,965	1,63,185	3,16,150	80.24	0
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	2068701	1871299	3940000	100	206899	187101	394000	100	0

K2 SYSTEMS LIMITED

(ii) Shareholding of Promoters										
Sl. No	Shareholder's Name	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				%Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total Shares	% of Total	
										Nil
1.	Vemuri Krishna	4,00,784	0	4,00,784	10.17	40,078	0	40,078	10.17	
2.	K Shaila Sri	1,57,500	0	1,57,500	4.00	15,750	0	15,750	4.00	
3.	Vijay Kumbham	1,38,562	0	1,38,562	3.52	13,856	0	13,856	3.52	
4.	Mahesh Rao	81,651	0	81,651	2.07	8,165	0	8,165	2.07	
(iii) Change in Promoters' Shareholding (please specify, if there is no change)										
Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year					
		No. of Shares	% of total shares of the company		No. of Shares	% of total shares of the company				
	At the beginning of the year	7,78,497	19.76		77,849	19.76				
	At the beginning of the year Date wise Increase/Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):									
	At the End of the year	77,849	19.76		-	-				
(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):										
Sl. No.	Shareholder Name	Shareholding at the beginning of the year		Share holding at the end of the year						
		No. of Shares	% of total shares of The company	No. of Shares	% of total shares of the company					
	At the beginning of the year									
1.	Venugopal Goud Boosarapu	384052	9.75	-	-					
2.	P Amba Prasad	365000	9.26	-	-					
3.	S S Ganesh	143902	3.65	14390	3.65					
4.	K Veera Raju	124495	3.16	12450	3.16					
5.	Mahipal Reddy	91800	2.33	9180	2.33					
6.	V Sarada Devi	73450	1.86	7345	1.86					
7.	V Visalakshmi	72000	1.83	7200	1.83					
8.	K Deepti Reddy	67500	1.71	6750	1.71					
9.	Linga Murthy D	61000	1.55	6100	1.55					
10.	Nagesh Rao	51025	1.30	51025	12.95					
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):									
	At the End of the year									
1.	V V Ramachandra Rao	-	-	4150	1.05					
2.	Ram Kumar	-	-	15932	4.04					

K2 SYSTEMS LIMITED

(v) Shareholding of Directors and Key Managerial Personnel:					
Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
1.	Akella Narasimha Sarma	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	-	-		
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):				
	At the End of the year	31010	7.87		

V. INDEBTEDNESS				
Indebtedness of the Company including interest outstanding/accrued but not due for payment				
Indebtedness at the beginning of the financial year	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Principal Amount	14,30,357	46,23,820	-	60,54,177
ii) Interest due but not paid				
iii) Interest accrued but not due				
Total (i+ii+iii)	14,30,357	46,23,820	-	60,54,177
Change in Indebtedness during the financial year	0	67,249	-	67,249
Addition				
Reduction				
Net Change	0	67,249	-	67,249
Indebtedness at the end of the financial year	14,30,357	46,91,069	-	61,21,426
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
Total (i+ii+iii)	14,30,357	46,91,069	-	61,21,426

K2 SYSTEMS LIMITED

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL						
A. Remuneration to Managing Director, Whole-time Directors and/or Manager:						
Sl. no.	Particulars of Remuneration	Name of MD/WTD/ Manager				Total Amount
		MD	WTD	Manager		
1.			Mr. Boga Prabhakar	Nil		
	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income tax Act, 1961	Nil	6,00,000	Nil		6,00,000
		Nil	Nil	Nil		
		Nil	Nil	Nil		
2.	Stock Option	Nil	Nil	Nil		
3.	Sweat Equity	Nil	Nil	Nil		
4.	Commission - as % of profit - Others, specify...	Nil	Nil	Nil		
5.	Others, please specify	Nil	Nil	Nil		
6.	Total (A)	Nil	Nil	Nil		
7.	Ceiling as per the Act					
B. Remuneration to other directors: Not Applicable						
Sl. no.	Particulars of Remuneration	Name of Director				Total Amount
1	Independent Directors · Fee for attending board / committee meetings · Commission · Others, please specify	-	-	-	-	-
	Total (1)	-	-	-	-	-
2	Other Non-Executive Directors · Fee for attending board / committee meetings · Commission · Others, please specify	-	-	-	-	-
	-	-	-	-	-	-
	Total (2)	-	-	-	-	-
	Total (B)=(1+2)	-	-	-	-	-
	Total Managerial Remuneration	-	-	-	-	-
	Overall Ceiling as per the Act	-	-	-	-	-

K2 SYSTEMS LIMITED

**C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD:
Not Applicable**

Sl. no.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Company Secretary	CFO	Total
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961				
2.	Stock Option	Nil	Nil	Nil	
3.	Sweat Equity	Nil	Nil	Nil	
4.	Commission - as % of profit - others, specify...	Nil	Nil	Nil	
5.	Others, please specify2	Nil	Nil	Nil	
6.	Total				
VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: During the year the Company has no Penalties / Punishment/ Compounding of Offences					

**FORM MR-3
SECRETARIAL AUDIT REPORT**

(Pursuant to section 204(1) of the Companies Act, 2013 and
Rule 9 of the Companies (Appointment and Remuneration Personnel)
Rules, 2014

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2015

To
The Members of
M/s. K2 Systems Limited

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s. . K2 Systems Limited (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on our verification of the Company's Books, Papers, Minute Books, Forms and Returns filed and other Records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the financial year commencing from 1st April, 2014 and ended 31st March, 2015, complied with the statutory provisions listed hereunder and also that the Company has proper Board process and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

1. We have examined the books, papers, minute books, forms and returns filed and other records maintained by M/s.K2 Systems Limited ("The Company") for the financial year ended on 31st March, 2015, according to the provisions of:
 - i. The Companies Act, 2013 (the Act) and the rules made there under for specified sections notified and came in to effect from 12th September, 2013 and sections and Rules notified and came in to effect from 1st April, 2014;
 - ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made there under;
 - iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under.

- iv. Foreign Exchange Management Act, 1999 and the Rules and Regulations made there under to the extent of Foreign Direct Investment (FDI) and Overseas Direct Investment and External Commercial Borrowings;
 - v. The Securities and Exchange Board of India Act, 1992 ('SEBI Act')
2. Provisions of the following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (SEBI Act) were not applicable to the Company under the financial year under report:
- i. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 except yearly and event based disclosures.
 - ii. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - iii. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
 - iv. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
 - v. The Securities and Exchange Board of India (Registrars to an issue and Share Transfer Agents) Regulations, 1993, regarding the Companies Act and dealing with client;
 - vi. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008
 - vii. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
3. We have also examined compliance with the applicable clauses of the following:
- i. Secretarial Standards issued by the Institute of Company secretaries of India under the provisions of Companies Act, 1956 and
 - ii. The Listing Agreements entered into by the Company with the Stock Exchange;
4. During the financial year under report, the Company has complied with the provisions of the New Companies Act, 2013, Old Companies Act,

1956 to the extent applicable and the Rules, Regulations, Guidelines, Standards, etc., mentioned above subject to the following observations;

OBSERVATIONS:

- (a) As per the information and explanations provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we report that
- i. the provisions of the Foreign Exchange Management Act, 1999 and the Rules and Regulations made there under to the extent of:
 - External Commercial Borrowings were not attracted to the Company under the financial year under report,
 - Foreign Direct Investment (FDI) was not attracted to the company under the financial year under report, and
 - Overseas Direct Investment by Residents in Joint Venture/Wholly Owned Subsidiary abroad are not attracted to the company under the financial year under report.
 - ii. As per the information and explanations provided by the company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we report that the Company has not made any GDRs/ADRs or any Commercial Instrument under the financial year under report.
- (b) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- (c) The company has not appointed Company Secretary, Chief Financial Officer and Internal Auditors for the financial year 2014-15.

For S.S. Reddy & Associates

S.Sarveswara Reddy
Practicing Company Secretaries
C.P.No: 7478

Place: Hyderabad
Date: 14.08.2015

To
The Members of
M/s. K2 Systems Limited

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
4. The compliance of provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
5. The secretarial Audit report is neither an assurance as to future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

For S.S. Reddy & Associates

S.Sarveswara Reddy
Practicing Company Secretaries
C.P.No: 7478

Place: Hyderabad
Date: 14.08.2015

DECLARATION FROM INDEPENDENT DIRECTORS ON ANNUAL BASIS

The Board of Directors

M/s. K2 Systems Limited

Dear Sir,

I undertake to comply with the conditions laid down in Sub-clause of Clause 49 read with section 149 and Schedule IV of the Companies Act, 2013 in relation to conditions of independence and in particular:

- (a) I declare that upto the date of this certificate, apart from receiving director's remuneration, I did not have any material pecuniary relationship or transactions with the Company, its promoter, its directors, senior management or its holding Company, its subsidiary and associates as named in the Annexure thereto which may affect my independence as director on the Board of the Company. I further declare that I will not enter into any such relationship/transactions. However, if and when I intend to enter into such relationships/transactions, whether material or non-material I shall keep prior approval of the Board. I agree that I shall cease to be an independent director from the date of entering into such relationship/transaction.
- (b) I declare that I am not related to promoters or persons occupying management positions at the Board level or at one level below the board and also have not been executive of the Company in the immediately preceding three financial years.
- (c) was not a partner or an executive or was also not partner or executive during the preceding three years, of any of the following:
 - (i) the statutory audit firm or the internal audit firm that is associated with the Company and
 - (ii) the legal firm(s) and consulting firm(s) that have a material association with the company
- (d) I have not been a material suppliers, service provider or customer or lessor or lessee of the company, which may affect independence of the director, and was not a substantial shareholder of the Company i.e., owning two percent or more of the block of voting shares.

Thanking You.

Date: 29.05.2014
Place: Hyderabad

Yours Faithfully,
K.R. Srinivasa Rao
DIN: 01682859

DECLARATION FROM INDEPENDENT DIRECTORS ON ANNUAL BASIS

The Board of Directors
M/s. K2 Systems Limited

Dear Sir,

I undertake to comply with the conditions laid down in Sub-clause of Clause 49 read with section 149 and Schedule IV of the Companies Act, 2013 in relation to conditions of independence and in particular:

- (a) I declare that upto the date of this certificate, apart from receiving director's remuneration, I did not have any material pecuniary relationship or transactions with the Company, its promoter, its directors, senior management or its holding Company, its subsidiary and associates as named in the Annexure thereto which may affect my independence as director on the Board of the Company. I further declare that I will not enter into any such relationship/transactions. However, if and when I intend to enter into such relationships/transactions, whether material or non-material I shall keep prior approval of the Board. I agree that I shall cease to be an independent director from the date of entering into such relationship/transaction.
- (b) I declare that I am not related to promoters or persons occupying management positions at the Board level or at one level below the board and also have not been executive of the Company in the immediately preceding three financial years.
- (c) I was not a partner or an executive or was also not partner or executive during the preceding three years, of any of the following:
 - (i) the statutory audit firm or the internal audit firm that is associated with the Company and
 - (ii) the legal firm(s) and consulting firm(s) that have a material association with the company
- (d) I have not been a material suppliers, service provider or customer or lessor or lessee of the company, which may affect independence of the director, and was not a substantial shareholder of the Company i.e., owning two percent or more of the block of voting shares.

Thanking You

Date: 29.05.2014
Place: Hyderabad

Yours Faithfully,
B. Nageshwar Rao
DIN: 01682859

Independent Auditors' Report

To the Members of
K2 SYSTEMS LIMITED

Report on the Financial Statements

We have audited the accompanying standalone financial statements of K2 SYSTEMS LIMITED ('the Company'), which comprise the balance sheet as at 31 March 2015, the statement of profit and loss and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2015 and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ('the Order') issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143 (3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

- c) the balance sheet, the statement of profit and loss and the cash flow statement dealt with by this Report are in agreement with the books of account;
- d) in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- e) on the basis of the written representations received from the directors as on 31 March 2015 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2015 from being appointed as a director in terms of Section 164 (2) of the Act; and
- f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company does not have any pending litigations.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company

For M M REDDY & Co.,
Chartered Accountants
Firm Registration No.010371S

(M Madhusudhana Reddy)
Partner
Membership No.213077

Place: Hyderabad
Date : 29.05.2015

Annexure to the Auditors' Report

The Annexure referred to in our Independent Auditors' Report to the members of the Company on the financial statements for the Year ended 31 March 2015, we report that:

- i. a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b. The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner. In accordance with this programme, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.
- ii. a. According to the information and explanations given to us, the management has conducted physical verification of inventories at reasonable intervals during the year. In our opinion, the frequency of verification is reasonable.
- b. In our opinion and according to the information and explanations given to us, the procedures followed by the management for physical verification of inventories are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventories. As per the information and explanation given to us, no material discrepancies were noticed on physical verification.
- iii. The Company has not granted any loans to bodies corporate covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act').
- iv. In our opinion and according to the information and explanations given to us, the Company has an adequate internal control system commensurate with its size and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in such internal control system.
- v. The Company has not accepted any deposits from the public.
- vi. The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company.
- vii. a. According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, duty of excise income

tax, sales tax, wealth tax, service tax, duty of customs, value added tax, cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.

- b. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income tax, sales tax, wealth tax, service tax, duty of customs, value added tax, cess and other material statutory dues were in arrears as at 31 March 2015 for a period of more than six months from the date they became payable.
 - c. According to the information and explanations given to us, there are no material dues of wealth tax, duty of customs and cess which have not been deposited with the appropriate authorities on account of any dispute.
 - d. According to the information and explanations given to us the company does not have any liability to be transferred to the investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules there under.
- viii. The Company have accumulated losses of Rs.55,09,427/- at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- ix. The Company did not have any outstanding dues to financial institutions, banks or debenture holders during the year.
- x. In our opinion and according to the information and the explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xi. The Company did not have any term loans outstanding during the year.
- xii. According to the information and explanations given to us, no material 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 Registration No.010371S

Place: Hyderabad
Date : 29.05.2015

(M Madhusudhana Reddy)
Partner
Membership No.213077

K2 SYSTEMS LIMITED**Balance Sheet as at 31.03.2015**

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

Particulars	Note No's	2014-15	2013-14
		As at Mar' 31, 2015	As at Mar' 31, 2014
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	3,940,000	39,400,000
Share Application Money		-	-
Reserves and Surplus	3	(5,509,427)	(40,825,553)
	A	(1,569,427)	(1,425,553)
Non - current liabilities			
Long - term borrowings	4	6,121,426	6,054,177
Deferred tax liabilities (Net)	5	(108,462)	(169,699)
Long term provisions		-	-
	B	6,012,964	5,884,478
Current liabilities			
Short - term borrowings		-	-
Other current liabilities	6	167,541	-
Trade Payables	7	40,154,603	25,688,009
Short - term provisions	8	367,959	400,710
	C	40,690,103	26,088,719
Total	(A+B+C)	45,133,640	30,547,644
ASSETS			
Non-current assets			
Fixed assets			
(i) Tangible Assets	9	-	413,960
(ii) Intangible Assets		-	-
(iii) Capital work in progress		-	-
Deferred tax assets (Net)		-	-
Long - term loans and advances	-	-	-
Non-current investments	-	-	-
Other Non- Current Assets	9	-	-
	A	-	413,960
Current assets			
Inventories		-	-
Trade receivables	10	42,070,307	27,100,869
Cash and cash equivalents	11	154,402	123,884
Short - term loans and advances	12	2,908,931	2,908,931
Other current assets		-	-
	B	45,133,640	30,133,684
Total	(A+B)	45,133,640	30,547,644

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.

For MM REDDY AND CO
Firm Registration Number : 010371S
Chartered Accountants

For and on behalf of the Board of Directors of
K 2 SYSTEMS LIMITED

Sd/-
M.Madhusudhana Reddy
Partner
Membership No. 213077

Sd/-
Boga Prabhakar
Director

Sd/-
Boga Kautilya
Director

Place : Hyderabad
Date : 29-05-2015

K2 SYSTEMS LIMITED**Profit and Loss Account for the year ended 31.03.2014**

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

Particulars	Note No's	2014-15	2013-14
		Year Ended Mar' 31, 2015	Year Ended Mar' 31, 2014
INCOME			
Turnover (Gross)			
Revenue from operations	13	14,223,275	25,465,184
Other Income		-	-
Increase/Decrease of Stock		-	-
Total Revenue		14,223,275	25,465,184
EXPENDITURE			
Operating Expenses	14	11,572,449	22,765,462
Personnel Cost	15	1,143,495	1,683,316
Administration expenses	16	1,052,891	398,866
Depreciation/amortization	9	-	79,920
Total		13,768,835	24,927,564
Profit / (Loss) before tax		454,440	537,620
Provision for taxation			
- Current Year Tax		123,118	155,869
- Deferred tax		61,237	204,645
Total tax expense		184,355	360,514
Profit/(Loss) from continuing operations		270,085	177,106
Balance brought forward from previous year		(40,825,553)	(41,002,659)
Balance carried to Balance Sheet		(40,555,468)	(40,825,553)
Earnings per share			
Basic		0.07	0.04
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.

For MM REDDY AND CO
Firm Registration Number : 010371S
Chartered Accountants

Sd/-
M.Madhusudhana Reddy
Partner
Membership No. 213077

Place : Hyderabad
Date : 29-05-2015

For and on behalf of the Board of Directors of
K 2 SYSTEMS LIMITED

Sd/-
Boga Prabhakar
Director

Sd/-
Boga Kautilya
Director

K2 SYSTEMS LIMITED**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2014**

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

Particulars	Year ended 31.03.2015	Year ended 31.03.2014
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit / Loss before tax and extraordinary item	454,440	537,620
Adjustments for:		
Depreciation	-	79,920
Interest paid	-	-
Other Income	-	-
Misc Exp. Written off	-	-
Operating Profit before Working Capital Changes	454,440	617,540
Adjustments for:		
Inventories		
Increase in Trade and Receivables	(14,969,438)	(25,052,114)
Loans & Advances	0	-
increase in other current liabilities	167,541	-
Increase in Sundry Creditors	14,466,594	24,433,730
Cash Generated From Operations:	(335,303)	(618,384)
Taxes Paid	155,869	-
 Net cash flow/(used) from operating activities (A)	 (36,732)	 (844)
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	-	-
Purchase of Investments	-	-
Sale of Investments	-	-
 Net cash flow/(used) from investing activities (B)	 -	 -
C CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Share Capital	-	-
Secured & Unsecured Loans	67,249	-
Dividend & Dividend tax Paid	-	-
 Net cash flow/(used) from financing activities (C)	 67,249	 -
 "Net Increase / Decrease in Cash and Cash equivalents (A+B+C)"	 30,517	 (844)
 Cash and cash equivalents as at beginning of the year	 123,884	 124,728
Cash and cash equivalents as at end of the year	154,401	123,884

As per our report of even date attached

For MM REDDY AND CO
Firm Registration Number : 010371S
Chartered Accountants

Sd/-
M.Madhusudhana Reddy
Partner
Membership No. 213077

Place : Hyderabad
Date : 29-05-2015

For and on behalf of the Board of Directors of
K 2 SYSTEMS LIMITED

Sd/-
Boga Prabhakar
Director

Sd/-
Boga Kautilya
Director

Notes to Financial Statements

1. Significant Accounting Policies

a. 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 as prescribed under Section 133 of the Companies Act, 2013 ('the Act') read with Rule 7 of the Companies (Accounts) Rules, 2014, the provisions of the Act (to the extent notified) and guidelines issued by the Securities and Exchange Board of India (SEBI) 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.

b. Use of Estimates

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

c. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and revenue can be reliably measured.

d. Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation. Cost comprises the purchase price, freight, duties, taxes and any attributable cost of bringing the asset to its working condition for its intended use.

e. Depreciation

Depreciation on fixed assets has been provided on Written Down Value method based on useful life of asset specified in Schedule II of the Companies Act, 2013 on pro-rata basis.

f. Borrowing costs:

Borrowing costs that are directly attributable to the acquisition or the construction of a qualifying asset is capitalized for the period until the asset is ready for its intended use. A qualifying asset is one that necessarily takes substantial period of time i.e more than 12 months to get ready for intended use. All other borrowing costs are charged to revenues

g. Income Tax

i. Current tax :

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961.

ii. Deferred tax :

Deferred income taxes is recognized, subject to the consideration of prudence 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. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Where the Company has carry forward of unabsorbed depreciation or tax losses deferred tax assets are recognized only if it is virtually certain backed by convincing evidence that such deferred tax assets can be realized against future taxable profits.

h. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

i. Provisions

A Provision is recognized when the Company has a present obligation as a result of past event i.e it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

j. Cash Flow Statement:

Cash Flow Statement has been prepared under indirect method as per the Accounting Standard-3 “Cash Flow Statement” .

k. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks and corporations. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

K2 SYSTEMS LIMITED**Notes to Accounts**

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

(Amount in Rs.)

Particulars	As at	
	31-03-2015	31-03-2014
Note 2 : Share Capital		
Authorised:		
50,00,000 Equity Shares of Rs.10/- each	50,000,000	50,000,000
Issues, Subscribed and Paid up		
3940000 equity shares of Rs.10 each	39,400,000	39,400,000
Calls in Arrears	-	-
TOTAL	39,400,000	39,400,000
Note 3 : Reserves and Surplus		
Note 3 : Reserves and Surplus	-	-
General Reserve		
Balance as per last account		
Profit & Loss A/c Surplus		
Balance in the statement of profit & loss	(5,365,552)	(41,002,659)
Less: Depreciation relating to earlier years	(413,960)	-
Additions during the year	270,085	177,106
	(5,509,427)	(40,825,553)
Note 4 : Long - term borrowings		
Loans and advances from banks		
Term loans		
From banks	-	-
From others	-	-
From Associate Company	1,430,357	1,430,357
Unsecured Loans from group companies/directors	4,691,069	4,623,820
TOTAL	6,121,426	6,054,177
Note 5 : Deferred tax liabilities (Net)		
Opening Balance	(169,699)	(374,344)
Add/Less: Current year Provision	61,237	204,645
TOTAL	(108,462)	(169,699)

K2 SYSTEMS LIMITED

Notes to Accounts

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

(Amount in Rs.)

Particulars	As at	
	31-03-2015	31-03-2014
Note 6 : Trade Payables		
Sundry Creditors	39,011,108	23,934,741
Outstanding Liabilities	1,143,495	1,753,268
TOTAL	40,154,603	25,688,009
Note 7 : Short - term provisions		
Provision for Income tax	367,959	400,710
Provision for Gratuity	-	-
TDS Payable	-	-
service Tax Payable	-	-
TOTAL	367,959	400,710

Note 8 : Fixed Assets

Particulars	Gross Block			Depreciation /amortization			Net Block	
	As at April 1, 2013	Additions	As at March 31, 2014	As at April 1, 2013	For the year	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
1. Computers	2,610,743	-	2,610,743	2,610,743	-	2,610,743	-	-
2. Office Equipmet	728,504	-	728,504	401,836	34,604	436,440	292,064	361,272
3. Furniture & Fixtures	715,894	-	715,894	548,682	45,316	593,998	121,896	212,528
4. Vehicles	467,752	-	467,752	467,752	-	467,752	-	-
Total	4,522,893	-	4,522,893	4,029,013	79,920	4,108,933	413,960	573,800
Previous year	4,522,893	-	4,522,893	3,949,093	79,920	4,029,013	493,880	573,800

Particulars	As at	
	31-03-2015	31-03-2014
NOTE 9: other current laibilities		
duties and taxes	167,541	-
	167,541	-

Notes to Accounts

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

(Amount in Rs.)

Particulars	As at	
	31-03-2015	31-03-2014
Note 10 : Trade receivables (Unsecured, considered good, unless otherwise stated)		
Debts outstanding for a period exceeding six months		
Considered good	-	-
Considered doubtful	-	-
Other debts		
Considered good	42,070,307	27,100,869
	42,070,307	27,100,869
Less: Provision for doubtful debts	-	-
	42,070,307	27,100,869
Note 11 : Cash and cash equivalents		
Cash on hand	44,908	110,908
Balances with scheduled banks		
On current accounts	109,494	12,976
On deposit accounts	-	-
	154,402	123,884
Note 12 : Short - term loans and advances		
Tax Deducted at Source	1,273,597	1,273,597
Other Advances	1,635,334	1,635,334
	2,908,931	2,908,931
Note 13 : Revenue from operations		
Gross Receipts from sales	14,223,275	25,465,184
Less:sales returns	-	-
	14,223,275	25,465,184

K2 SYSTEMS LIMITED**Notes to Accounts**

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

(Amount in Rs.)

Particulars	As at	
	31-03-2015	31-03-2014
Note 14 : Operating Expenses		
Purchases made during the year	11572449	22,765,462
Purchase of Services	-	-
Freight Charges	-	-
	11,572,449	22,765,462
Note 15 : Personnel Cost		
Salaries	1,143,495	1,584,752
Directors Remuneration		
Staff Welfare		98,564
	1,143,495	1,683,316
Note 16 : Administration expenses		
Auditors Remuneration	30,000	20,000
Advertisement Expenses	34,750	-
Bank Charges	618	-
Filing & Registration	65,300	23,654
Professional charges	97,600	-
Listing fee	156,785	-
Printing & Stationary	33,760	21,254
Communication Expenses	32,435	35,648
Interest on income tax	17,215	
Consultancy Charges	34,939	15,000
General Expences	65,319	15,324
Conveyance Expences	34,589	22,548
Travelling Expenses	99,480	65,484
Rent	170,000	60,000
Office Maintenance	102,890	71,254
Electricity Charges	35,106	15,485
Postage and Courior charges	42,105	33,215
	1,052,891	398,866

17. Contingent Liabilities and Commitments – NIL-**18. Related Party Transactions**

a) List of Related Parties

Subsidiary Companies	NIL
Associates Companies controlled by key management personnel / relatives who are substantially interested	NIL
Key managerial personnel	Akella narasimha sarma Raju srinivasa rao kolar Boga prabhakar Boga sharathdhruthi Nageshwar bulusu rao

b) Transactions with the Related Parties- Nil

c) Balance as at 31st March, 2015- Nil

19. Value of Imports and Exports -NIL**20. Auditors' Remuneration**

Amount in Rs.

Particulars	Year ended 31st March 2015	Year ended 31st March 2014
Statutory Auditors	30,000	20,000

21. Earnings Per Share

Amount in Rs.

S.No	Particulars	Year ended 31st March 2015	Year ended 31st March 2014
1.	Net Profit available for Equity Shareholders	2,70,085	1,77,106
2.	Weighted Average Number of Equity Shares (Nos)	39,40,000	39,40,000
3.	Earnings Per Share – Basic and Diluted	0.07	0.04

22. Balances under Trade Receivable, Trade Payables and loans and advances are subjected to confirmation and reconciliation from respective parties.

23. Segment Reporting

There are no separate reportable segments (business and/or geographical) in accordance with the requirements of Accounting Standard 17 – ‘Segment Reporting’ issued by the Institute of Chartered Accountants of India.

24. Previous year figures have been regrouped wherever if thought necessary in conformity with the current year groupings. Paise have been rounded off to the nearest rupee. Notes on financial statements, Cash Flow Statement and statement on accounting policies form an integral part of the balance sheet and profit and loss statement.

For MM REDDY AND CO
Firm Registration Number : 010371S
Chartered Accountants

Sd/-
M.Madhusudhana Reddy
Partner
Membership No. 213077

Place : Hyderabad
Date : 29-05-2015

For and on behalf of the Board of Directors of
K 2 SYSTEMS LIMITED

Sd/-
Boga Prabhakar
Director

Sd/-
Boga Kautilya
Director

Form No. MGT-11

Proxy form

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

CIN: L72200TG1989PLC010200
Name of the company: K2 Systems Limited
Registered office: H. No. 10-4-1/A/8, Flat No. G-3, Ramakrishna Nagar,
Srilaxmi Nlayam, Lower Masab Tank,
Hyderabad, 500028

Name of the member(s):
Registered Address:
E-mail Id:

I/We, being the member (s) of shares of the above named company, hereby appoint

- 1. Name :
- Address :
- E-mail Id :
- Signature:, or failing him
- 2. Name :
- Address:
- E-mail Id :
- Signature:, or failing him
- 3. Name :
- Address:
- E-mail Id:
- Signature:

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 26th Annual General Meeting of the company, to be held on the Wednesday 30.09.2015 at 10:30 am at H. No. 10-4-1/A/8, Flat No. G-3, Ramakrishna Nagar, Srilaxmi Nlayam, Lower Masab Tank, Hyderabad, 500028, and at any adjournment thereof in respect of such resolutions as are indicated below:

K2 SYSTEMS LIMITED

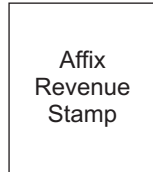
Resolution No.

1. Approval of financial statements for the year ended 31.03.2015.
2. Re-appointment of Mr. Boga Prabhakar as Director who retires by rotation.
3. Appointment of statutory auditors and fixation of their remuneration.
4. Amendment of Articles of Association of the Company

Signed this day of 2015

Signature of shareholder

Signature of Proxy holder(s)



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

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K2 SYSTEMS LIMITED

H. No. 10-4-1/A/8, Flat No. G-3, Ramakrishna Nagar,
Srilaxmi Niyam, Lower Masab Tank, Hyderabad, 500028

ATTENDANCE SLIP

(Please present this slip at the Meeting venue)

I hereby record my presence at the 26th Annual General Meeting of the members of the company to be held on Wednesday on 30th September, 2015 at 10:30 am at H. No. 10-4-1/A/8, Flat No. G-3, Ramakrishna Nagar, Srilaxmi Niyam, Lower Masab Tank, Hyderabad, 500028.

Shareholders/Proxy's Signature _____

Shareholders/Proxy's full name _____
(In block letters)

Folio No. / Client ID _____

No. of shares held _____

Note:

Shareholders attending 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.

If undelivered please return to :

K2 SYSTEMS LIMITED

H. No. 10-4-1/A/8, Flat No G-3,
Ramakrishna Nagar,
Srilaxmi Nlayam, Lower Masab Tank,
Hyderabad - 500028