



KALS Information Systems Ltd.

Technology is Viable

**Annual Report
2014 - 2015**



BOARD OF DIRECTORS

K. Srinivasan
(Managing Director)

Dr. H.D. Ballal
(Independent Director)

P. Periaswamy
(Independent Director)

M.Mohammed Akram
(Whole – Time Director)

N. Sudhash
(Whole – Time Director)

Lakshmi Srinivasan
(Director)

COMMITTEES OF THE BOARD

Share Transfer & Stake holders Committee

K. Srinivasan (Chairman)

P. Periaswamy

Audit Committee

P. Periaswamy (Chairman)

Dr. H.D. Ballal

M. Mohammed Akram

Registered & Corporate Office

No.4/1, 'Rudra Chambers'
4th Main, 9th Cross, Malleshwaram,
Bangalore – 560 003
Tel : +91-80-42628200 | Fax : +91-80-42628204
E-mail : srini@kalsinfo.com
Website : www.kalsinfo.com

Registrar & Share Transfer Agent

Integrated Enterprises Private Limited
30, Ramana Residency, 4th Cross, Sampige Road,
Malleshwaram, Bangalore – 560 003
Tel : +91-80-23460815-818 | Fax : +91-80-23460819,
E-mail : alfint@vsnl.com,
irg@integratedindia.in

CONTENTS

	Page No
Notice	03
Directors Report	06
Auditors Report on Corporate Governance	21
CEO / CFO Certification	21
Auditors Report	22
Balance Sheet	24
Profit and Loss Account	25
Notes to Financial Statements	26
Cash Flow Statement	35

**NOTICE**

Notice is hereby given that the 22nd Annual General Meeting of the members of the Company will be held on Saturday, 19th day of September 2015 at 10.35 A.M at Canara Union Trust, 42, 8th Main, Malleshwaram, Bangalore – 560 003 to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March 2015 and the Profit and Loss Account of the company for the year ended on that date together with the reports of the Auditors and Directors thereon.
2. To confirm the declaration of interim dividend of Rs. 0.80 per equity share, already paid for the financial year ended 31st March, 2015.
3. To appoint a Director in place of Mrs. Lakshmi Srinivasan (DIN: 06965060), who retires by rotation and being eligible, offers herself for reappointment
4. To appoint Auditors and fix their remuneration and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary resolution :

“Resolved that the appointment of M/s. M. Gandhi & Co, Chartered Accountants (registration number 000851S) be and is hereby ratified as auditors to hold office until the conclusion of the 23rd Annual General Meeting of the Company. Resolved further that the Board of Directors be and hereby authorized to determine the remuneration of the auditors and the manner of its payment”.

**By Order of the Board of Directors
For KALS INFORMATION SYSTEMS LTD**

**Place: Bangalore
Date: 31.07.2015**

**Sd/-
K. Srinivasan
Managing Director
DIN: 00941441**

NOTES: -

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (THE “MEETING”) IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF / HERSELF AND THE PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY. THE DULY COMPLETED, STAMPED AND SIGNED PROXY FORM, TO BE EFFECTIVE, SHOULD REACH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE SCHEDULED TIME OF THE MEETING. BLANK PROXY FORM IS ATTACHED.**

A PERSON CAN ACT AS A PROXY ON BEHALF OF MEMBERS NOT EXCEEDING FIFTY AND HOLDING IN THE AGGREGATE NOT MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS. A MEMBER HOLDING MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS MAY APPOINT A SINGLE PERSON AS PROXY AND SUCH PERSON SHALL NOT ACT AS A PROXY FOR ANY OTHER PERSON OR A MEMBER.

2. Corporate Member(s) intending to send their authorized representative(s) to attend the meeting are requested to send to the Company, a certified true copy of Board Resolution authorizing their representative(s) to attend and vote on their behalf at the meeting pursuant to section 113 of the Companies Act 2013(“the Act”).
3. **A member who has voted through e-voting mechanism in accordance with Rule 20 of The Companies (Management & Administration) Rules, 2014 shall not be debarred from participation in the general meeting physically. But he shall not be able to vote in the meeting again, and his earlier vote (cast through e-means) shall be treated as final.**
4. Members desiring any information relating to accounts and operations of the company are requested to write to the company at least seven days before the date of the meeting so as to enable the management to keep the information available at the meeting.
5. Members are requested to:



- i. Quote their folio number / DP ID & client ID no. in all correspondence with the Company.
- ii. Members holding shares in physical form are requested to intimate the following directly to the Company's RTA:
 - a. Changes, if any, in their address with pin code numbers.
 - b. Quote their ledger folio no. in all their correspondence.
 - c. Members who hold shares in single name and physical form are advised to make nomination as per Section 72 of the Companies Act, 2013, in respect of their shareholding in the Company.
- iii. Members holding shares in dematerialized form are requested to contact their respective Depository Participants for updation of their addresses, email ID.
- iv. Bring their copy of the Annual Report to the Annual General Meeting.
- v. Note that no gift or gift coupons will be distributed at the meeting.
6. The Members who have not en-cashed their interim dividend paid during the year are requested to encash the same at the earliest and are requested to note that as per section 124 of the Act, dividends not claimed within seven years from the date of transfer of the unpaid dividend to the Company's Unpaid Dividend Account shall be transferred to the Investor Education and Protection Fund as established under section 125 of the Act.

7. **E-voting**

In compliance of the provisions of section 108 of the Companies Act, 2013 and rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide members the facility to exercise their right to vote at the Twenty second Annual General Meeting by electronic means and the business may be transacted through e-voting services provided by Central Depository Services Limited. The instructions for members for voting electronically are as under:-

In case of members receiving e-mail:

- (a) Log on to the e-voting website www.evotingindia.com
- (b) Click on "Shareholders" tab.
- (c) Now Enter your User ID
 - i. For CDSL: 16 digits beneficiary ID,
 - ii. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - iii. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (d) Next enter the Image Verification as displayed and Click on Login.
- (e) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (f) If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN*	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> • 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 last 8 digits of the demat account/folio number in the PAN field • In case the folio number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with folio number 100 then enter RA00000100 in the PAN field
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. <ul style="list-style-type: none"> • Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the number of shares held by you as on the cut off date in the Dividend Bank details field.



- (g) After entering these details appropriately, click on "SUBMIT" tab.
 - (h) Members holding shares in physical form will then reach directly the Company 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. Kindly note that this password is to be also 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.
 - (i) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
 - (j) Click on the EVSN for the relevant **KALSINFO2015** on which you choose to vote.
 - (k) 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.
 - (l) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
 - (m) 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.
 - (n) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
 - (o) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
 - (p) If Demat account holder has forgotten the changed password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to www.evotingindia.com and register themselves as Corporates.
 - They should submit a scanned copy of the Registration Form bearing the stamp and sign of the entity to helpdesk.evoting@cdslindia.com.
 - After receiving the login details they have to create a user who would be able to link the account(s) which they wish to vote on.
 - They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.

In case of members receiving the physical copy:

- (A) Please follow all steps from sl. no. (i) to sl. no. (ii) above to cast vote.
 - (B) The voting period begins on **9.00 A.M. on 16/09/2015 and ends on 5.00 PM on 18/09/2015**. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date 12/09/2015, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
 - (C) 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.
- 8.** Mr. V. Karthick, Practicing Company Secretary, (Membership no. ACS 11910) has been appointed as the Scrutinizer to scrutinize the e-voting process (including the ballot cast by the Members at the Annual General Meeting) in a fair and transparent manner.
- 9.** The Scrutinizer shall within a period not exceeding three working days from the date of close of e-voting unlock the votes in the presence of atleast two witnesses, not in the employment of the Company and make Scrutinizer's Report of the votes cast in favour of or against, if any, forthwith to the Chairman of the Company.

10. Poll at the Meeting

After all the items of the notice have been discussed, the Chairperson of the Meeting will order poll in respect of all the items, to enable such members cast their vote, who are attending the Annual General Meeting and are entitled to vote but have not exercised their right to vote by electronic means. The voting rights of the Members shall be in proportion to their shares of the paid-up equity share capital of the Company. Poll will be conducted under the supervision of Mr. V. Karthick, Practicing Company Secretary,

(Membership no. ACS 11910), Scrutinizer appointed for voting process in a fair and transparent manner, unless any other Scrutinizer is appointed by the Chairperson of the Meeting. After conclusion of the poll, the Chairperson may declare the meeting as closed.

11. The results of the poll aggregated with the results of e-voting along with the Scrutinizer's Report shall be announced by the Company on its website: www.kalsinfo.com within three day from the date of Annual General Meeting of the Company and on the website of CDSL -www.cdslindia.com

**By Order of the Board of Directors
For KALS INFORMATION SYSTEMS LTD**

Sd/-

**K. Srinivasan
Managing Director
DIN: 00941441**

Place: Bangalore

Date: 31.07.2015

DIRECTORS' REPORT

Dear Members,

Your directors have pleasure in presenting the 22nd Annual Report of the Company for the FY 2014-15 ("FY") together with the Audited B/S as at 31st 03 2015 & P&L A/c for the year ended on that date.

Figures in Rs.

SLNo	Particulars	Year ended 31-3-2015	Year ended 31-3-2014
1.	Total Revenue (including Other Income)	3,20,30,105	3,11,34,197
2.	Operating Profit	73,98,425	74,56,687
3.	Finance Charges	68,416	42,330
4.	Depreciation & write offs	15,36,660	545,084
5.	Profit Before Taxation	57,93,349	68,69,273
6.	Profit After Taxation	46,03,635	53,04,756
7.	Reserves & Surplus Brought down	1,92,24,764	1,82,97,294
8.	Dividend distributed	42,75,920	37,41,430
9.	Tax on Dividend	7,26,696	635,856
10.	Reserves and Surplus Balance carried forward	1,88,25,783	1,92,24,764

OPERATIONS DURING THE YEAR, SUBSEQUENT EVENTS AND FUTURE OUTLOOK

Operation during the year:

The summary of financial parameters is stated in the table above. During the year under review, the company faced serious challenges in the software market, getting qualified personnel and this to a large extent restricted the growth opportunities. This continues to be a serious issue in the present year also. The year has been one where we have tried to maintain profitability in the midst of various challenges.

Material changes & Subsequent events which impacts the financial position of the Company:

Business Related: One of the current 'project opportunities' being executed by your Company has the potential to develop a 'software product' for the insurance domain, which your Board perceives as a big opportunity.

Listing Status: The Company's shares were listed on Bangalore Stock Exchange and Delhi Stock Exchange. The Bangalore Stock Exchange was closed in December 2014, and SEBI has eventually de-recognized Delhi Stock Exchange. The Company has received a letter from Delhi Stock Exchange stating that the Company is moved to 'Dissemination Board' maintained by Bombay Stock Exchange and that the listing agreement with Stock Exchange stands cancelled with effect from 31st March, 2015. Subsequently the Ministry of Corporate Affairs has allotted a fresh Corporate Identification Number (CIN) which signifies that the Company is now an unlisted Public Company. In this report we are furnishing details as appropriately relevant to the Company.

Buy Back of Shares: In order to give an exit route to the present shareholders, the Board is considering a Buy Back scheme, the details of which shall be communicated to you separately.

Future Outlook:

Given the small size of operations, the future looks very challenging. The following factors affect our operations & working results:

- Competent employees with desirable experience, skills & talent and this is very challenging.
- Overall costs are continuously going up without corresponding increase in client billing rate.
- Infrastructure available to the company today may not be adequate to meet requirement of business growth
- Government Policies & guidelines issued by the Regulators

Order of Court: There are no significant material orders passed by the Regulators/Courts which would impact the going concern status of the Company and its future operations.

DIVIDEND, RESERVES & SURPLUS

Your Board had recommended interim dividend of 8 % during the financial year 2014-2015. The same will be treated as the final dividend for the financial year. For the financial year ended 31st March, 2015, the Company had not transferred any sum to Reserves. Therefore, your Company proposes to retain the balance in Profit and Loss Accounts of the Company (as surplus). These details are adequately stated in the table above.

DEPOSITS

The Company has not accepted any deposits within the meaning of section 73 of Companies Act, 2013 ("the Act") and rules framed there under.

BOARD OF DIRECTORS

COMPOSITION OF BOARD

The Board of Directors of the Company consists of persons with considerable professional experience and expertise. Presently the Board consists of three executive directors and three non-executive directors. The details on the composition of the Board, directors' attendance in Board Meetings and Annual General Meeting during the financial year 2014-15 and other details as required are given below:

DIN	Name of the Director	Position	No of Board Meeting attended	Whether attended AGM	No of Directorships in other companies
00941441	K. Srinivasan	Managing Director	5	Yes	None
06655015	Mohammed Akram M P	Whole Time Director	5	Yes	None
06648170	Sudhash N	Whole Time Director	5	Yes	None
01237967	H Dayananda Ballal	Director	5	Yes	None
02766369	P Periaswamy	Director	5	Yes	2
06965060	Lakshmi Srinivasan	Director	5	Yes	None

**APPOINTMENT / RE-APPOINTMENT OF DIRECTOR:**

Mrs. Lakshmi Srinivasan (Director) will retire by rotation at the ensuing Annual General Meeting ("AGM") of the Company and being eligible offers herself for re-appointment. Her brief profile is reproduced below.

Mrs. Lakshmi Srinivasan aged about 52 years is a BA (Honors) in Economics degree from Lady Shri Ram College, Delhi with an additional Diploma in Accountancy and Japanese Language. She has a professional career of twenty years. During this period she has held various professional positions including Company Director, Japanese Language expert, ISO auditor, Manager (content management) etc. The Board is of opinion that including Mrs. Lakshmi Srinivasan as Director will bring immense value to the Company, and recommends her re-appointment. Mrs. Lakshmi Srinivasan was appointed on 26-09-2014 and She is the wife of Mr. K. Srinivasan, Managing Director.

BOARD MEETINGS 2014-15:

The Company has conducted Five Board Meetings during the financial year 2014-2015 viz. on 30th April 2014, 30th May 2014, 31st July 2014, 30th October 2014, & 30th Jan 2015, Agenda papers along with relevant details and documents were circulated to all Directors, in advance before the date of the Board Meeting. Board members have complete access to any information within the Company.

BOARD COMMITTEES:**a. Share Transfer and Stake holders Relationship Committee:**

The main functions of Share Transfer and Investor Grievance Committee are to supervise and ensure efficient transfer of shares and proper and timely attendance of investor complaints. The Committee comprises of Mr. K. Srinivasan, Managing Director, Dr. H. D. Ballal, Director and Mr. P. Periaswamy, Director. In the absence of any significant physical transfer during the year, the Committee met 4 times during the year under review. The Committee meets once in a quarter to review and monitor, the share transfer, transmissions, issue of duplicate share certificates, dematerialization of shares and redressing of shareholders and investors complaints like transfer of shares, etc. Details regarding number of complaints received and resolved have been published along with the unaudited quarterly results.

b. Audit Committee

The Audit Committee comprises of Mr. P. Periaswamy as its Chairman and Dr. H. D. Ballal & Mohammed Akram as other members of the Committee. The Committee meets as mandated by the Corporate Governance guidelines. The terms of reference of the Committee are:

- Review of Internal Control Systems;
- Review of Quarterly and Annual Accounts [whether audited or not];
- Review of Related Party Transactions, if any;
- Fixing the scope and review the internal audit; and
- Investigate any matter referred by the Board of Director.

DECLARATION BY THE INDEPENDENT DIRECTORS:

The Board has received the declaration from all Independent Directors as per Section 149(7) of the Act and the Board is satisfied that all Independent Directors meet the criterion of Independence as mentioned in Section 149(6) of the Act.

POLICY ON DIRECTOR'S APPOINTMENT AND REMUNERATION

The Company had restructured the Board as stipulated by the Act and the Listing Agreement in vogue, by inducting a Women Director and by appointing adequate Independent Directors. All the requisite committees of directors were formed and are fully functional. The remuneration paid to directors was as recommended by Remuneration committees in the year 2013. A statement of remuneration, sitting fees etc. paid to the Directors forms part of Extracts of Annual Return in form MGT-9 attached as Annexure -1. The details of Ratio of Remuneration of each director to the median employees remuneration and other details prescribed are attached as Annexure -2.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirements of section 134(5) of the Act, it is hereby confirmed 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.

ANNUAL GENERAL MEETINGS OF THE MEMBERS:

Details of AGM and other General Meeting held during the last 3 years are as follows:

Meeting	Day, Date and Time of the Meeting	Venue
21 st AGM	Friday, the 26 th September, 2014 at 10:10 A.M	Canara Union Trust, 42, 8 th Main, Malleswaram, Bangalore-560003
20 th AGM	Monday, the 16 th September, 2013 at 09:45 A.M	Canara Union Trust, 42, 8 th Main, Malleswaram, Bangalore-560003
19 th AGM	Wednesday, the 26 th September, 2012 at 9:40 AM	Canara Union Trust, 42, 8 th Main, Malleswaram, Bangalore-560003

SHARE CAPITAL

The Company is having a Paid up Share Capital of Rs. 5,34,49,000/= and the company has not issued any shares and debentures during the financial year 2014-15.

EXTRACT OF ANNUAL RETURN:

The extract of the annual return as provided under sub-section of section 92 of the Act for the financial year ended in form MGT-9 is annexed as Annexure-1 to this Report.

ADDITIONAL INFORMATION:

- A. Conservation of Energy:** Your Company, with a view to conserve energy wherever possible and practicable, has implemented suitable plans and devices. As far as possible, natural light is used during the daytime. Further, awareness is also created among the employees on the need to conserve the energy in their workplace and common facilities.
- B. Technology Absorption, R & D :** The Company has neither carried any R & D activities during the year under review, nor incurred any expenditure thereupon.
- C. Foreign Exchange Earnings and Outgo:** The details of foreign exchange earnings and outgo are enumerated in Note No. 7 & 8 of this Report, as part of the financial statements.

DISCLOSURE AS REQUIRED UNDER SECTION 22 OF SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013:

Kals Information Systems Ltd. ("Kals") as an organization is committed to provide a healthy environment to employees and thus does not tolerate any gender based discrimination and/or harassment in any form. Kals has in place a policy towards Prevention of Sexual Harassment (POSH) in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. All existing and new employees as well as the members of Internal Complaints Committee ("ICC") are trained and awareness programs are conducted at regular intervals. The ICC is also trained by external agency when the committee members are inducted to the committee. Further, the Policy of "Prevention of Sexual Harassment" at workplace is available on intranet of the Company to access as and when required. During the year under review, there was no complaint lodged under this Policy.



AUDITORS

Statutory Auditors & their Report

At the 21st AGM held on 29.09.2014, M/s M. Gandhi & Co, Chartered Accountants (Firm Registration No. : 00851S) were appointed as statutory auditors of the Company to hold office till the conclusion of the 24th AGM to be held in the calendar year 2017. In terms of Sec 139 of the Act, the appointment of the auditors shall be placed for ratification at every AGM. Accordingly, the appointment of M/s M. Gandhi & Co., Chartered Accountants as statutory auditors of the Company is placed for ratification by the shareholders. In this regard, the Company has received a certificate from the auditors to the effect that if they are re-appointed, it would be in accordance with the provisions of Sec 141 of the Act. The Auditors' Report on the Financials is free from qualifications, disclaimers and/or any adverse remarks.

Secretarial Auditor & their Report

JKS & Co., Company Secretaries, was appointed to conduct the secretarial audit of the Company for the financial year 2014-15 as required under Section 204 of the Companies Act, 2013 and Rules there under. The Secretarial audit report for the financial year 2014-15 forms part of this Report as Annexure -3

The Secretarial Auditors have stated that the company has neither appointed a Company Secretary nor a CFO for the financial year 2014-15, as required under section 203 of the Act. Your Board wishes to clarify that in order to appoint a Company Secretary/ CFO, the company had initiated suitable steps to recruit them. However, in view of the size of operations and the allocated budget, we could not finalize a suitable candidate for these two positions.

Further, the Secretarial Auditors have stated that some of the MCA e-forms is yet to be uploaded. Your Board wishes to clarify that the corrective action is being initiated in this regard

PARTICULARS OF LOANS, GUARANTEES, SECURITY AND INVESTMENTS U/S 186

The details of amount invested in Mutual Funds etc. and Loan to an employee is given in Note No. 11 and Note No. 14 to the Balance Sheet, respectively. The Company has not given any guarantee to secure any loan or provided any security to any loan.

PARTICULARS OF CONTRACTS ETC. WITH RELATED PARTIES REFERRED TO IN SECTION 188 OF THE ACT

Apart from the managerial remuneration, there were no transactions drawing compliance of Section 188 of the Act.

RISK MANAGEMENT POLICY

The company is being small in size and operations, the scope of opportunity to manage the risk is limited. However the company employs the following strategies to overcome these risks:

- The company has a policy of training fresher's & creating a talent pool at a lower cost.
- The company has expanded its overseas operations. Apart from the South East Asia traditional market, the company is also moving on to Middle-East segment to mitigate geographical business risks.
- The operating costs are escalating perpetually and to overcome this, the company mitigates this risk by deferring all discretionary expenses.

CORPORATE GOVERNANACE

The company has taken necessary steps to implement and to comply with the recommendations of the code of Corporate Governance. The Report on Corporate Governance as envisaged under listing agreement is submitted below. This section besides being in compliance of the mandatory listing agreement requirements, gives an insight into the process of functioning of the company.

A. Company's Philosophy on Code of Governance:

1. To adopt internal and external measure to increase the level of transparency and accountability.
2. To demonstrate to shareholders that the company is following right governance practices.
3. To respect the laws of the land and rights of shareholders and to get respect from all the concerned.
4. To lead the company towards high growth path of higher profits and revenues.

B. Board of Directors

All details such as composition of the Board, Committee, the attendance of the Board, profile of the director retiring by rotation etc. is given above in this Report.



C. Performance Evaluation of the Board:

In terms of the provisions of the CA2013, and listing agreement the Board has carried out the annual performance evaluation of its own including the various committees and the individual directors with a detailed questionnaire covering various aspects of Board's functioning like composition of Board and its committees, board culture, performance of specific duties and obligations.

A similar process with a separate exercise was carried out to evaluate the performance of the individual Directors including the chairman of the Board, who evaluated on parameters such as the independence of judgement, level of engagement, their contribution, safeguarding the interests of the Company and minority shareholders.

The details of information to be furnished under the head "GENERAL BODY MEETINGS" and COMMITTEES OF THE BOARD are given above in this Report. For the sake of brevity, we are not reproducing the same.

D. Means of Communication :

The Company has always promptly reported all material information including quarterly financial results, press releases, etc to all Stock Exchanges where the securities of the Company are listed. The quarterly results and other information were communicated to the shareholders by way of advertisement in a national daily and in vernacular language newspaper, and the same is uploaded on the company's website as well.

E. Shareholders' Information

SlNo.	Particulars	Details
1.	Date, Time and Venue of the Twenty Second Annual General Meeting	Saturday 19 th day of September 2015 at 10:35 A.M at Canara Union Trust, 42, 8 th Main, Malleswaram, Bangalore - 56.0 003
2.	Date of Book Closure	14 th September 2015 to 19 th September 2015 (both days inclusive).
3.	Record Date for e-voting	14 th September, 2015
4.	Listing on Stock Exchanges	As on date of this Report, the Company is not listed on any Stock Exchange.
5.	Registered Office	No. 4/1, Rudra Chambers, 4 th Main, 9 th Cross, Malleswaram, Bangalore-560003
6.	Share Transfer Agent for Physical as well as Electronic Transfer	Integrated Enterprises Private Limited (Formerly Known as Alpha Systems Private Limited) at No.30, Ramana Residency, 4 th Cross, Sampige Road, Malleswaram, Bangalore-560003

F. Change of Address :

Members holding equity shares in physical form are requested to notify the changes of address/ Bank Mandate, if any to the Register and Share Transfer Agents M/s Integrated Enterprises Private Limited, Bangalore. Members holding equity shares in dematerialized forms are requested to notify their change of address / Bank mandate, if any, to their respective DP's.

G. Share Transfer System

Shares sent for physical transfer or dematerialization request are generally registered and returned within a period of 15 days from the date of receipt. The company has appointed M/s Integrated Enterprises Private Limited at NO.30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore-560003 as its Share Transfer Agent.

H. Dematerialization of Equity Shares

Trading in equity shares of the Company become mandatory in dematerialized form with effect from 24th July 2000. To facilitate trading in demat form, there are two depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The Company has entered into an agreement with both of these depositories. Shareholders can open account with any of the Depository participant registered with any of these depositories. As on date (approx.) 80.60% of equity shares of the Company are in the dematerialized form.



I. Green Initiatives

Sec 101 of the Act empowers the company to send notices, Annual reports and other documents to be served upon the shareholders, in electronic mode. Shareholders who wish to opt for email communication may send their email Id's to the corporate office.

J. Compliance Officer

The Company is in the process of appointing a Company Secretary and Compliance Officer.

K. Shareholders' Correspondence

The company has attended to all the investors' grievances / queries / information requests. We endeavor to reply all letters received from the shareholders within a week. All correspondence may please be addressed to the Share Transfer Agent at the address given. In case any shareholder is not satisfied with the response or do not get any response within reasonable period of 15 days, they may approach to the company addressing the letters to the Managing Director at the Company's registered office address.

The following is the summary of the complaints received and disposed off during the financial year 2014-15:

- a) No. of SH complaints received: 01
- b) No. of SH complaints disposed off: 01

The CEO/CFO Certificate as required under the new Corporate Governance norms is attached as Annexure 4. Auditor's certificate on corporate governance is attached as Annexure 5.

COMPLIANCES LAW

The company has ongoing Internal Audit and Secretarial Audit & Systems in place and ensures periodic compliances. The company also plans to step up vigilance and compliances mechanism.

VIGIL MECHANISM

As a good corporate governance measure, the company has announced a "Whistle Blower Policy" which lays foundation for clean business practice and allows the employees to participate and forward their views, suggestions, deviations and observations to the Management. The Company is committed to continuously improving its systems relating to efficiency of operations, financial reporting and statutory compliances.

INTERNAL FINANCIAL CONTROL

The Board has adopted the policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial disclosures.

DISCLOSURES PERTAINING TO CONSOLIDATED FINANCIAL STATEMENTS

Your company is not having any subsidiaries or joint ventures and hence not required to comply with the related disclosure provisions.

ADDITIONAL DISCLOSURES

There was no significant transaction with the directors or the management, their subsidiaries or relatives that have any potential conflict with interest of the company at large. There were no case of non-compliance by the Company, nor any cases of penalties, strictures imposed on the Company by the Stock Exchange or SEBI or any statutory authority on any matters related to capital markets during the last three years. The disclosures pertaining to related party transactions and basis of accounting have been made in the noted on account forming part of this Annual Report.

MANAGEMENT DISCUSSION & ANALYSIS (MD&A)

• **Introduction:** Investors are informed and cautioned that this discussion contains forward-looking statements that involve risks and uncertainties. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether because of any new information, future events, or otherwise. Actual results, performance or achievements could differ materially from those expressed or implied in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.



- **Review of the operating performance, financial review & future outlook:** A detailed review of operational results is already given above in this Report.
- **Business Environment:** The company has maintained a profitable record for the several years in succession despite double-digit inflation, rising costs on all fronts, squeeze on margins and prior period TAX adjustments.
- **Internal Control System and their adequacy:** The Company's internal control mechanism lies on the fundamentals of a good Management Information System. The funds flow plan is monitored through a budget and variance analysis. The roles and responsibilities of all managerial positions have been documented and are monitored, which ensures that decisions are taken within the framework laid down. Any material change in business outlook or in annual planning and budgeting is reported to the Board. The Company has also put in place an internal business outlook or in annual planning and budgeting is reported to the Board. An internal audit system is in place, where the auditors have access to all records and information about the company. The Company is committed to continuously improving its systems relating to efficiency of operations, financial reporting and statutory compliances.
- **Opportunities and Threat/ Risks & Concern:** The Company is clearly looking at opportunities for new business relationships, strategic alliances and Joint Ventures. Further, the economic downturn seems to have opened new opportunities in IT offshore avenues, largely due to cost advantage to the end customer. Such opportunities are being leveraged through strategic partnerships. On the other hand, the smallness of scale, intense competition, human resource inadequacy, inflationary trends, foreign exchange fluctuations, huge rise in costs and slowdown in various economies across the globe, poses a great challenge to our company. The geo-political factors, foreign exchange fluctuations and statutory provisions across the target countries, wherever we operate, could impact potential business.
- **Human Resources:** Human Resources management is a major challenge to the industry in which the company operates. Attrition is the order of the day. Retention of quality manpower is a growing challenge. Apart from this, we also have to deal with huge rise in employee costs

ACKNOWLEDGEMENTS

Your Directors acknowledge with thanks the support and valuable co-operation extended by customers, vendors, bankers, shareholders and government organizations such as Software Technology Parks of India, Karnataka, etc. Your Directors place on record for their appreciation of the contribution made by the employees at all levels

For and on behalf of the Board of the Directors

Place: Bangalore
Dated: 31.07.2015

Sd/-
K.Srinivasan
Managing Director
(DIN: 00941441)

Sd/-
M Mohammed Akram
Director
(DIN: 06655015)

Annexure 1

EXTRACT OF THE ANNUAL RETURN

as on the financial year ended on March 31, 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:

Particulars	Details
CIN	U72200KA1993PLC014303 (as on date) L72200KA1993PLC014303 (as on 31-03-2015)
Registration Date	10/05/1993
Name of the Company	KALS INFORMATION SYSTEMS LIMITED
Category / Sub-Category of the Company	Public Company Company having share capital
Address of the Registered office and contact details	4/1, Rudra Chambers, 4th Main, 9th Cross, Malleswaram, Bangalore- 560003 Ph. +91-80-42628200
Whether listed company Yes / No	No (as on date) Yes (as on 31-03-2015)
Name, Address and Contact details of Registrar and Transfer Agent, if any	Integrated Enterprises (India) Limited 30, Ramana Residency, 4 th Cross, Sampige Road, Malleswaram, Bangalore - 560 003 Ph. +91-80-23460815



II. Principal Business Activities of the Company

Sr. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1.	Development of Software and Software Products	72	100

III. Particulars of Holding, Subsidiary and Associate Companies

S. NO	Name And Address of The Company	CIN/GLN	Holding/ Subsidiary / Associate	% of shares held Applicable Section
N.A				

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 [As on 31-March-2014]				No. of Shares held at the end of the year [As on 31-March-2015]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	15,73,795		15,73,795	29.44	15,73,795		15,73,795	29.44	0
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	-	-	-	-	-	-	-	-	-
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
Sub-total (A) (1)	15,73,795		15,73,795	29.44	15,73,795		15,73,795	29.44	0
(2) Foreign									
a) NRIs- Individuals	-	-	-	-	-	-	-	-	-
b) Other- Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
Sub-total (A) (2)	-	-	-	-	-	-	-	-	-
Total share holding of Promoter (A)=(A) (1)+(A) (2)	15,73,795		15,73,795	29.44	15,73,795		15,73,795	29.44	0
B. Public									
Share holding									
1. Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	1,00,000		1,00,000	1.87	1,00,000		1,00,000	1.87	0
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIs	2,50,000	-	2,50,000	4.68	2,50,000	-	2,50,000	4.68	0

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2014]				No. of Shares held at the end of the year [As on 31-March-2015]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-total (B)(1)	3,50,000	-	3,50,000	6.55	3,50,000	-	3,50,000	6.55	0
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	5,74,068	81300	6,55,368	12.26	5,74,068	81300	6,55,368	12.26	0
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
Individual share holders holding nominal share capital upto Rs. 1 lakh	10,62,417	1,10,870	11,73,287	21.95	10,68,717	1,04,470	11,73,187	21.95	0
i) Individual share holders holding nominal share capital in excess of Rs 1 lakh	3,41,750	8,50,000	11,91,750	22.30	3,41,750	8,50,000	11,91,750	22.30	0
c) Others (specify)									
NRI	4,00,200		4,00,200	7.49	4,00,200		4,00,200	7.49	0
Clearing Mmember	500		500	0.01	600		600	0.01	0
Sub-total (B)(2)	23,78,935	10,42,170	34,21,105	64.01	23,85,335	10,35,770	34,21,105	64.01	0
Total Public Shareholding (B)=(B)(1)+ (B)(2)	27,28,935	10,42,170	37,71,105	70.56	27,35,335	10,35,770	37,71,105	70.56	0
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	43,02,730	10,42,170	53,44,900	100	43,09,130	10,35,770	53,44,900	100	0

B) Shareholding of Promoter-

S.No.	Share holder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Krishnaswamy Srinivasan	10,50,695	19.66	0	10,50,695	19.66	0	-
2	R.Krishnaswamy	7,600	0.14	0	7,600	0.14	0	-
3	K. Anantha Padmanabhan	5,15,500	9.64	0	5,15,500	9.64	0	-

C) Change in Promoters' Shareholding (please specify, if there is no change)

There is no change in the Promoter's shareholdings.

D) Shareholding Pattern of top ten Shareholders: (other than Directors, Promoters and Holders of GDRs and ADRs):

S.No.	For Each of the Top 10 Share holders	Share holding at the beginning of the year		Cumulative Share holding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	N Narasimhan	8,00,000	14.97	8,00,000	14.97
2	Roshani Neetish Doshi	4,00,000	7.48	4,00,000	7.48
3	Taib Securities Mauritius Limited	2,50,000	4.68	2,50,000	4.68
4	Agrahar Securities Pvt Ltd	2,45,843	4.60	2,45,843	4.60
5	Taib Capital Corporation Ltd	1,50,000	2.81	1,50,000	2.81
6	Annapurna Ramachandran	1,50,000	2.81	1,50,000	2.81
7	Oriental Bank of Commerce	1,00,000	1.87	1,00,000	1.87
8	Kals Employees Welfare Trust	81,300	1.52	81,300	1.52
9	Bang Securities Pvt. Ltd.	75,600	1.41	75,600	1.41
10	Nuvent Equity Pvt. Ltd.	51,000	0.95	51,000	0.95
	At the beginning of the year	23,03,743	43.1	23,03,743	43.1
	Date wise Increase / Decrease in 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 (or on the date of separation, if separated during the year)	23,03,743	43.1	23,03,743	43.1

E) Shareholding of Directors and Key Managerial Personnel:

S.No.	For each of the Directors and KMP	Share holding at the beginning of the year		Cumulative Share holding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Krishnaswamy Srinivasan	10,50,695	19.66	10,50,695	19.66
2	Mohammed Akram	53,100	0.99	53,100	0.99
3	Sudhash	3500	0.06	3500	0.06
	At the beginning of the year	11,07,295	20.71	11,07,295	20.71
	Date wise Increase / Decrease in 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	11,07,295	20.71	11,07,295	20.71



V. INDEBTEDNESS

The Company did not borrow any amount during the year and hence is not required to disclose the details of Loans & Deposits including interest outstanding/accrued but not due for payment

VI. Remuneration of Directors and Key Managerial Personnel

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

S.No.	Particulars of Remuneration	Name of MD/WTD/Manager			Total Amount (₹)
		Srinivasan (MD)	Mohmd Akram	Sudhash.N	
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	13,20,000	11,89,397	12,00,000	37,09,397
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	4,924	-	-	4,924
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission- as % of profit- others, specify...	-	-	-	-
5	Others, please specify	-	-	-	-
	Total (A)	13,24,924	11,89,397	12,00,000	37,14,321
	Ceiling as per the Act (as per Sch V) (₹)	42 Lacs	42 Lacs	42 Lacs	

B. Remuneration to other directors:

(₹)

S.No.	Particulars of Remuneration	Name of Directors		Total Amount
		H.D. Ballal	P. Periswamy	
1	Independent Directors			
	Fee for attending board committee meetings	8,000	10,000	18,000
	Commission	-	-	-
	Others, please specify	-	-	-
	Total (1)	8,000	10,000	18,000
2	Other Non-Executive Directors			
	Fee for attending board committee meetings	-	-	-
	Commission	-	-	-
	Others, please specify	-	-	-
	Total (2)	-	-	-
	Total (B)=(1+2)	8,000	10,000	18,000
	Total Managerial Remuneration	8,000	10,000	18,000
	Overall Ceiling as per the Act [Sec 197(5)]	Rs 1 Lac per meeting		

**C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD:**

There company has not appointed any Key Managerial Person other than MD/ WTD.

I. Penalties / Punishment/ Compounding Of Offences:

There are no penalties/punishment/compounding of offences against KALS Information Systems and its Directors and Officers for the year ended on 31st March, 2015.

**Annexure 2
DETAILS OF RATIO OF DIRECTOR REMUNERATION**

The ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year	Name of the Directors Ratio to the Median		
	Srinivasan K	5.47	
	Mohammed Akram	4.97	
	Sudhash. N	4.97	
The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	Nil		
The percentage increase in the median remuneration of employees in the financial year	The percentage increase in the median remuneration of KALS Information Systems Ltd during the financial year is 25.92%		
The number of permanent employees on the rolls of Company	The total number of employees as on 31.03.2015 is 50, and as on 31.03.2014 is 36		
The explanation on the relationship between average increase in remuneration and company performance	The increase in company revenue for the Financial Year 13-14 over 12-13, was 11.54% and the average increase given to employees was 13%. The average increase in remuneration is not based on only company's performance alone, but also takes into consideration other factors like employees performance for the year. The average increases being given by peer companies and overall budgetary impact within the Company.		
Comparison of the remuneration of the Key Managerial Personnel against the performance of the Company	The remuneration of the Key Managerial Personnel was 13.53% of revenue		
Variations in the market capitalization of the company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer in case of listed companies, and in case of unlisted companies, the variations in the net worth of the company as at the close of the current financial year and previous financial year;	Not Applicable		
Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;	The average % increase was 13% for all employees who went through the compensation review cycle in the year. The average % increase for managerial personnel has been nil and there is no comparison. There are no exceptional circumstances.		
Comparison of the each remuneration of the Key Managerial	Name of the Director	% of revenue	% of PBT
	Srinivasan K	4.12%	22.78%
	Mohammed Akram	3.75%	20.71%
	Sudhash. N	3.75%	20.71%
The key parameters for any variable component of remuneration availed by the directors	Not Applicable		
The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year	Not Applicable		
Affirmation that the remuneration is as per the remuneration	Yes; the remuneration is as per the remuneration policy of the company, approved by the Remuneration Committee in the year 2013.		



Annexure 3
SECRETARIAL AUDIT REPORT

To,
The Members
Kals Information Systems Limited,
4/1, Rudra Chambers, 4th Main, 9th Cross,
Malleswaram, Bangalore- 560003

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 contents 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. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the further viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For JKS &CO
Company Secretaries
Sd/-
V. Karthick (Partner)
Practicing Company Secretary
Membership No. ACS – 11910
Certificate of Practice No. – 4680

Place : Bengaluru
Date : 31.07.2015

Form No. MR-3
Secretarial Audit Report

for the financial year ended 31 March 2015

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Kals Information Systems Limited,
4/1, Rudra Chambers, 4th Main, 9th Cross,
Malleswaram, Bangalore- 560003

We have conducted the secretarial audit of the compliance of the applicable statutory provisions and the adherence to good corporate practices by **Kals Information Systems Limited**, (hereinafter called "the Company"). Secretarial Audit was conducted in the manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our 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 the secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March 2015 ("audit period") complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by 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 thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;



- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; (Not Applicable to the Company during the audit period under review)
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992; [Not Applicable as the shares of the Company were not traded during the audit period under review]
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 [Not Applicable to the Company during the audit period under review];
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and Securities and Exchange Board of India (Share Based Employee Benefits) Regulations 2014 notified on 28th October, 2014 [Not Applicable to the Company during the audit period];
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 [Not Applicable as the Company has not issued any debt securities during the audit period];
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with clients [Not Applicable as the Company is not registered as Registrar to Issue and Share Transfer Agent during the audit period];
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 [Not Applicable as the Company has not delisted / proposed to delist its equity shares from any stock exchange during the audit period]; and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 [Not Applicable as the Company during the audit period];
- (vi) Other laws applicable to the Company as per the representations made by the Management.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India [Not notified during the audit period and hence not applicable to the Company].
- (ii) The Listing Agreements entered into by the Company with Bangalore Stock Exchange Limited and Delhi Stock Exchange Limited

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above, however, with the following exceptions:

1. The Company has not appointed a Company Secretary and a Chief Financial Officer as Key Managerial Personnel (KMP) during the year under review.
2. The Company is yet to file some of the E-Forms with Ministry of Corporate Affairs.

We further report that

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.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As represented by the Company, all decisions at the Meetings of the Board of Directors and Board Committees are carried out unanimously as recorded in the Minutes of the respective meetings as the case may be and no dissenting views were required to be recorded.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period, the Bangalore Stock Exchange Limited, where the Company shares are listed, reportedly closed in December 2014. Subsequently Delhi Stock Exchange Limited has also reported closure and that the Company's shares would be moved to Dissemination Board maintained by Bombay Stock Exchange Limited.

For JKS &CO

Company Secretaries

Sd/-

V. Karthick (Partner)

Practicing Company Secretary

Membership No. ACS – 11910

Certificate of Practice No. – 4680

Place : Bengaluru

Date : 31.07.2015



**ANNEXURE 4
CEO / CFO CERTIFICATION**

The Board of Directors
KALS Information Systems Ltd.
Bangalore

Certification of Financial Results for the period ended 31st March, 2015

1. We have reviewed the financial statements and cash flow statements for the above said period and to the best of our knowledge and belief,
 - These statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading;
 - These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the company during the period which are fraudulent, illegal or volatile of the company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that and we have evaluated the effectiveness of the internal control systems of the company pertaining to the financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal control, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
4. We have indicated to the Auditors and the Audit committee the:
 - Significant changes in internal control over financial reporting during the year;
 - Significant changes in accounting policies during the year and that the same have been disclosed in the Notes of the financial statements; and
 - Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.
5. We have fully complied with the Accounting manual of the Company and reviewed very carefully the checklists prepared by the company.

For and on behalf of the Board of the Directors

**Place: Bangalore
Dated: 31.07.2015**

**Sd/-
K.Srinivasan
Managing Director
(DIN: 00941441)**

**Sd/-
M Mohammed Akram
Director
(DIN: 06655015)**

**Annexure 5
Auditors Report on Corporate Governance
To The Members of KALS INFORMATION SYSTEMS LTD**

We have read the Report of Directors on Corporate Governance and have examined the relevant records relation to compliance of conditions of Corporate Governance by KALS Information Systems Ltd (The Company) for the year ended March 31, 2015 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination, conducted in the manner described in the 'Guidance Note on Certification of Corporate Governance' issued by the institute of Chartered Accountants of India, was limited to procedures and implementation thereof adopted by the company for ensuring compliance with the conditions of Corporate Governance. Our examination was neither an audit nor was it conducted to express an opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us and on the basis of our examination described above, the Company has partially complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

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

**Place: Bangalore
Date: 30.05.2015**

**For M.Gandhi & CO
Chartered Accountant
Sd/-
M Gandhi
Proprietor
Membership No:022958
Registration No:00851S**



M.Gandhi & Co
Chartered Accountants

No.48,Hitananda Building
Mezzanine Floor, Lavelle Road, Bangalore -01
Ph No. 080-22630247

INDEPENDENT AUDITOR'S REPORT

To The Members of KALS INFORMATION SYSTEMS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of KALS Information Systems Ltd ('the Company'), which comprise the Balance Sheet as at March 31, 2015, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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 & presentation of these financial statements that give a true and fair view of the financial position, financial performance and cash flow 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 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 there under.

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 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 control 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 financial statements.

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 31st 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 paragraphs 3 and 4 of the Order.
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 purpose of our audit;
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid 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 written representations received from the directors as on March 31, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2015 from being appointed as a director in terms of Section 164(2) of the Act.
 - (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 which could impact its financials.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

Place: Bangalore
Date: 30.05.2015

For M.Gandhi & CO
Chartered Accountant
Sd/-
M Gandhi
Proprietor
Membership No:022958
Registration No:00851S

**ANNEXURE TO THE INDEPENDENT AUDITORS REPORT**

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Having regard to the nature of the Company's business/activities/results during the year, clauses ii and vi of paragraph 4 of the Order are not applicable to the Company.

- (i) In respect of its Fixed Assets:
- a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) As explained to us some of the fixed assets were physically verified during the year by the management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
- (ii) The Company is a service company, primarily rendering software services. Accordingly it does not hold any physical inventories. Thus paragraph 3(ii) of the order is not applicable.
- (iii) The Company has not granted any loans as covered section 189 of the Companies Act, 2013.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and sale of services. The activities of the Company do not involve purchase of inventory and sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) According to the information and explanations given to us, the Company has not accepted any deposit from the public covered under Section 73 to 76 of the Companies Act 2013,
- (vi) The company is not covered to maintain the cost records as per the Section 148 of the companies Act 2013,
- (vii) According to the information & explanations given to us, in respect of statutory dues:
- (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employee's State Insurance, Income tax, Sales tax, Wealth tax, Service Tax, Custom Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues applicable to it with the appropriate authorities in India.
- (b) There were no undisputed amount payable in respect to Provident Fund, Employee's State Insurance, Income tax, Sales tax, Wealth tax, Service Tax, Custom Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues in arrears as at March 31, 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, the Company has declared dividends during the year and there were no amounts which were required to be transferred to the investor Education and Protection Fund during the year by the Company.
- (viii) The Company does not have any accumulated losses at the end of the financial year and the Company has not incurred cash losses in the financial year covered by our audit and in the immediately preceding financial year.
- (ix) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks. There are no borrowings from financial institutions and the Company has not issued any debentures.
- (x) According to the information and explanations given to us, the company has not given guarantees for loans taken by others from bank and financial institutions.
- (xi) In our opinion and according to the information and explanations given to us, the Company has raised any term loans during the year.
- (xii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

**Place: Bangalore
Date: 30.05.2015**

**For M.Gandhi & CO
Chartered Accountant
Sd/-
M Gandhi
Proprietor
Membership No:022958
Registration No:00851S**



KALS INFORMATION SYSTEMS LTD

4/1, Rudra Chambers, 4th Main Road, 9th Cross, Malleswaram Bangalore - 560 003

BALANCE SHEET AS AT 31ST MARCH 2015

Amount in Rupees

Particulars	Note No	As at 31st March 2015	As at 31st March 2014
EQUITY AND LIABILITIES			
(1) Shareholder's Funds			
(i) Share Capital	2	5,34,49,000	5,34,49,000
(ii) Reserves and Surplus	3	1,88,25,783	1,92,24,761
(2) Non-Current Liabilities			
(i) Long-term borrowings		-	-
(ii) Deferred Tax Liabilities (Net)		-	-
(iii) Other Long term liabilities		-	-
(iv) Long-term provisions	4	21,88,028	15,94,616
(3) Current Liabilities			
(i) Short-term borrowings		-	-
(ii) Trade payables	5	-	1,10,000
(iii) Other current liabilities	6	10,83,037	22,55,090
(iv) Short-term provisions	7	16,59,848	16,80,303
TOTAL		7,72,05,696	7,83,13,770
ASSETS			
(1) Non-current assets			
(i) Fixed assets			
(a) Tangible assets	8	5,28,149	18,26,117
(b) Intangible Assets	8	13,357	21,582
(ii) Non Current Investments		-	-
(iii) Deferred Tax Assets(net)	9	10,39,747	5,18,728
(iv) Long-term loans and advances		-	-
(v) Other non-current assets	10	12,36,460	13,01,460
(2) Current assets			
(i) Current Investments	11	6,23,24,251	6,43,34,689
(ii) Inventories		-	-
(iii) Trade receivables	12	70,85,810	54,89,609
(iv) Cash and cash equivalents	13	37,00,424	29,31,726
(v) Short-term loans and advances	14	7,000	3,000
(vi) Other current assets	15	12,70,498	18,86,859
Summary of Significant Accounting Policies	1		
TOTAL		7,72,05,696	7,83,13,770

Accounting Notes are integral part of the Financial Statements

For M.Gandhi & CO
Chartered Accountant

M Gandhi
Proprietor
Membership No.022958
Registration No: 000851S
Place : Bangalore
Date :30.05.2015

For and on behalf of the Board of Directors

K Srinivasan
Managing Director
(DIN: 00941441)

M Mohammed Akram
Director
(DIN: 06655015)



KALS INFORMATION SYSTEMS LTD			
4/1, Rudra Chambers, 4th Main Road, 9th Cross, Malleshwaram Bangalore - 560 003			
PROFIT & LOSS A/C FOR THE YEAR ENDED 31ST MARCH 2015			Amount in Rupees
Particulars	Note	Year Ended 31st March 2015	Year Ended 31st March 2014
I. Revenue from operations	16	2,75,00,303	2,81,07,967
II. Other Income	17	45,29,802	30,26,230
III. Increase/decrease in Stock		-	-
Total Revenue (I +II+III)		3,20,30,105	3,11,34,197
IV. Expenses:			
Employee benefit expense	18	1,77,07,956	1,48,51,363
Financial costs	19	68,416	42,330
Depreciation and amortization expense	20	15,36,661	5,45,084
Other expenses	21	69,23,723	88,26,147
Total Expenses		2,62,36,756	2,42,64,924
V. Profit before exceptional and extraordinary items and tax		57,93,349	68,69,273
VI. Profit before extraordinary items and tax		57,93,349	68,69,273
VII. Profit before tax		57,93,349	68,69,273
VIII. Tax expense:			
(1) Current tax		16,59,848	16,80,303
(2) Deferred tax asset		(5,21,020)	(2,21,823)
(3) Income tax earlier years		50,886	1,06,037
IX. Profit(Loss) from the period from continuing operations		11,89,714	15,64,517
X. Profit/(Loss) for the period		46,03,635	53,04,756
XI. Earning per equity share:			
(1) Basic	22	0.86	0.99

Accounting Notes are integral part of the Financial Statements

For M.Gandhi & CO
Chartered Accountant

M Gandhi
Proprietor
Membership No.022958
Registration No: 000851S
Place : Bangalore
Date : 30.05.2015

For and on behalf of the Board of Directors

K Srinivasan
Managing Director
(DIN: 00941441)

M Mohammed Akram
Director
(DIN: 06655015)



Note 1

Notes to the Financial Statements

1. Background:

The company was incorporated under the Companies Act 1956 as a Private Limited Company in the year 1993. Subsequently the company was converted into a public limited company in the year 2000. The company is engaged in development of Software and Software products since its inception. The company consisting of STPI unit engaged in Development of Software.

2. Summary of Significant Accounting Policies

a) Basis of Accounting and preparation of financial statement:

The financial statements of the company have been prepared under the historical cost convention on accrual basis of accounting with the Generally Accepted Accounting principles in India (Indian GAAP) and to comply with the accounting standards prescribed in the section 133 of companies Act 2013 read with rule 7 of the Companies (Accounts Rules) Rules, 2014 and with relevant provisions of the Companies Act, 2013/ the Companies Act, 1956 as applicable. The Accounting Policies adopted in the preparation of financials statement are consistent with those followed in the previous year.

b) Revenue Recognition: The Company derives its revenues primarily from software services and software products. Revenue from time and material contract is recognized on the basis of software developed and billed in accordance with the terms of the contract. Revenue from the fixed price contract is recognized on the completion of milestones in contracts, under the percentage of completion method. Income from training is recognized on time proportion basis.

Interest on deployment of surplus funds is recognized using the time proportion method based on the interest rates applicable to the transaction. All other incomes and expenditure are accounted on accrual basis and provision is made for all known losses and liabilities.

c) Fixed Assets (tangible and intangible):

Fixed assets are carried at cost, less accumulated depreciation/ amortization and impairment losses if any. The Cost of fixed assets comprises its purchase price net of any trade discounts and rebates, any import duties and other irrecoverable taxes, any directly attributable expenditure on making the assets ready for its intended use, other incidental expenses and interest on borrowings cost attributable to acquisition of qualifying fixed assets up to the date of asset is ready for intended use.

d) Depreciation:

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule ii to the Companies Act, 2013 except in respect of the following categories of assets, in whose case the life of the assets has been assessed as under based on technical advice, taking into account the nature of the asset, the estimated usage of the asset the Operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support, etc.,

Furniture and fixtures – 8 years

Office equipment and electrical – 5 years

Computer machinery – 3 years

Motor Cars – 6 years

Air conditions and Plant and machinery – 5 years

Depreciation on additions deductions is calculated pro-rata from/ to the date of additions/ deductions. Intangible assets are amortized over their estimated useful life Straight Line Method as follow:

Purchased computer software – 3 years

The estimated life of the intangible assets and amortization period are reviewed at the end each financial year and amortization method is revised to reflect the changed pattern.

Impact of depreciation due to change in useful life:

During the year, pursuant to the notification of Schedule II to the Companies Act, 2013 with effect from April 1, 2014, the Company revised the estimated useful life of some of its assets to align the useful life with those specified in Schedule II and unamortized carrying value is being depreciated over the revised/ remaining useful life. Further, assets individually costing Rs. 5000/- or less that were depreciated fully in the year of purchase are now depreciated based on the useful life considered by the Company for the respective category of assets.

The depreciation expenses in the statement of profit and loss is more by Rs. 11,82,218/- consequent to the change in the useful life of the assets.

**e) Impairment of Assets:**

- i. The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount.
- ii. After impairment, depreciation is provided on the revised carrying amount of the assets over the remaining useful life.

f) Investments & Loans:

Long terms Investments are stated at cost, less provision for diminution in value of investments, which is considered to be permanent. Current investments are stated at lower of cost or fair market value.

g) Inventories:

Computer spares are charged to consumption in the year of purchase. The Company has no inventory.

h) Employee Benefits:

- i. **Provident Fund & Superannuation Fund:** The Company's contribution to the Employee's PF is charged to the Profit & Loss Account on accrual Basis and paid to commissioner of Employee's Provident Fund Department on due dates.
- ii. **Gratuity:** Provision for gratuity has been made for eligible employees who have completed 5 years of service.
- iii. **Leave salary:** Liability for unutilized leave to the employees is determined on accrual basis.

i). Foreign Currency Transactions:

Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at year end rates. The difference in translation of monetary assets and liabilities and realized gains and losses on foreign exchange transactions are recognized in the Profit and Loss Account.

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Measurement of foreign currency monetary items at the balance sheet date

Foreign currency monetary items outstanding at the balance sheet date are restated using the year end rates. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the transactions.

Treatment of exchange differences

Exchange differences arising on settlement/restatement of foreign currency assets and liabilities of the company are recognized as income or expense in the statement of profit and loss in the period in which they arise.

j). Taxation:

Tax expense comprise of both current tax and deferred tax.

Deferred tax reflects the effect of temporary timing difference between the assets and liabilities recognized to financial reporting purposes and the amounts that are recognized for current tax purposes. As a matter of prudence deferred tax assets are recognized and carried forward only to the extent, there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

k). Use of estimates:

The preparation of financial statements in confirming with Indian GAAP require the management to make estimates and assumption considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the periods in which the results are known/materialize.

l). Cash and cash equivalents (for purposes of cash flow statement):

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short term (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are ready convertible into known amounts of cash and which are subject insignificant risk of changes in value.

Cash flow statement: Cash flow are reported using the indirect method whereby profit/(loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accrues of past or future cash receipts or payments. The cash flow from operating, investing and financing activities of the Company is segregated based on the available information.

**m). Earning per share:**

Basic earnings per share is computed by dividing the profit/loss after (including post tax of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year.

n). Operating cycle:

The Company determines its operating cycle for the purpose of classification of its assets and liabilities as current and non-current, based on the nature of products/ activities of the Company and the normal time between acquisition of assets and their realization in cash or cash equivalent.

o). Material Events: Material events occurring after the Balance Sheet date are taken into cognizance.

Notes on Accounts:

1. General: Figures have been rounded off to the nearest rupees previous year figures have been regrouped, reclassified and recast wherever necessary and wherever possible to confirm to current year's classification.
2. Lease: The Company does not have any assets purchases through either operating lease or financial lease as defined in Accounting Standard 19.
3. The Company has no Contingent Liabilities to establish, hence not provided for in the books of accounts.
4. There are no outstanding dues to Micro Small and Medium Enterprises as at 31.03.2015. This information has been determined to the extent such parties have been identifies on the basis of information available with the company. This has been relied upon by the auditors.
5. Managerial Remuneration provided and paid during the year was as follows:

The remuneration paid to the directors is as per the provisions of schedule XIII of the Companies Act.

Sl No.	Name	Designation	2014-15	2013-14
1	K. Srinivasan	Managing Director	13,20,000	9,67,999
2	M. Mohammed Akram	Director	11,89,397	6,25,683
3	N. Sudhash	Director	12,00,000	6,32,059
	Total		37,09,397	22,25,741

6. The Company is engaged in the business of development of computer software and other related services. The Production and sale of such software is not capable of being expressed in any generic unit and hence it is not possible to give the quantitative details of the sales and information.

7. Expenses in foreign currency

Sl No.	Name	2014-15	2013-14
1	Foreign Travel (in USD)	14,950	24,934
2	Foreign Travel (in Riyadh)	7,490	30,800
3	Foreign Travel (in Rs)	10,45,752	20,41,690

8. Earnings of Foreign Exchange Sales (On accrual basis)

Sl No.	Name	2014-15 (Rs.)	2013-14 (Rs.)
1	Foreign Exchange Sales	2,75,00,303.00	2,81,07,967.00
2	Foreign Sales (USD)	4,41,020.00	4,20,492.00

9. **Gratuity:** The gratuity is provided as per Actuarial Valuation and as per accounting Standard 15(revised). Hence Accounting Standard is complied with.

10. **Related Party Disclosures**

Sl No.	Name of the Parties	Nature of the relationship with the company	Nature of Transaction	Amount 2014-15	Amount 2013-14
1	K. Srinivasan	Managing Director	Salary	13,20,000	9,77,033
2	M. Mohammed Akram	Whole Time Director	Salary	11,89,397	6,25,683
3	N. Sudhash	Whole Time Director	Salary	12,00,000	6,32,059
4	Dr. H.D. Ballal	Director	Sitting Fees	8,000	8,000
5	P. Periaswamy	Director	Sitting Fees	10,000	10,000
6	Srividhya	Sister In-Law	Professional Charges	—————	2,81,250
7	N. Narasimhan	Share Holder	Professional Charges for Taxation Audit	—————	2,24,720

11. The Company does not have any subsidiary and hence Consolidated Financial Statement prescribed under Accounting Standard 21 does not apply.
12. Figures in respect of the previous year have been regrouped or rearranged wherever necessary to confirm to current year's classification.

Notes to Financial Statements for the year ended 31 March 2015

2. Share Capital		
	At 31st March 2015	At 31st March 2014
Authorised Capital 60,00,000 Equity Shares of Rs.10/- each	<u>6,00,00,000</u>	<u>6,00,00,000</u>
Issued Capital 53,44,900 Equity Shares of Rs. 10/- each	<u>5,34,49,000</u>	<u>5,34,49,000</u>
Subscribed & Fully Paid 53,44,900 Equity Shares of Rs. 10/- each	<u>5,34,49,000</u>	<u>5,34,49,000</u>
	5,34,49,000	5,34,49,000

Reconciliation of the Shares outstanding at the beginning & at the end of the reporting period

	31/3/2015		31/3/2014	
	No of Shares	Amount	No of Shares	Amount
Equity Shares				
Outstanding at the beginning of the period	53,44,900	5,34,49,000	53,44,900	5,34,49,000
Issued during the year- Bonus	—	—	—	—
Issued during the year- ESOP	—	—	—	—
Outstanding at the end of the period	53,44,900	5,34,49,000	53,44,900	5,34,49,000

The Company has only one class of equity share having par value of Rs.10 per share. Each Shareholder is eligible for one vote per share

In the event of liquidation the equity share holders are eligible to receive the remaining assets of the company, after distribution of all the preferential amounts in proportion of their share holding.



Shareholders holding more than 5% of shares as on 31/3/2015

	2014-2015		2013-2014	
	% of share holding	No of Shares	% of share holding	No of Shares
K Srinivasan	19.66	10,50,695	19.66	10,50,695
N Narasimhan	15.91	8,50,600	15.91	8,50,600
K Ananthapadman	9.64	5,15,500	9.64	5,15,500
Roshani Neetish Doshi	7.48	4,00,000	7.48	4,00,000

3. Reserve & Surplus		
	At 31st March 2015	At 31st March 2014
Securities Premium		
Balance as per last account	1,50,00,000	1,50,00,000
Surplus		
Opening Balance	42,24,764	32,97,294
Add: Net Profit for the year	46,03,635	53,04,756
Transfer from/(to) General Reserve	-	-
Less: Interim Dividend Paid	42,75,920	37,41,430
Less: Interim Dividend Tax Paid	7,26,696	6,35,856
Closing Balance	38,25,783	42,24,764
Balance carried forward	1,88,25,783	1,92,24,764

4. Long Term Provisions		
	At 31st March 2015	At 31st March 2014
Provisions For Employees Benefits		
Provision for Gratuity	21,88,028	15,94,616
	21,88,028	15,94,616

5. Trade Payables		
	At 31st March 2015	At 31st March 2014
Gati Import Export Trading Co Ltd	-	1,10,000
	-	1,10,000

6. Other Current Liabilities		
	At 31st March 2015	At 31st March 2014
Audit Tax Payable	99,000	99,000
Statutory Payable	1,64,269	2,09,432
Expense Payable	4,18,365	1,90,623
Bonus Payable	1,500	5,65,579
Incentive Payable to Staff	1,50,946	7,74,810
Unclaimed Dividend A/c	1,73,236	1,73,254
Other Provisions	75,721	4,15,646
	10,83,037	24,28,344

7. Short Term Provisions		
	At 31st March 2015	At 31st March 2014
Provision for Income Tax	16,59,848	16,80,303
Provision for IT of earlier years	-	-
	16,59,848	16,80,303

8. Fixed Asset

TANGIBLE ASSETS												
Particulars	Gross Block					Depreciation					Net Block	
	Useful Life of asset	As at April 1, 2014	Addition during the Year	Deletion during the year	As At March 2015	As at April 1, 2014	Dep as Companies ACT 2013	For the Year	Deletion during the Year	As At Mar 2015	As At Mar 2015	As At Mar 2014
Furniture & fixtures	8	13,54,741	30,801	-	13,85,542	12,20,772	92,075	3,850	-	13,16,697	68,845	1,33,969
Office Equipments	5	12,16,323	17,844	-	12,34,167	9,14,054	2,35,656	3,569	-	11,53,279	80,888	3,02,269
Computer Machinery-Accessories	3	59,08,089	1,50,787	-	60,58,876	54,92,605	3,02,586	50,262	-	58,45,453	2,13,423	4,15,484
CAR	6	2017523	11000	-	2028523	1759757	5,576	2,53,565	-	20,18,898	9,625	2,57,766
Air condition	5	301013	-	-	3,01,013	1,86,630	1,09,181	5,202	-	3,01,013	-	1,14,383
D.G Sets	5	344650	-	-	3,44,650	2,98,204	46,446	-	-	3,44,650	-	46,446
Office interior	8	2862586	-	-	28,62,586	23,86,442	2,91,460	29,316	-	27,07,218	1,55,368	4,76,144
Electrical Installation	5	580038	-	-	5,80,038	5,00,382	77,656	2,000	-	5,80,038	-	79,656
Total		14584963	210432	-	1,47,95,395	1,27,58,846	11,60,636	3,47,764	-	1,42,67,246	5,28,149	18,26,117
Previous Year		14323896	261067	-	14,58,49,63	1,22,35,345		5,23,501	-	1,27,58,846	18,26,117	20,88,551

INTANGIBLE ASSET												
Particulars	Gross Block					Depreciation					Net Block	
	Useful Life of asset	As at April 1, 2014	Addition during the Year	Deletion during the year	As At March 2015	As at April 1, 2014	Dep as Companies ACT 2013	For the Year	Deletion during the Year	As At Mar 2015	As At Mar 2015	As At Mar 2014
Software	3	24,39,123	20,036	-	24,59,159	24,17,541	21,582	6,679	-	24,45,802	13,357	21,582
Total		24,39,123	20,036	-	24,59,159	24,17,541	21,582	6,679	-	24,45,802	13,357	21,582
Previous Year		24,39,123	-	-	24,39,123	23,57,965	-	37,993	-	23,95,958	43,165	62,468

Note 9: Deferred Tax Calculation

Deferred Tax Assets/(Liability)	At 31st March 2015		At 31st March 2014	
WDV as per Income Tax Act	17,18,356		19,31,813	
WDV as per Companies Act	5,41,506		18,47,699	
Difference	11,76,850	11,76,850	84,114	84,114
Provision for Gratuity as of 31-Mar-2014		21,88,028		15,94,616
		33,64,878		16,78,730
Deferred Tax Assets/(Liability) as on 31 March'14				5,18,728
Deferred Tax Assets/(Liability) as on 31 March'13		5,18,728		2,96,905
Deferred Tax Assets/(Liability) Provision for the year		5,21,020		2,21,823

10. Other Non Current Assets		
	At 31st March 2015	At 31st March 2014
Electrical Deposit	41,790	41,790
Rent Deposit	6,80,000	6,80,000
Telephone Deposit	27,670	27,670
KALS Employees Welfare Trust	4,87,000	5,52,000
	12,36,460	13,01,460

11. Current Investments		
	At 31st March 2015	At 31st March 2014
Investment in Mutual Funds		
Quoted, Trade		
Birla Sun Life Medium Term Plan	1,70,00,000	-
Templeton Short Term Income Plan-Retail Plan Growth	1,62,67,062	95,00,000
Templeton India Low Duration Fund-D QTR	-	51,77,726
Reliance short term growth fund	-	51,76,789
Tata Floater Fund - Daily Dividend	211	211
Birla Sun Life Fixed Term Plan-Series KY(369 DAYS)	-	1,60,00,000
ICICI Prudential Money Market Fund	-	36,79,963
ICICI Prudential Savings Fund	85,00,000	18,00,000
IDFC Super Income Fund - Quarterly Fund	74,80,173	-
IDFC Super Saver Income Fund-Medium Term Plan -G	1,30,76,805	-
IDFC Money Manager Fund	-	70,00,000
IDFC Money Manager Fund-Treasury Plan	-	1,60,00,000
(Market Value of Trade Investments as on 31st March 2015 is Rs. 6,42,26,158)	6,23,24,251	6,43,34,689

12. Trade Receivables		
	At 31st March 2015	At 31st March 2014
Trade receivables outstanding for a period exceeding six months from the date they are due for payment	-	-
Trade receivables outstanding for a period less than six months from the date they are due for payment	-	-
Unsecured, Considered Good		
Abundance Systems	67,54,557	48,53,456
Al Rajhi Takaful Co-Operative Insurance	3,31,253	6,36,153
	70,85,810	54,89,609

13. Cash and Bank Balances		
	At 31st March 2015	At 31st March 2014
Bank Balances		
HDFC Current account	1,67,998	22,34,370
AXIS Bank Current account	26,88,196	-
Yes Bank Current account	-	83,663
HDFC Fixed Deposit (Deposits less than 12 months)	6,63,168	6,10,690
AXIS Bank Unclaimed Dividend A/c	122	-
HDFC Bank Unclaimed Dividend A/c	1,73,114	1,73,254
Cash in hand	7,826	3,003
	37,00,424	31,04,980

14. Short Term Loans & Advances		
	At 31st March 2015	At 31st March 2014
Loans to Employees	7,000	3,000
	7,000	3,000
15. Other current assets		
	At 31st March 2015	At 31st March 2014
Interest Accrued on Fixed Deposits	3,675	2,342
Statutory		
Service Tax receivable	1,85,591	1,85,591
Cess on Service Tax receivable	5,976	5,976
Tax		
TDS receivable FY 2014-15	5,216	72,910
TDS receivable FY 2012-13	20,040	20,040
Advance Tax	10,50,000	16,00,000
	12,70,498	18,86,859
16. Revenue from operations		
	For the year ended 31st March 2015	For the year ended 31st March 2014
Sales & Services- Software Export	2,75,00,303	2,81,07,967
	2,75,00,303	2,81,07,967
17. Other Incomes		
	For the year ended 31st March 2015	For the year ended 31st March 2014
Interest Income	68,417	6,37,487
Dividend Income	4,28,053	21,60,852
Profit on Sale of Mutual Fund- Short Term	40,27,350	12,010
Exchange Fluctuation Gain	-	1,78,557
Miscellaneous Income	5,982	37,324
	45,29,802	30,26,230
18. Employees Benefit Costs		
	For the year ended 31st March 2015	For the year ended 31st March 2014
Salary Paid	1,27,41,792	1,10,73,167
Bonus	1,35,818	5,31,487
Employer Contribution to ESI	86,431	1,23,495
Employer Contribution to PF	2,66,982	76,647
Gratuity	6,10,720	6,72,693
Medical Reimbursement	4,924	9,034
Staff Welfare	1,51,892	1,39,099
Directors Remuneration	37,09,397	22,25,741
	1,77,07,956	1,48,51,363

19. Financial costs		
	At 31st March 2015	At 31st March 2014
Bank Charges	68,416	42,330
	68,416	42,330

20. Depreciation and amortization expense		
	At 31st March 2015	At 31st March 2014
Depreciation on Tangible Asset	3,47,764	5,23,501
Depreciation on Intangible Asset	6,679	21,583
Depreciation on account of Change in life		
Intangible assets	11,60,636	-
Tangible assets	21,582	-
	15,36,661	5,45,084

21. Other Expenses		
	For the year ended 31st March 2015	For the year ended 31st March 2014
<u>Office & Administrative Expenses</u>		
Rent	11,77,712	11,27,712
Insurance Premium	25,858	40,178
Professional Charges	85,827	6,54,550
Advertisement Charges	3,88,398	4,39,396
Electrical & Water Charges	2,79,571	2,77,514
Internet Charges	10,52,873	8,55,922
Travelling & Conveyance	28,21,974	40,48,340
Repairs & Other Expense	9,81,510	12,72,535
<u>Auditor's Remuneration</u>		
For Audit	85,000	85,000
For Tax Audit	25,000	25,000
	69,23,723	88,26,147

22. Earnings per Share		
	At 31st March 2015	At 31st March 2014
Net Profit After Tax	46,03,635	53,04,756
No. of Shares	53,44,900	53,44,900
EPS	0.86	0.99



CASH FLOW STATEMENT

	For the year ended 31st March 2015	For the year ended 31st March 2014
A. Cash Flow from Operating Activities		
Profit before taxation	57,93,349	68,69,274
Adjustments for:		
Depreciation	15,36,660	5,45,084
Interest income	(68,417)	(6,37,487)
Dividend Income	(4,28,053)	(21,60,852)
Interest Expenditure	68,416	42,330
Provision for Tax	(16,59,848)	(16,80,303)
Operating profit before working capital changes	52,42,107	29,78,046
Changes in Working Capital:		
Increase / (Decrease) in trade payables	(1,10,000)	1,10,000
Increase / (Decrease) in provisions	5,72,957	6,33,924
Increase / (Decrease) in other current liabilities	(13,45,307)	7,98,601
Increase / (Decrease) in other long term liabilities	-	-
(Increase) / Decrease in trade receivables	(15,96,202)	16,23,509
(Increase) / Decrease in inventories	-	-
(Increase) / Decrease in loans and advances	(4,000)	8,80,932
(Increase) / Decrease in other current assets	6,16,361	(4,37,941)
(Increase) / Decrease in other non-current assets	65,000	68,000
Cash Generated from Operations	34,40,916	66,55,071
Taxes paid (net of refunds)	50,886	1,06,037
Net cash generated from operations before Extraordinary items	33,90,030	65,49,034
Net cash generated from operating activities	33,90,030	65,49,034
B. Cash flow from Investing Activities		
Purchase of tangible/intangible assets	(2,30,466)	(2,61,067)
Sale of tangible/intangible assets	-	-
Purchase/Sale of current investments (Net)	20,10,438	(3,91,37,718)
Interest received	68,417	6,37,487
Dividend received	4,28,053	21,60,852
Net cash from investing activities	22,76,442	(3,66,00,446)
C. Cash flow from Financing Activities		
Dividends paid	(42,75,920)	(37,41,430)
Dividend Distribution Tax	(7,26,696)	(6,35,856)
Interest paid	(68,416)	(42,330)
Repayment of borrowings	-	-
Net cash used in Financing Activities	(50,71,032)	(44,19,616)
Net increase in cash and cash equivalents	5,95,444	(3,44,71,028)
Cash and Cash equivalents at the beginning of the year	29,31,726	3,74,02,754
Cash and Cash equivalents at the end of the year	35,27,170	29,31,726
For M.Gandhi & CO Chartered Accountant	For and on behalf of the Board of Directors	
M Gandhi Proprietor Membership No.022958 Registration No: 000851S Place : Bangalore Date : 30.05.2015	K Srinivasan Managing Director (DIN: 00941441)	M Mohammed Akram Director (DIN: 06655015)



Auditors Certificate

To,
The Board of Directors
KALS Information Systems Ltd
Bangalore

We have examined the attached cash flow statement of KALS Information Systems Ltd for the year ended 31st March 2015. The Statement has been prepared by the Company in accordance with the requirements of the listing Agreement Clause 32 with the Stock Exchanges and is based on and is in Agreement with the P & L A/c and Balance Sheet of the Company cover by our report of even date to the members of the company.

For M. Gandhi & Co.
Chartered Accountants
M.Gandhi
Proprietor

Place: Bangalore
Date: 30.05.2015

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: U72200KA1993PLC014303

Name of the company: KALS INFORMATION SYSTEMS LIMITED
Registered office: 4/1, Rudra Chambers, 4th Main,9th Cross, Malleswaram, Bangalore- 560003

Name of the member (s) :
Registered address :

E-mail Id:
Folio No/ Client Id :
DP 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 22nd Annual General Meeting of the company, to be held on the 19th day of September 2015 At 10.35 a.m. at Canara Union Trust, 42, 8th Main, Malleshwaram, Bangalore – 560 003 and at any adjournment thereof in respect of such resolutions as are indicated below :

Resolution No.	Resolution	Vote No of shares.		
		For	Against	Abstain
1	Adoption of Annual Accounts			
2	Appointment of Mrs. Lakshmi Srinivasan who is retiring by rotation			
3	Confirming the declaration of interim dividend			
4	Appointment of Auditors			

Signed this..... day of September, 2015

Signature of shareholder

Affix Revenue Stamp

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.

**KALS INFORMATION SYSTEMS LIMITED****Rudra Chambers, 4/1, 4th Main, 9th Cross, Malleswaram, Bangalore – 560 003.****Attendance Slip****(Please complete the attendance slip and hand it over at the entrance of the meeting Hall)**

DP Id*
Client Id*

Folio No.

No. of Share in Electronic Mode:

No. of Share in Physical Mode :

Total no. of Share

*Applicable for investors holding in electronic form only

I hereby record my presence at the Twenty Second Annual General Meeting of the Company being held on Wednesday 19th of September 2015 at 10.35 am at Canara Union Trust, 42, 8th Main, Malleswaram, Bangalore – 560 003.

Name of the Shareholders

Name of the Proxy

(To be filled incase the proxy attends instead of shareholder).....
Signature of Shareholder/Proxy****(** Strike out whichever is not applicable)****Note : No Gifts/Coupons would be given to the Shareholders for attending the Meeting. Please bring your copy of Annual Report**

CANARA UNION TRUST



8th Main → → → ←

↑ 11th Cross ↑

↑ 15th Cross ↑



Chitrapur Bhavan



GIRIAS

18th Cross Bus Stand



Margosa Road



From Yeshwanthpur

Malleshwaram Circle



Sampige Road

38





BOOK - POST

Integrated Enterprises Private Limited

30, Ramana Residency
4th Cross, Sampige Road, Malleswaram,
Bangalore – 560 003.
Tel: +91-80-23460814-818
Fax: +91-80-23460819
E-mail: alfint@vsnl.com