



KELLTON TECH SOLUTIONS LTD
ANNUAL REPORT 2012 - 2013



Contents Annual Report - 2012- 2013

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BOARD OF DIRECTORS

1. Mr. Niranjan Chintam	-	Executive Chairman
2. Mr. Krishna Chintam	-	Managing Director
3. Mr. Rajendra Vithal Naniwadekar	-	Director
4. Mr. Brij Mohan Venkata Mandala	-	Director
5. Mr. Srinivas Potluri	-	Director

COMMITTEES OF THE BOARD

Audit Committee

1. Mr. Rajendra Vithal Naniwadekar	-	Chairman
2. Mr. Brij Mohan Venkata Mandala	-	Member
3. Mr. Krishna Chintam	-	Member

Remuneration Committee

1. Mr. Rajendra Vithal Naniwadekar	-	Chairman
2. Mr. Brij Mohan Venkata Mandala	-	Member
3. Mr. Srinivas Potluri	-	Member

Shareholders / Investors' Grievance Committee

1. Mr. Krishna Chintam	-	Chairman
2. Mr. Brij Mohan Venkata Mandala	-	Member
3. Mr. Rajendra Vithal Naniwadekar	-	Member

REGISTERED OFFICE

Plot No. 1367, Road No. 45,
Jubilee Hills,
Hyderabad – 500 033
Andhra Pradesh
Tel No - 040-44333030
Email id: info@kelltontech.com
Website: www.kelltontech.com



AUDITORS

M/s. Mahesh, Virender & Sriram
Chartered Accountants,
6-3-788/36 & 37A,
Durganagar Colony, Ameerpet
Hyderabad – 500 040
Phone: 040-23401738

REGISTRAR AND SHARE TRANSFER AGENT

M/s XL Softech System Limited
3, Sagar Society, Road No. 2,
Banjara Hills, Hyderabad – 500 034
e-mail ID: mail@xlsoftech.com
Phone: 040-23545913

BANKERS

Standard Chartered Bank
City Center Branch, Hyderabad- 500 033.

Axis Bank
Corporate Banking Branch , Hyderabad – 500 034

ICICI Bank
Khairatabad, Hyderabad – 500 004

Karur Vysya Bank
Secundrabad -Branch



LETTER TO SHAREHOLDERS

Dear Shareholders,

At this time last year, we wrote to you about how we stood at the cusp of change and transformation. I'm pleased to say that we have made significant progress since.

During the last twelve months your management team has worked relentlessly to match your expectations, even as we succeeded in putting together the very best of what the IT world has to offer. 2012-13 was important years for us – marked by rebranding, acquisition, consolidation and integration.

Post-consolidation, we are rebranded as Kellton Tech Solutions Limited and are now relisted in Bombay Stock Exchange as Kellton Tech. Consistent with our business plan of selective acquisition of companies with synergistic value we have acquired two companies – SKAN Dbydx and Supremesoft.

Delhi-based SKAN Dbydx brings its competency in mobility to the table and we stand to benefit from its significant presence in outsourced software development. Acquiring Supremesoft, a USA based Software Development and IT Services company, will substantially strengthen our expertise in cloud computing and data analytics besides augmenting our potential in other key areas of IT landscape.

We are working to put in place an integration plan that transforms these diverse acquired companies into a cohesive organization united by values, while retaining our brand exclusivity. I wish to reiterate that the strength of our business fundamentals, based on the twin principles of personalization and customization, underpin our optimism in future of the company.

This year marks a paradigm shift in our approach and we are working towards releasing the immense potential of our collective offerings, which position us well for ongoing growth and profitability. Indeed, results speak for themselves – our revenues have increased by 25% while our profits improved by 27%, from the last financial year.

We owe a debt of gratitude to you for reposing your faith on us through these challenging times and our special thanks goes to our employees for viewing these changes not as a distraction but as an opportunity and remaining focused on customer-satisfaction all along.

We are channelizing our energies to become a leading IT player in the near future. I assure you that, in the process, we are mindful of our responsibility towards those who expect a lot from us: our customers, our partners, society and you, our shareholders. With your continued support, we are confident of scaling greater heights in the IT industry.

Armed with a high-quality diversified IT portfolio – replete with mobility, cloud computing, security, and other cutting edge technologies – Kellton Tech looks forward to a great time ahead.

Thank you.

Sincerely

Sd/-

Niranjan Chintam
Executive Chairman



NOTICE

NOTICE is hereby given that the 19th Annual General Meeting of the Members of M/s Kellton Tech Solutions Limited (formerly known as VMF Soft Tech Limited) will be held at 11.00 A.M. on Friday, the 27th day of December, 2013, at Hotel Kens, Plot No 53, Sri Nagar Colony, Hyderabad – 500 073, Andhra Pradesh to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Statement of Profit and Loss of for the year ended June 30, 2013 and the Balance Sheet as at that date together with the reports of the Board of Directors and Auditors there on.
2. To appoint a director in place of Mr. Brij Mohan Venkata Mandala, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint the Statutory Auditors and fix their remuneration and for this purpose to consider and if thought fit to pass with or without modifications, the following resolution as an **ordinary resolution**:
“**RESOLVED THAT** M/s. Mahesh, Virender & Sriram, Chartered Accountants, Hyderabad (Registration No 001939S.) be and are hereby appointed as Statutory Auditors of the company to hold office until the conclusion of the next annual general meeting of the company at a remuneration and its manner of payment to be fixed by the Board of Directors/Committee thereof.”

SPECIAL BUSINESS:

4. VARIATION IN TERMS OF APPOINTMENT OF MR. NIRANJAN CHINTAM, EXECUTIVE CHAIRMAN OF THE COMPANY

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

“**RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309, 310 other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII of the said Act (including any statutory modification(s) or re-enactment thereof, for the time being in force) and subject to such approval of the Central Government or any statutory authorities, as may be required and in partial modification of the Special Resolution passed at the Annual General Meeting held on December 7, 2012, consent of the members be and is hereby accorded for the payment of remuneration to Mr. Niranjan Chintam, Executive Chairman, by way of salary, dearness allowance, perquisites and other allowance upto maximum amount of Rs.2,50,000 per month, from the existing limit of 5% of the net profits of the Company, for the remaining period of his tenure till October 31, 2015, with liberty to the Board of Directors (hereinafter referred to as “the Board” which term shall be deemed to include the Compensation Committee constituted by the Board) to alter and vary the terms & conditions of the said appointment and / or the remuneration, subject to the same not exceeding the limits specified in Schedule XIII to the Companies Act, 1956, including any statutory modification or re-enactment thereof for the time being in force or as may hereafter be made by the Central Government in that behalf from time to time, or any amendments thereto”.

“**RESOLVED FURTHER THAT** Directors of the Company be and are hereby severally authorised to all such acts, deeds and things to give effect to the aforementioned resolution.”

5. VARIATION IN TERMS OF APPOINTMENT OF MR. KRISHNA CHINTAM AS MANAGING DIRECTOR OF THE COMPANY

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

“**RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309, 310 other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII of the said Act (including any statutory modification(s) or re-enactment thereof, for the time being in force) and subject to such approval of the Central Government or any statutory authorities, as may be required and in partial modification of the Special Resolution passed at the Annual General Meeting held on December 7, 2012, consent of the members be and is hereby accorded for the payment of remuneration to Mr. Krishna Chintam, Managing Director, by way of salary, dearness allowance, perquisites and other allowance upto maximum amount of Rs.2,50,000 per month, from the existing limit of 5% of the net profits of the Company, for the remaining period of his tenure till October 31, 2015, with liberty to the Board of Directors (hereinafter referred to as “the Board” which term shall be deemed to include the Compensation Committee constituted by the Board) to alter and vary the terms & conditions of the said appointment and / or the remuneration, subject to the same not exceeding the limits specified in Schedule XIII to the Companies Act, 1956, including any statutory modification or re-enactment thereof for the time being in force or as may hereafter be made by the Central Government in that behalf from time to time, or any amendments thereto”.



“**RESOLVED FURTHER THAT** Directors of the Company be and are hereby severally authorised to all such acts, deeds and things to give effect to the aforementioned resolution.”

6. TO CONSIDER AND APPROVE ISSUE OF SHARE WARRANTS.

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

“**RESOLVED THAT** pursuant to the provisions of Section 81(1A) and all other applicable provisions of the Companies Act, 1956 (“the Act”), if any (including any statutory modification(s) or re-enactment thereof, for the time being in force), the provisions of Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, (“SEBI (ICDR) Regulations, 2009”) as in force and subject to other applicable rules, regulations and guidelines of Securities and Exchange Board of India (SEBI) and enabling provisions of the Memorandum and Articles of Association of the Company and the Listing Agreements entered into between the Company and the Stock Exchange, where the shares of the Company are listed and subject to requisite approvals, consents, permissions and/or sanctions, if any, of SEBI, the Stock Exchanges and other appropriate authorities (“the Authorities”) as may be required, and subject to such conditions as may be prescribed by any of the Authorities while granting any such approvals, consents, permissions, and/or sanctions and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as “the Board”, which term shall be deemed to include any Committee of Directors which the Board may have constituted or may hereafter constitute, to exercise one or more of its power including the powers conferred on the Board by this resolution), the consent of the members be and is hereby accorded to create, offer, issue and allot 78,00,000 (Seventy Eight Lakhs) Share Warrants (“Warrants”) of Rs.15/- (Rupees Fifteen) each, to be convertible at the option of Warrant holders in one or more tranches, within 18 (Eighteen) months from the date of allotment, into one(1) number of fully paid up Equity Share of the Company of Rs.5 (Rupees Five) each, ranking in all respects pari-passu with the existing equity shares of the Company, to Promoter Group and Non-Promoter Group, at such price (including premium) being not less than the price determined in accordance with Chapter VII of SEBI (ICDR) Regulations, 2009, on preferential allotment basis to the persons belonging to the Promoters and Non-Promoter Category as under:

Promoters/ Non Promoters	No of warrants
Promoters	65,00,000
Non Promoters	13,00,000
Total	78,00,000

“**RESOLVED FURTHER THAT** aforesaid issue of Warrants shall be subject to the following terms and conditions:

A. The proposed allottees of Warrants shall, on the date of allotment of Warrants, pay an amount equivalent to at least 25% of the exercise price determined in compliance with the provisions of the SEBI (ICDR) Regulations, 2009.

B. The balance 75% of the exercise price shall be payable on or before the conversion of said Warrants into Equity Shares, within a maximum permissible period of 18 months from the allotment thereof.

C. The proposed allottees of Warrants will be entitled to apply for and obtain allotment of one equity share of face value of Rs.5 (Rupees Five) each of the Company against each Warrant at any time after the date of allotment but on or before the expiry of 18 (Eighteen) months from the date of allotment thereof, in one or more tranches.

D. The holder of the warrants has the options to convert all or any of the warrants within the above mentioned time frame. If and to the extent any warrants are not converted than such warrant will lapse and the amount paid towards the 25% of the total consideration of such warrants shall stand forfeited.

E. Warrants and/ or the equity shares to be allotted upon conversion shall be under lock in for such periods as may be prescribed by the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

F. Warrants so allotted under this resolution shall not be sold, transferred, hypothecated or encumbered in any manner during the period of lock-in as provided under SEBI (ICDR) Regulations except to the extent and in the manner permitted there under.

“**RESOLVED FURTHER THAT** the prices of the warrant have been calculated in accordance with the provisions of the chapter VII of the SEBI (ICDR) regulations.”

“**RESOLVED FURTHER THAT** the Relevant Date, as per the SEBI (ICDR) Regulations, 2009, as amended up to date, for the determination of issue price of the Warrants to be allotted on conversion of warrants is 26th November, 2013 i.e. 30 days prior to the date of Annual General Meeting on 27th December, 2013.”

“**RESOLVED FURTHER THAT** the equity shares proposed to be so allotted shall rank *pari passu* in all respects including as to dividend, with the existing fully paid up equity shares of the Company, subject to the relevant provisions contained in the Memorandum and Articles of Association of the Company.”



“RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized, on behalf of the Company, to take all actions and do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable, incidental or expedient to the issue or allotment of aforesaid Warrants and listing of the Equity Shares issued on conversion of said warrants with the stock exchange(s), and to resolve and settle all questions and difficulties that may arise in relation to the proposed issue, offer and allotment of any of the said Warrants, the utilization of the issue proceeds and to do all acts, deeds and things in connection therewith and incidental thereto as the Board in its absolute discretion may deem fit, without being required to seek any further consent or approval of the members or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers conferred by this resolution on it, to any Committee of Directors, any other Director(s) or officer(s) of the Company to give effect to the aforesaid resolution.”

7. ISSUE OF EQUITY SHARES TO THE EMPLOYEES OF THE COMPANY UNDER THE EMPLOYEES STOCK OPTION SCHEME:

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

“RESOLVED THAT pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (“the Act”), and in accordance with the provisions of the Memorandum and Articles of Association of the Company, provisions of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 (“the ESOP Guidelines”) [including any statutory modification(s) or re-enactment of the Act or the ESOP Guidelines for the time being in force], the Listing Agreement entered into with the Stock Exchanges where the securities of the Company are listed or other relevant authority, from time to time, to the extent applicable and subject to such other conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee including Remuneration Committee which the Board may constitute to exercise its powers, including the powers, conferred by this resolution) and in partial modification to the resolution passed by the members at the Annual General Meeting held on December 7, 2012, , the consent of the members be and is hereby accorded to create, offer, issue and allot at any time to or to the benefit of such person(s) who are in employment of the Company, including Directors of the Company, whether working in India or abroad or otherwise, except the Promoter Directors, under the Employee Stock Option Scheme, 2012 (hereinafter referred to as the “ESOP Scheme, 2012”), such number of equity shares and/or equity linked instruments (including options/Warrants) and/or any other instruments or securities (hereinafter collectively referred to as “Securities”) which shall not exceed four percent of the equity shares capital of the Company i.e. 14,19,564 equity shares as on the date of grant of option(s) convertible into equivalent number of Securities, at such price, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board/Committee.”

“RESOLVED FURTHER THAT the said Securities may be granted/allotted directly to such Employees/Directors of the Company in accordance with the ESOP Scheme, 2012 framed and tabled before the Board or ESOP Scheme 2012 framed through a trust which may be set up by the Board/Committee of Directors of the Company in any permissible manner.”

“RESOLVED FURTHER THAT the issue of Securities to any non-resident employee(s), non-resident Director(s) shall be subject to such approvals, permissions or consents as may be necessary from Reserve Bank of India or any other relevant authority in this regard.”

“RESOLVED FURTHER THAT the new equity shares to be issued and allotted by the Company in the manner aforesaid shall rank pari passu in all respects with the existing equity shares of the Company.”

“RESOLVED FURTHER THAT the Company shall conform to the accounting policies prescribed from time to time under the ESOP Guidelines.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to take necessary steps for listing of the Securities allotted upon exercise under the ESOP Scheme, 2012, on the stock exchanges where the Company's shares are listed as per the terms and conditions of the listing agreement entered into with the stock exchanges and other applicable guidelines, rules and regulations.”



“**RESOLVED FURTHER THAT** for the purpose of giving effect to any creation, offer, issue or allotment or listing of the Securities under the ESOP Scheme, 2012 or through trust, the Board/Committee be and is hereby authorized on behalf of the Company to evolve, decide upon and bring in to effect and make any modifications, changes, variations, alterations or revisions in the said ESOP Scheme, 2012 or to suspend, withdraw or revive the ESOP Scheme, 2012 from time to time as per the discretion of the Board/Committee and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of the Company to settle any issues, questions, difficulties or doubts that may arise in this regard without requiring the Board/Committee to secure any further consent or approval of the shareholders of the Company.”

8. TO ISSUE EQUITY SHARES TO THE EMPLOYEES OF THE SUBSIDIARIES OF THE COMPANY UNDER THE EMPLOYEES STOCK OPTION SCHEME OF THE COMPANY:

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

“**RESOLVED THAT** pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (“the Act”), and in accordance with the provisions of the Memorandum and Articles of Association of the Company, provisions of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 (“the ESOP Guidelines”) [including any statutory modification(s) or re-enactment of the Act or the ESOP Guidelines for the time being in force], the Listing Agreement entered into with the Stock Exchanges where the securities of the Company are listed or other relevant authority, from time to time, to the extent applicable and subject to such other conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee including Remuneration & Compensation Committee which the Board may constitute to exercise its powers, including the powers, conferred by this resolution), the consent of the members be and hereby authorized to create, offer, issue and allot at any time to or to the benefit of such person(s) who are in permanent employment of the Subsidiary Company(ies), including Directors of the Subsidiary Company(ies), whether working in India or abroad or otherwise, except the Promoter Directors, under the Employee Stock Option Scheme, 2013 (hereinafter referred to as the “ESOP Scheme, 2013”), such number of equity shares and/or equity linked instruments (including Options/Warrants) and/or any other instruments or securities (hereinafter collectively referred to as “Securities”) which shall not exceed two percent of the issued equity shares of the Company as on the date of grant of option(s) convertible into equivalent number of Securities including permanent employees of the Company, at such price, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board/Committee.”

“**RESOLVED FURTHER THAT** the said Securities may be granted/allotted directly to such employees/directors of the Company in accordance with the ESOP Scheme, 2013 framed as tabled before the Board or ESOP Scheme, 2013 framed through a trust which may be set up by the Board/Committee of Directors of the Company in any permissible manner.”

“**RESOLVED FURTHER THAT** the issue of Securities to any non-resident employee(s), non-resident Director(s) shall be subject to such approvals, permissions or consents as may be necessary from Reserve Bank of India or any other relevant authority in this regard.”

“**RESOLVED FURTHER THAT** the new equity shares to be issued and allotted by the Company in the manner aforesaid shall rank *pari passu* in all respects with the existing equity shares of the Company.”

“**RESOLVED FURTHER THAT** the Company shall conform to the accounting policies prescribed from time to time under the ESOP Guidelines.”

“**RESOLVED FURTHER THAT** the Board be and is hereby authorized to take necessary steps for listing of the Securities allotted upon exercise under the ESOP Scheme, 2013, on the stock exchanges where the Company's shares are listed as per the terms and conditions of the listing agreement with the stock exchanges and other applicable guidelines, rules and regulations.”

KELLTON TECH SOLUTIONS LIMITED



“**RESOLVED FURTHER THAT** for the purpose of giving effect to any creation, offer, issue or allotment or listing of the Securities under the ESOP Scheme, 2013 or through trust, the Board/Committee be and is hereby authorized on behalf of the Company to evolve, decide upon and bring in to effect and make any modifications, changes, variations, alterations or revisions in the said ESOP Scheme, 2013 or to suspend, withdraw or revive the ESOP Scheme, 2013 from time to time as per the discretion of the Board/Committee and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of the Company to settle any issues, questions, difficulties or doubts that may arise in this regard without requiring the Board/Committee to secure any further consent or approval of the shareholders of the Company.”

By Order of the Board of Directors
for **KELLTON TECH SOLUTIONS LIMITED**

Place: Hyderabad
Date: 03/12/2013

Sd/-
Krishna Chintam
Managing Director

NOTES:

1. An Explanatory Statement under Section 102 of the Companies Act, 2013 is annexed herewith and forms part of this notice. The statement of the particulars of Directors seeking Re-appointment as required under clause 49 of the Listing Agreement is enclosed as Annexure-A.
2. A member entitled to attend and vote is entitled to appoint a proxy instead of himself and the proxy need not be a member of the Company. The proxies to be effected should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting. Corporate Members are requested to send a duly certified copy of the Board Resolution authorizing their Representative(s) to attend and vote on their behalf at the Meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 24th day of December 2013 to 27th day of December 2013 (both days inclusive).
4. Members/Proxies should fill in the Attendance slip for attending the meeting and bring their Attendance slip along with their copy of the annual report to the meeting. As an austerity measure, copies of annual report will not be distributed at the meeting.
5. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. Members who hold shares in electronic form are requested to write their DP ID and Client ID number and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting to facilitate identification for membership at the Meeting.
7. The Securities Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) be every participant in securities market. Members holding shares in electronic form are, therefore requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company/Registrar and Share Transfer Agents, M/s XL Soft Tech Limited.



8. Members holding shares in physical form are requested to intimate the change if any, in their registered address to the Company quoting their registered folio. If the shares are held on Demat form, intimation regarding the change of address if any, has to be informed to the concerned depository participant where the shareholder is maintaining demat account.
9. Consequent up on introduction of Section 109A of the Companies Act, 1956, members are entitled to make nomination in respect of shares held by them in physical form. Individual shareholder(s) can avail of the facility of nomination. For further details please contact Company's Secretarial Department. Members desirous of making nominations are requested to send their requests in Form 2B (in duplicate) as prescribed under the Companies Act, 1956, which will be made available on request to the Registrar and Share Transfer Agent, M/s XL Softech Systems Limited.
10. Members holding shares in physical form are requested to advise any change of address immediately to the Company's Registrar and Share Transfer Agent, M/s XL Softech Systems Limited. Members holding shares in electronic form must send the advise about the change of address to their respective Depository Participants (DPs) and not the Company. Non-resident Indians members are requested to inform us immediately the change in the residential status on return to India for permanent settlement.
11. Members holding shares under multiple folios are requested to consolidate their holdings, if the shares are held in the same name or in the same order of names.
12. The equity shares of the Company have been notified for compulsory trading in demat form. The Company has signed a tripartite agreement with National Securities Depository Limited (NSDL), Central Depository Services (India) Limited (CDSL) and M/s XL Softech Systems Limited to facilitate dematerialization of shares. Members are requested to avail of this facility and have their shareholding converted into dematerialized form.
13. As an austerity measure, copies of the Annual report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report to the Meeting.
14. All mandatory registers/documents are open for inspection at the Registered Office of the Company on all working days (except Saturdays and Sundays) between 11.00 A.M. to 1.00 P.M. prior to the date of Annual General Meeting.
15. The Register of Director Shareholding shall be open for inspection during the period beginning 14 days before the Annual General Meeting and ending 3 days after its conclusion.
16. The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of dematerialised holdings with their respective Depository Participants. Members who hold shares in physical form are requested to forward the required details (email id) to the Registrar and Share Transfer Agent, M/s XL Softech Systems Limited.

EXPLANATORY STATEMENT UNDER SECTION 102 OF THE COMPANIES ACT, 2013:

ITEM NO. 4

The members of the Company at the Annual General Meeting of the Company held on December 7, 2012, re-appointed Mr. Krishna Chintam as Managing Director and fixed his remuneration upto maximum amount not exceeding 5% of the Net Profits of the Company for a period of 3 (three) years, effective November 1, 2012. The Company was anticipating huge profits at that time and due to global slowdown effecting the business of the Company as well, the profits were not upto the expected levels and hence it is proposed to fix up the remuneration payable to Mr. Krishna Reddy Chintiam to Rs.2.50 lacs per month, pursuant to Section II of Part II of Schedule XIII of the Companies Act, 2013 for his remaining period of appointment i.e. October 31, 2015.

The said perquisites and allowances shall be evaluated, wherever applicable, as per the Income Tax Act, 1961 or any rules thereunder (including any statutory modification(s) or reenactment thereof, for the time being in force). However, the Company's contribution to Provident Fund, Superannuation or Annuity Fund, to the extent these singly or together are not taxable under the Income Tax Act 1961, and gratuity payable and encashment of Leave at the end of the tenure as per the rules of the Company shall not be included in the computation of limits for the remuneration which includes salary, perquisites and allowances.



Mr. Krishna Chintam, Managing Director, is an experienced Management Professional who has been striving to make VMF a flagship organization in software industry.

Therefore, the Members are requested to pass the resolution as Special Resolution.

The information as required under Schedule XIII of the Companies Act, 1956 is appended as Annexure – I

This may be treated as an abstract of the terms and conditions of variation to the terms of appointment of Mr. Krishna Chintam, Managing Director in terms of Section 302 of the Companies Act, 1956

None of the Directors is interested in the resolution, except Mr. Niranjan Chintam, Chairman and Mr Krishna Chintam, Managing Director to extent of their shareholding.

Your Directors recommend the Resolution for your approval.

ITEM NO. 5

The members of the Company at the Annual General Meeting of the Company held on December 7, 2012, appointed Mr. Niranjan Chintam as Executive Chairman and fixed his remuneration upto maximum amount not exceeding 5% of the Net Profits of the Company for a period of 3 (three) years, effective November 1, 2012. The Company was anticipating huge profits at that time and due to global slowdown effecting the business of the Company as well, the profits were not upto the expected levels and hence it is proposed to fix up the remuneration payable to Mr. Niranjan Chintam to Rs.2.50 lacs per month, pursuant to Section II of Part II of Schedule XIII of the Companies Act, 2013 for his remaining period of appointment i.e. October 31, 2015.

The said perquisites and allowances shall be evaluated, wherever applicable, as per the Income Tax Act, 1961 or any rules thereunder (including any statutory modification(s) or reenactment thereof, for the time being in force). However, the Company's contribution to Provident Fund, Superannuation or Annuity Fund, to the extent these singly or together are not taxable under the Income Tax Act 1961, and gratuity payable and encashment of Leave at the end of the tenure as per the rules of the Company shall not be included in the computation of limits for the remuneration which includes salary, perquisites and allowances.

Mr. Niranjan Chintam, Executive Chairman, is an experienced Management Professional who has been striving to make VMF a flagship organization in software industry.

Therefore, the Members are requested to pass the resolution as Special Resolution.

The information as required under Schedule XIII of the Companies Act, 1956 is appended as Annexure – I

This may be treated as an abstract of the terms and conditions of variation to the terms of appointment of Mr. Niranjan Chintam, Executive Chairman in terms of Section 302 of the Companies Act, 1956

None of the Directors is interested in the resolution, except Mr. Niranjan Chintam, Chairman and Mr Krishna Chintam, Managing Director to extent of their shareholding.

Your Directors recommend the Resolution for your approval.

ITEM NO 6:

With a view to augment funds to meet additional working capital requirements of the growing business, the Board of Directors, has been considering and discussing the proposal of making preferential allotment of securities to the Promoters Group and Non Promoter Group. In its meeting held on December 3, 2013, it has approved the decision to make preferential allotment of 78,00,000 (Seventy Eight Lakhs) Share Warrants ("Warrants") of Rs.15/- (Rupees Fifteen) each to be convertible at the option of Warrant holders in one or more tranches, within 18 (Eighteen) months from the date of allotment, into (1) one number of fully paid up Equity Share of the Company of Rs.5/- (Rupees Five) each per Warrant as per Regulation 76 of SEBI (ICDR) regulations, 2009, with a premium, of Rs.10/- (Rupees Ten).

Pursuant to provisions of Section 81 (1A) of Companies Act, 1956 and Regulation 72 of SEBI (ICDR) Regulations, 2009, any preferential allotment of securities is required to be approved by the shareholders by way of Special Resolution. Further, in terms of Regulation 73 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, the following disclosures are needed to be made in the Explanatory Statement to the Notice of General Meeting:

1. Objects of the issue:

Kellton Tech Solutions Limited is one of the growing software company in India and to meet its additional working capital requirements, the Company has proposed preferential issue of Warrants to the persons belonging to the Promoter Group and Non Promoter Group.

KELLTON TECH SOLUTIONS LIMITED



2. Intention of promoters/non promoters group/directors/ key management persons to subscribe to the offer:

To meet the objects of the issue, the Promoters Group and Non-Promoters Group have also shown their interest to subscribe to the warrants to the extent of 78,00,000 Warrants.

3. Relevant Date:

The Relevant Date for the purpose of determining the pricing of shares arising out of Warrants in accordance with Chapter VII of SEBI (ICDR) Regulations, 2009 is **26th November, 2013** (i.e. 30 days prior to the date of Annual General meeting).

The Warrants will be allotted in accordance with the price determined in terms of Regulation 76 of the SEBI (ICDR) Regulations, 2009.

4. Pricing of the Issue:

The issue of warrants and equity shares arising through issuance will be at a price not less than higher of the following:

- The average of the weekly high and low of the closing prices of the Company's Shares quoted on the Stock Exchange (Bombay Stock Exchange Limited) during the twenty six weeks preceding the 'relevant date'.
- The average of the weekly high and low of the closing prices of the Company's shares quoted on a Stock Exchange (Bombay Stock Exchange Limited) during the two weeks preceding the 'relevant date'.

The price above is determined on the basis of the quotes available on the BSE Limited, Wherein the Company shares are traded.

The issue price of Rs.15/- per warrant, which is higher than the price arrived at in accordance with the SEBI (ICDR) regulations and for the purpose of the above guidelines, at the relevant date in 26th November, 2013.

5. The Company hereby undertakes that:

- It would re-compute the price of the Securities specified above in terms of the provisions of the SEBI (ICDR) Regulations, 2009 if it is required to do so.
- If the amount payable on account of re-computation of price is not paid within the time stipulated in the SEBI (ICDR) Regulations, 2009, the above specified securities shall continue to be locked in till the time such amount is paid by allottees.

6. Shareholding Pattern of the Company before and after the issue:

The Shareholding pattern giving the present position as also considering full allotment of Warrants to Promoters and/or Non-Promoter Group and equity shares arising out of the conversion thereof, as per Resolution 6 of the Notice is given below:

Name of the Shareholders	Pre issue shareholding		Preferential Issue No. of Share	Post Issue Shareholding	
	No. of Shares held	% of Shares		No. of shares held	% of Shares
(A) Promoters' Shareholding					
Promoter & Promoter Group					
(1) Indian	-	-	-	-	-
(a) Individuals / HUF	9,42,776	2.66	-	9,42,776	2.18
(b) Central Govt. / State Govt.	-	-	-	-	-
© Bodies Corporate	1,95,85,950	55.19	65,00,000	2,60,85,950	60.26
(d) Financial Institutions/banks	-	-	-	-	-
Sub Total (A) (1)	2,05,28,726	57.85	65,00,000	2,70,28,726	62.44
(2) Foreign	-	-	-	-	-
(a) Individuals (Non-Residents Individuals/ Foreign Individuals)	-	-	-	-	-
(b) Bodies Corporate	-	-	-	-	-
(c) Institutions	-	-	-	-	-
Sub Total(A)(2)					



Total Shareholding of Promoter and Promoter Group	2,05,28,726	57.85	65,00,000	2,70,28,726	62.44
(B) Public shareholding	-	-	-	-	-
(1) Institutions	-	-	-	-	-
(a) Mutual Funds/ UTI	-	-	-	-	-
(b) Financial Institutions / Banks	-	-	-	-	-
(c) Bodies Corporate	-	-	-	-	-
(d) Financial Institutions/banks	-	-	-	-	-
(c)Central Government/ State Government(s)	-	-	-	-	-
(d) Venture Capital Funds	-	-	-	-	-
(e) Insurance Companies	-	-	-	-	-
(f) Foreign Institutional Investors	-	-	-	-	-
(g) Foreign Venture Capital Investors	-	-	-	-	-
Sub-Total (B)(1)	-	-	-	-	-
B 2 Non-institutions	-	-	-	-	-
(a) Bodies Corporate	26,78,149	7.53	8,50,000	35,28,149	8.15
(b) Individuals			-		
(I) Individuals -i. Individual shareholders holding nominal share capital up to Rs 1 lakh	23,65,313	6.66	1,00,000	24,65,313	5.69
(ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	92,76,492	26.14	-	92,76,492	21.43
(c) NRI	6,11,109	1.72	3,50,000	9,61,109	2.22
(d) Others	29,311	0.08	-	29,311	0.07
Sub-Total (B)(2)					
Total Public Shareholding (B)= (B)(1)+(B)(2)	1,49,60,374	42.15	13,00,000	1,62,60,374	37.56
TOTAL (A)+(B)	3,54,89,100	100	78,00,000	4,32,89,100	100

Presumption: Post Shareholding pattern has been prepared on the assumption the entire Warrants shall be converted into equity shares, in one or more tranches. This may, however, vary depending upon any other corporate action in between.

7. Proposed time within which the allotment shall be completed

In terms of Regulation 74(1) of the ICDR Regulations, preferential allotment pursuant to the special resolution will be completed within a period of fifteen days from the date of passing of such resolution provided that where the allotment is pending on account of pendency of any application for approval or permission by any Regulatory Authority, if applicable, the allotment would be completed within 15 days from the date of such approval.

8. The identity of the proposed allottees and the percentage of the preferential issue that may be held by them



Name of the Proposed Allottees	Category	Pre issue shareholding		Number of Equity warrants proposed to be allotted	Post Issue Share holding after conversion of the Warrants	
Matnic Finvest Pvt Ltd	Promoter	16,585,950	46.74	50,00,000	2,15,85,950	49.86
Kellton Wealth Management Pvt Ltd	Promoter	30,00,000	8.45	15,00,000	45,00,000	10.40
RICCO International Pvt Ltd	Body Corporate	-	-	8,50,000	8,50,000	1.96
Brij Mohan Mandala	Individual			1,00,000	1,00,000	0.23
Venkata S Sekhara Reddy	NRI	6,00,000	0.81	3,50,000	9,50,000	2.19
Total		2,01,85,950	56%	78,00,000	2,79,85,950	64.64

Presumption: Post Shareholding pattern has been prepared on the assumption that the entire Warrants shall be converted into equity shares, in one or more tranches. This may, however, vary depending upon any other corporate action in between.

9. Auditor's Certificate:

A Certificate from M/s Mahesh, Virender & Sriram, Chartered Accountants, certifying that the preferential issue is being made in accordance with the requirements contained in SEBI (ICDR) Regulations, 2009 shall be placed before the shareholders at the meeting or will be available for inspection at the registered office of the company on all working days prior to the date of Annual General Meeting.

10. Conversion of Period

Warrants holder shall be entitled to apply for the equity shares within specified period of 18 (eighteen) months from the date of allotment.

11. Terms of Payment

An amount equivalent to 25 per cent of the issue price shall be payable on subscription to the warrants.

The warrant holders shall be entitled to apply for and be allotted, in one or more tranches, one equity share of the face value of Rs. 5/- each of the Company per warrant, any time after the date of allotment of such warrants. Upon exercise of the right to apply for equity shares, the warrant holders will be liable to make the payment of the balance amount, being 75 per cent of the issue price. The amount paid will be adjusted / set off against the issue price of the resultant equity shares. The Board (or a Committee thereof) upon receipt of the entire payment towards issue price, shall allot one equity share per warrant. If the entitlement against the warrants to apply for the equity shares is not exercised within the specified period of 18 months, such entitlement shall lapse and the amount paid on such warrants shall stand forfeited.

12. Lock-in

a) Warrants, being allotted to promoter(s), shall be locked in for a period of 3 years and the Equity Shares allotted pursuant to the conversion of these warrants shall be put under fresh lock in for a period of 3 years from the date of trading approval granted in respect of such equity shares or such other period as may be prescribed by the SEBI (Issue of Capital And Disclosure Requirements) Regulations, 2009.

b) Warrants allotted to Non-Promoters shall be locked in for a period of 1 year and the equity shares allotted pursuant to the conversion of these warrants shall be put under fresh lock in for a period of 1 year from the date of trading approval granted in respect of such equity shares or such other period as may be prescribed by the SEBI (Issue of Capital And Disclosure Requirements) Regulations, 2009.

13. Consequential Changes in the Voting Rights

Voting rights will change in tandem with the shareholding pattern. However, there shall not be any change in the management control of the Company.

14. Change in Management/ Control:

The issue of Warrants and their conversion into equivalent number of equity shares will not result in any change in the management or control of the Company.

As it is proposed to issue and allot the aforesaid securities on preferential basis, special resolution is required to be approved by members pursuant to the provisions of Section 81(1A) of the Companies Act, 1956 and Chapter VII of the SEBI (ICDR) Regulations, 2009. Your Directors, therefore, recommend the resolution for your approval.



The Board of Directors have recommended the proposal for approval of shareholders and none of Director is concerned or increased in the above resolution except to the extent of shares held by them in the Company.

ITEM NO: 7

The Company at its Annual General Meeting held on December 7, 2012, approved Employee Stock Option Plan-2012, whereby stock option upto 2% of the paid-up capital of the Company were approved to the eligible employee and directors of the Company. However, keeping in view of increase of number of employees, it proposed to increase the upper limit of number of stock options from 2% to 4% to the eligible employee and directors of the Company. The effective terms and conditions of revised Employee Stock Option Plan-2012 is given hereunder:

1. Total number of options to be granted

The maximum number of shares which shall be subject to options under ESOP SCHEME 2012, shall be 4% of the Paid up Equity Share Capital of the Company i.e 14,19,564 Equity Shares of face value of Rs. 5/- each. Vested options that lapse due to non-exercise or unvested options that get cancelled due to resignation of the employees or otherwise, would be available for re-grant at a future date.

SEBI guidelines require that in case of any corporate action(s) such as rights issues, bonus issues, merger and sale of division, stock split/consolidation and others, a fair and reasonable adjustment needs to be made to the options granted. Accordingly, if any additional equity shares are issued by the company, the ceiling of 4% of Paid-up Equity Share Capital shall be deemed to be increased proportionately to the extent of such additional equity shares issued.

2. Identification of classes of employees entitled to participate in the Employee Stock Option Scheme(s)

All eligible employees and director of the company but excluding the promoters of the company, as may be decided by the committee from time to time would be entitled to be granted stock options under the ESOP scheme(s).

3. Transferability of employee stock options

The stock options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death of an employee stock option holder while in employment, the right to exercise all the options granted to him till such date shall be transferred to his legal heirs or nominees.

4. Requirements of vesting and period of vesting

The options granted shall vest so long as the employee continues to be in the employment of the company. The committee may, at its discretion, lay down certain performance metrics on the achievement of which the granted options would vest, the detailed terms and conditions relating to such performance-based vesting, and the proportion in which options granted would vest (subject to the minimum and maximum vesting period as specified below).

The options would vest not earlier than one year and not later than five years from the date of grant of options.

The exact proportion in which and the exact period over which the options would vest would be determined by the committee, subject to the minimum vesting period of one year from the date of grant of options.

5. Exercise Price

The options would be granted at an exercise price equal to the latest available closing price of the equity shares on the stock exchange where the shares are listed and where there is highest trading volume as on the date prior to the date of the committee resolution approving the grant.

6. Exercise period and the process of exercise

The exercise period would commence from the date of vesting and will expire on completion of three years from the date of vesting of options.

The options will be exercisable by the employees by a written application to the Board/Committee to exercise the options in such manner and on execution of such documents, as may be prescribed by the committee from time to time. The options will lapse if not exercised within the specified exercise period.

7. Process for determining the eligibility of the employees for ESOP

The process for determining the eligibility of the employee will be specified by the committee and will be based on criteria such as role/designation of the employee, length of service with the company, past performance record, future potential of the employee and/or such other criteria that may be determined by the committee at its sole discretion.

8. Maximum number of options to be issued per employee and in aggregate

The number of options that may be granted to any specific employee under the Scheme, during any one year, shall not exceed 1% of the issued capital of the company at the time of grant of options.

9. Disclosure and accounting policies

The company shall comply with the applicable disclosure and the accounting policies prescribed as per SEBI Guidelines and the guidance note issued by the Institute of Chartered Accountants of India.

10. Method of option valuation

To calculate the employee compensation cost, the company shall use the intrinsic value method for valuation of the options granted.



As the company calculates the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the directors' report and also the impact of this difference on profits and on EPS of the company shall also be disclosed in the directors' report.

11. Lock – in

The shares shall not be subject to lock-in period pursuant to exercise of option.

Interest of Directors

None of the directors of the company are in any way, concerned or interested in the resolution except to the extent of Securities that may be offered to them under the Scheme.

Consent of the members is being sought pursuant to the applicable provisions of the Act, if any and as per SEBI Guidelines to give effect to the above proposal. The board of directors recommend passing of the special resolutions for the approval of the members.

ITEM NO: 8 :

The Company at its Annual General Meeting held on December 7, 2012, approved Employee Stock Option Plan-2012, whereby stock option upto 2% of the paid-up capital of the Company were approved to the eligible employee and directors of the Company, now revised to 4% of the paid-up capital of the Company.

The Company also proposes to extend Stock Option Scheme to the employees and Directors of its Subsidiary Companies. The effective terms and conditions of revised Employee Stock Option Plan-2013 for Subsidiary Companies is given hereunder:

1. Total number of options to be granted

The maximum number of shares which shall be subject to options under Employee Stock Option Plan-2013 for Subsidiary Companies, shall be 2% of the Paid up Equity Share Capital of the Company i.e 7,09,782 Equity Shares of face value of Rs. 5/- each.

Vested options that lapse due to non-exercise or unvested options that get cancelled due to resignation of the employees or otherwise, would be available for re-grant at a future date.

SEBI guidelines require that in case of any corporate action(s) such as rights issues, bonus issues, merger and sale of division, stock split/consolidation and others, a fair and reasonable adjustment needs to be made to the options granted. Accordingly, if any additional equity shares are issued by the company, the ceiling of 4% of Paid-up Equity Share Capital shall be deemed to be increased proportionately to the extent of such additional equity shares issued.

2. Identification of classes of employees entitled to participate in the Employee Stock Option Scheme(s)

All eligible employees of the subsidiary companies but excluding the promoters of the company, as may be decided by the committee from time to time would be entitled to be granted stock options under the ESOP scheme(s).

3. Transferability of employee stock options

The stock options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death of an employee stock option holder while in employment, the right to exercise all the options granted to him till such date shall be transferred to his legal heirs or nominees.

4. Requirements of vesting and period of vesting

The options granted shall vest so long as the employee continues to be in the employment of the company. The committee may, at its discretion, lay down certain performance metrics on the achievement of which the granted options would vest, the detailed terms and conditions relating to such performance-based vesting, and the proportion in which options granted would vest (subject to the minimum and maximum vesting period as specified below).

The options would vest not earlier than one year and not later than five years from the date of grant of options.

The exact proportion in which and the exact period over which the options would vest would be determined by the committee, subject to the minimum vesting period of one year from the date of grant of options.

5. Exercise Price

The options would be granted at an exercise price equal to the latest available closing price of the equity shares on the stock exchange where the shares are listed and where there is highest trading volume as on the date prior to the date of the committee resolution approving the grant.

6. Exercise period and the process of exercise

The exercise period would commence from the date of vesting and will expire on completion of three years from the date of vesting of options.



The options will be exercisable by the employees by a written application to the Board/Committee to exercise the options in such manner and on execution of such documents, as may be prescribed by the committee from time to time. The options will lapse if not exercised within the specified exercise period.

7. Process for determining the eligibility of the employees for ESOP

The process for determining the eligibility of the employee will be specified by the committee and will be based on criteria such as role/designation of the employee, length of service with the company, past performance record, future potential of the employee and/or such other criteria that may be determined by the committee at its sole discretion.

8. Maximum number of options to be issued per employee and in aggregate

The number of options that may be granted to any specific employee under the Scheme, during any one year, shall not exceed 1% of the issued capital of the company at the time of grant of options.

9. Disclosure and accounting policies

The company shall comply with the applicable disclosure and the accounting policies prescribed as per SEBI Guidelines and the guidance note issued by the Institute of Chartered Accountants of India.

10. Method of option valuation

To calculate the employee compensation cost, the company shall use the intrinsic value method for valuation of the options granted.

As the company calculates the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the directors' report and also the impact of this difference on profits and on EPS of the company shall also be disclosed in the directors' report.

11. Lock – in

The shares shall not be subject to lock-in period pursuant to exercise of option.

Interest of Directors

None of the directors of the company are in any way, concerned or interested in the resolution except to the extent of Securities that may be offered to them under the Scheme.

Consent of the members is being sought pursuant to the applicable provisions of the Act, if any and as per SEBI Guidelines to give effect to the above proposal. The board of directors recommend passing of the special resolutions for the approval of the members.

ANNEXURE A

Details of Directors seeking re-appointment at the forthcoming Annual General Meeting (In pursuance of Clause 49 (IV) (G) (i) of the Listing Agreement)

Particulars	Mr. Brij Mohan Venkata Mandala
Date of Birth	23.12.1966
Date of Appointment	09.11.2012
Expertise in specific functional areas	Information Technology
Qualifications	MBA
No. of shares held in the Company as on 30th June, 2013	Nil
Directorships held in other companies (excluding Private Limited and Foreign Companies)	1
Positions held on mandatory committees of other Companies	Nil
Relationship between directors inter-se	Nil

ANNEXURE – I

Statement as per Part II, Section II (1) (B) (iii) of Schedule XIII to the Companies Act, 1956

FOR ITEM NO 4 & 5:

S.NO	PARTICULARS	MR NIRANJAN CHINTAM	MR KRISHNA CHINTAM
I	GENERAL INFORMATION		
(i)	Nature of industry	Software Industry	Software Industry
(ii)	Date of expected date of commencement of commercial production	Not Applicable, since Commercial Operations are already in operational.	Not Applicable, since Commercial Operations are already in operational.
(iii)	<i>In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.</i>	Not Applicable, since Company is incorporated on December 31, 1993;	Not Applicable, since Company is incorporated on December 31, 1993;
(iv)	Financial performance based on given indicators	1. Profit before Tax as on June 30, 2013 is Rs 3,03,41,354; 2. Effective Capital as on June 30, 2013 is Rs.11.75 crores	1. Profit before Tax as on June 30, 2013 is Rs 3,03,41,354; 2. Effective Capital as on June 30, 2013 is Rs.11.75 crores
(v)	Export performance and net foreign exchange collaborations	Foreign Exchange Earnings USD : 1984713 GBP : 26450 AED : 12202 SGD : 9000	Foreign Exchange Earnings USD : 1984713 GBP : 26450 AED : 12202 SGD : 9000
(vi)	Foreign investments or collaborators, if any.	Rs 14,54,35,871	Rs 14,54,35,871
II	INFORMATION ABOUT THE APPOINTEE		
(i)	Back ground details	Qualification & Experience : Niranjan is a recognized leader and innovator in the area of middle market Mergers and Acquisitions services to privately held businesses - a financial and strategic leader with domestic and international experience. Prior to Kellton Tech, he was the Vice President of Corporate Development and Head of Mergers and Acquisitions Group for one of the fastest growing companies in the United States. He brings more than 21 years of M&A, operations, business development telecommunications and information technology.	Qualification & Experience : Krishna has about 20 years of experience in Information Technology, Strategy, Marketing Finance, and Operational management of companies. Krishna has solid experience in IT Product Development, IT Program Management, Consulting and Software Application Development. He also has domain expertise in Financial, Telecom, Federal, and Bioinformatics. Krishna led and managed worldwide IT teams comprising several hundreds of employees.

KELLTON TECH SOLUTIONS LIMITED



SNO	PARTICULARS	MR NIRANJAN CHINTAM	MR KRISHNA CHINTAM
(i)	Back ground details	experience. He has held various positions including senior positions with Concert Communication, Cincinnati Bell and Secure Info. Currently as a Mergers & Acquisitions consultant, he is advising clients in US and around the globe on many broad based corporate finance and M&A assignments. He has managed and closed M&A transactions in North America and Asia. Niranjan received his M.B.A from Wharton Business School.	Krishna is a serial entrepreneur and currently sits on the Boards of a number of companies both public and private. He received his MBA from the Kellogg School of Business, Northwestern University and Chicago. He holds a Masters degree in Electrical Engineering from Virginia Tech, Virginia, USA; and a Bachelors degree in Electrical and Electronics Engineering from Andhra University, India.
(ii)	Job profile and his suitability	Executive Chairman	Managing Director
(iii)	Remuneration proposed	Rs 30,00,000/- per annum	Rs 30,00,000/- per annum
(iv)	Comparative Remuneration Profile with Respect to Industry, <i>size of the company, profile of the position and person</i>	The Board of Directors considers that the remuneration and perquisites proposed to be paid are commensurate with their duties and responsibilities. The Proposed remuneration is in line with the remuneration being paid to other directors in the Industry	The Board of Directors considers that the remuneration and perquisites proposed to be paid are commensurate with their duties and responsibilities. The Proposed remuneration is in line with the remuneration being paid to other directors in the Industry
(v)	Pecuniary relationship directly or indirectly with the Company or Managerial personnel	Promoter – Directors	Promoter – Directors
III	DISCLOSURES		
		The shareholders of the Company have been informed about the remuneration of the proposed directors as per details given in the resolution at item no.4 &5 in the notice of this Annual General Meeting attached to the annual report. All documents in connection with the above resolutions are available for inspections at the Registered Office of the Company on any working day between 11.00 A.M.to 1.00 P.M.	The shareholders of the Company have been informed about the remuneration of the proposed directors as per details given in the resolution at item no.4 &5 in the notice of this Annual General Meeting attached to the annual report.

**By Order of the Board of Directors
for KELLTON TECH SOLUTIONS LIMITED**

Place : Hyderabad
Date : 03/12/2013

Sd/-
Krishna Chintam
Managing Director



DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting their 19th Annual Report on the business and operations of your Company for the financial year ended 30th June, 2013.

FINANCIAL RESULTS (Standalone)

(Rs. in Lakhs)

Particulars	Current Year ended 30.06.2013	Previous year ended 30.06.2012
Gross Income	1451.60	1413.50
Other Income	19.18	4.97
Total Expenditure	1064.08	1117.57
Interest	57.50	20.16
Depreciation	45.79	32.37
Profit / (Loss) Before Taxation	303.41	248.38
Current Tax	42.39	0.00
Deferred Tax Asset	4.95	7.25
Profit / (Loss) after Tax	265.96	255.64

REVIEW OF PERFORMANCE:

During the year under review, the overall performance of the Company was reasonable considering to the sector/market conditions.

During the year under review, Members will notice that the gross revenues have marginally improved by 2.69 %, from 1413.50 lacs to 1451.60 lacs of the previous year, while the Profit before Tax also increased by 22.16 % to 303.41 lacs from 248.38 lacs.

The profit after tax also increased by 4.04 % to Rs.265.96 lacs from Rs.255.64 lacs reported in the previous year. The earnings per share was Rs. 0.75 as compared to Rs. 0.72 in the previous year.

FINANCIAL RESULTS (Consolidated)

(Rs. in Lakhs)

Particulars	Current Year ended 30.06.2013	Previous year ended 30.06.2012
Gross Income	4861.32	3906.05
Other Income	53.62	21.79
Total Expenditure	4268.50	3501.49
Interest	91.16	20.54
Depreciation and Amortization	106.68	88.61
Profit / (Loss) Before Taxation	448.60	317.20
Current Tax	57.95	30.52
Deferred Tax Asset	(17.65)	7.25
Profit / (Loss) after Tax	372.98	293.92

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During the year under review, Members will notice that the gross revenues have marginally improved by 24.46% from 3906.50 lacs to 4861.32 lacs of the previous year, while the Profit before Tax also increased by 41.42 % to 448.60 lacs from 317.20 lacs.

The profit after tax also increased by 26.89 % to Rs.372.98 lacs from Rs.293.92 lacs reported in the previous year. The earnings per share was Rs. 1.05 as compared to Rs. 0.83 in the previous year.

DIVIDEND

Although your Company has earned profits during the year, the Board of Directors have decided to plough back the profits into the Company. Therefore, your Directors have not recommended any dividend for the FY 2012-13.

TRANSFER TO RESERVES

During the financial year under review, there were no transfers to Reserves.

SHARE CAPITAL:

During the year, there is no change in the Share Capital of the Company. The Authorised Share Capital is 23,50,00,000 divided into 4,70,00,000 number of shares of Rs.5/-each and the Paid up Share Capital is 17,74,45,500 divided into 3,54,89,100 number of shares of Rs.5/-each.

CHANGE IN THE NAME OF THE COMPANY:

Pursuant to the Scheme of Arrangement under sections 391-394 read with section 100 of Companies Act, 1956 as approved by the Hon'ble High Court of Andhra Pradesh the name of the Company was changed from M/s VMF Soft Tech Limited to KELLTON Tech Solutions Limited.

EMPLOYEE STOCK OPTION SCHEME 2012 (ESOP 2012)

During the financial year the Company has not granted options as per the ESOP 2012 Scheme to its employees, Directors (Except Promoter Directors) whether working in India or outside India.

Your Directors proposes to revise the upper limit of stock options from 2% to 4% under the ESOP 2012 Scheme.

Your Directors also proposes to approve the Employee Stock Option Scheme 2013 for the benefit of eligible employees and directors of all its Subsidiary Companies. Your Directors consider that such schemes help subsidiary companies of your Company to attract, retain and motivate the best available talent in the increasingly competitive environment.

Consent of the members is being requested to give effect to the above proposals. The Board of Directors recommend passing of the special resolutions for the approval of the members.

SUBSIDIARIES

During the financial year your company has acquired a software Company M/s Kellton Dbydx Software Private Limited (*formerly known as M/s SKAN DBYDX Software Private Limited*) to extend the scope of Company's operations.

Further, the Company has invested in Kellton Tech Inc, USA by which it has become its wholly owned subsidiary company and on October 18, 2013, Supremesoft Global Inc, USA was acquired by Kellton Tech Inc, which indeed is a wholly owned subsidiary to M/s Kellton Tech Solutions Limited.

Pursuant to the provision of Section 212(8) of the Act, the Ministry of Corporate Affairs vide its circular dated February 8, 2011 has granted general exemption from attaching the Balance Sheet, Profit and Loss and other documents of the subsidiary companies with the Annual Report of the parent Company. Accordingly the Company has availed the exemption from attaching the Balance Sheet, Profit and Loss Account and other documents of the subsidiary Companies.

A statement containing brief financial details of the subsidiaries for the financial year ended June 30, 2013 is given hereunder. The annual accounts of these subsidiaries and the related detailed information will be made available to any member of the Company/its subsidiaries seeking such information at any point of time and are also available for inspection by any member of the Company/its subsidiaries at the registered office of the Company. The annual accounts of the subsidiaries will also be available for inspection, as above, at registered office of the respective subsidiary companies.

KELLTON TECH SOLUTIONS LIMITED



STATEMENT PURSUANT TO GENERAL EXEMPTION RECEIVED UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES:

(Rs. In Lacs)

Particulars/Name of the Subsidiary Company	Kellton Dbydx Software Private Limited	MCS Global Inc
Reporting Currency	INR	USD
Exchange Rate	NA	59.69
Capital	83.24	447.75
Reserve	153.36	824.89
Total Assets	504.65	1390.50
Total Liabilities	268.05	117.86
Investment Other Than investment in Subsidiary	Nil	Nil
Turnover Profit Before Tax	42.48	102.75
Provision for Taxation	23.86	14.38
Profit After Tax	18.63	88.40
Proposed Dividend	Nil	Nil
Country	India	USA

DIRECTORS

During the year under review, Mr. P. Krishnam Raju and Mr. M.V. Sivarama Raju resigned from their office as Directors with effect from 30.10.2012.

Proposed Re-appointments

As per the Articles of Association, Mr. Brij Mohan Venkata Mandala retires by rotation at the ensuing AGM and being eligible offers himself for re-appointment. Brief profile of Mr. Brij Mohan Venkata Mandala, as stipulated under Clause 49 of the Listing Agreements, is provided in the notes attached to the Notice calling the AGM and necessary resolution for his re-appointment is incorporated in the Notice of the AGM.

The Board recommends the above re-appointment.

KELLTON TECH SOLUTIONS LIMITED



DIRECTORS RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 217(2AA) OF THE COMPANIES ACT, 1956:

In compliance of section 217 (2AA), as incorporated by the Companies (Amendment) Act, 2000, in the Companies Act, 1956, your directors confirm: -

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures ;
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 30th June, 2013 and of the profit of the Company for the financial year ended on that date;
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) The annual accounts of the Company have been prepared on a 'going concern' basis.

CORPORATE GOVERNANCE

Your Directors' affirm their commitment to the Corporate Governance Standards prescribed by the Securities and Exchange Board of India (SEBI). A report on Corporate Governance with Management Discussion and Analysis as required under Clause 49 of the Listing Agreement is Annexed to this report.

MANAGEMENT DISCUSSION & ANALYSIS

A report on Management Discussion & Analysis forms part of this Annual Report.

CONSOLIDATION OF ACCOUNTS

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements read with Accounting Standard AS-27 on Financial Reporting of Interests in Joint Ventures your Directors have pleasure in attaching the Consolidated Financial Statements as part of the Annual Report.

STATUTORY AUDITORS

Your Directors recommend the re-appointment of M/s. Mahesh, Virender & Sriram, Chartered Accountants, as Statutory Auditors of the Company, from the conclusion of this Annual General Meeting, till ensuing Annual General Meeting. The Statutory Auditors have intimated to the Company that the appointment, if made, would be within the prescribed limits under section 224(1B) of the Companies Act, 1956 and that they are not otherwise disqualified within the meaning of sub-section (3) of section 226 to the Companies Act, 1956, for such re-appointment.

REPLIES TO AUDITORS' REPORT

With reference to observations made in Auditor's Report, the notes of account is self-explanatory and therefore do not call for any further comments.

The results for the year ended June 30, 2013 have been subjected to an audit by the Statutory Auditors of the Company and an unqualified report has been issued by them thereon Emphasis matters:

Note No.24(5): Attempts has been made to obtain confirmation of balances from various parties from time to time and company is evolving a scientific process during the current year.

Note No 24(6): (a) Leave encashment as and when is due is paid to employees, hence no provision made.

(b) During the current year company is taking employee gratuity policy and past inability also would be accounted accordingly.

BUSINESS RESPONSIBILITY REPORT (BRR)

Securities Exchange Board of India (SEBI) vide circular CIR/CFD/DIL/8/2012 dated August 13, 2012 has mandated the inclusion of BRR as part of the Annual Report for the top 100 listed entities based on their market capitalization on Bombay Stock Exchange Limited as at March 31, 2013. In view of the requirements specified, the company is not mandated for the providing the BRR and hence do not form part of this Report.

PUBLIC DEPOSITS

Your Company has not accepted any deposits from the public and, as such, there was no principal or interest outstanding on the date of the Balance Sheet.



COST AUDIT COMPLIANCE

As per the Companies (Cost Accounting Records) Rules, 2011 your company does not require to maintain Cost records and audit thereon

PARTICULARS OF EMPLOYEES

During the year under review, there were no employees drawing remuneration in excess of the limits laid down in section 217(2A) of the Companies Act, 1956 read with (Particulars of Employees) Rules, 1975.

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

The information required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, is not applicable as your company is not into manufacturing activity.

FOREIGN EXCHANGE EARNINGS AND OUTGO

	Standalone		Consolidated	
Foreign Exchange Earnings:	USD	1984713	USD	7234225
	GBP	26450	GBP	74544
	AED	12202	AED	62202
	SGD	9000	SGD	9000
			HKD	550435
Foreign Exchange Outgo	USD	15066	USD	5060035
	EURO	1184	EURO	1184
	AED	14133	AED	14133
	SGD	2150	SGD	2150

INDUSTRIAL RELATIONS

Employees are our vital and most valuable assets. We have created a favorable work environment that encourages innovation and meritocracy. With vibrant work atmosphere, your Company provides an opportunity to employees to work with new technologies. Your company has been fortunate in having a set of committed employees at all levels and looks forward to nurture them and retain their loyalty. The Company recognized the value of the committed workers and efforts are being made to enhance the bonding between the company and the committed employees.

STATEMENT PURSUANT TO LISTING AGREEMENT

The Equity Shares of the company are listed with the BSE Limited (BSE).

ACKNOWLEDGEMENTS:

Your Directors place on record their sincere appreciation for the services of the Bankers, BSE, NSDL, CDSL and other statutory authorities. Your Directors also place on record their sincere appreciation and gratitude for the valuable assistance, support and co-operation from the Company's Customers, Employees and shareholders during the period under review,

Date : 03-12-2013
Place: Hyderabad

By the Order of the Board of Directors
for KELLTON TECH SOLUTIONS LIMITED

Sd/-
Niranjan Chintam
Executive Chairman



MANAGEMENT'S DISCUSSION & ANALYSIS REPORT:

1. INDUSTRY OVERVIEW:

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, guidelines issued by the Securities and Exchange Board of India (SEBI) and the Generally accepted Accounting Principals (GAAP) in India. Our Management accepts responsibility for the integrity and objectivity of these financial statements, as well as for the various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, so that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present our state of affairs profits and cash flows for the year.

India's IT and related services with exponential growth are a unique export led success story which has put India on the global Map. While India has achieved a brand identity in this sector, other developing countries are trying to emulate India's example. However the global slowdown has impacted the revenues of the IT business process Management sector the growth of which decelerated from 15% in 2011-12 to an estimated 8.4% in 2012-13.

While the global slowdown, increasing competition from new countries and raising protectionist measures in the wake of job losses in developed countries have slightly dimmed the prospects for exports of IT and related services, a great opportunity is waiting in India's domestic market with increasing technology adoption within the Government sector and the Small and Medium business (SMB) sector, The 12th Five year plan aims a harness the potential of the software and services sector to contribute to the country s development and growth, particularly in terms of investment , exports, employment generation and contribution to GDP and retain India's leadership position as global IT- BPO destination, consolidate and grow in both mature and emerging markets.

2. BUSINESS

2.1 OVERVIEW

Kellton Tech is a global software services company providing consulting, Systems Integration, and outsourcing solutions to clients in key industry verticals worldwide. We integrate expert industry knowledge, process and technology frameworks, strong partnerships, and a global work force to provide strategic solutions that generate sustainable results.

The Company's full services portfolio consists of Consulting, Enterprise Solutions, Application Development and Management, Internet and Emerging Technologies, Information Management, Outsourcing Services and Mobility Solutions.

2.2 STRATEGY:

The Company's strategy to support longer term growth is to continually extend the core IT services business by expanding its geographic reach, industry coverage and service capabilities and by deepening existing client relationships, building or acquiring emerging businesses and adopting or creating new business models and business solutions strategic partner capable of reliably delivering innovative solutions.

2.3. TECHNOLOGY:

Kellton Tech customer focused technology initiatives have helped its customers prepare for future challenges. Several of the R&D outcomes have now moved into the mainstream business in the form of assets, solutions, frameworks, tools and products.

3. OUTLOOK, RISKS AND CONCERNS:

3.1 OUTLOOK:

There are many challenges faced by nearly every industry in today's global marketplace. Kellton Tech has the depth and breadth of experience and expertise that you need to achieve your business goals and succeed amidst the fiercest competition. The uncertainties in the global market, business model redundancy, supply side risks and financial risks are the major threats faced by IT industry.

The Company believes in building and maintaining deep customer relationships and become a trusted business partner to global enterprises. The Company views industry segmentation, customer-centric organization as an important enables to achieve such mission. By building business units around groups of key clients in each industry vertical and giving end-to-end sales and delivery responsibility to the business head, the Company can ensure high levels of accountability, superior customer service and intimacy.

In order to strengthen future sustain ability of the business model, the Company also believes in pursuing non-linear growth opportunities, which would bring in revenue growth without commensurate growth in headcount.

Non-linearity in the current IT and IT enabled services businesses comes from productivity-enhancing tools, frameworks, solution accelerators and managed services engagements.



The Company's believes in continued investments in technology, process maturity and deep domain expertise so as to result in superior outcome for clients and be recognized by the industry as benchmark in delivery excellence. The Company aims to strengthen Company's newer service offerings such as application development and maintenance, enterprise solutions, IT infrastructure services, engineering and industrial services and asset leveraged solutions. The Company believes to continuously engage in customer focused innovation and launch new offerings that use technology to address its clients' business problems.

3.2 RISKS AND CONCERNS:

The Company has been initiating various risk management programs to combat strategic, operational and financial as well as compliance-related risks across various levels of the organization. It includes risk assessment and mitigation at the company level, business / functional unit level, relationship level and project level. The risk management process is continuously improved and adapted to the changing global risk scenario. The agility of the risk management process is monitored and reviewed for appropriateness with the changing risk landscape. The process of continuous evaluation of risks includes taking stock of the risk landscape on an event driven as well as quarterly basis.

4. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company has a proper and adequate system of internal control to ensure all the assets are safeguarded and protected against loss from unauthorized use or disposition and the transactions are authorized, regarded and reported correctly.

The internal control is supplemented by an extensive program of internal audits, review by management and procedures. The internal control is designed to ensure that the financial and other records are reliable for preparing financial statements and other data, and for maintaining accountability of assets.

The Company's Internal Audit Department is regularly carrying out the Audit in all areas. Additionally the Audit committee is reviewing all Audit Reports with significant control, all issues raised by internal and external auditing regularly, reports on the business development, all the past and the future plans are given to the Board of Directors, Internal Auditor's reports are regularly circulated to all the senior management to comply with the findings.

Normal forcible risks of the Company's Assets are adequately covered by comprehensive insurances.

5. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE - STANDALONE:

During the year under review , your company has earned revenue of Rs 1470.78 and profit of Rs 265.96 and consolidated revenue of Rs 4914.96 and profit of Rs 372.98.

6. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES:

The Company's innovative human resources management strategies supported its business growth in a challenging environment. The Company's HRD policy focuses on creating an environment where performance is rewarded, individuals are respected and associates get opportunities to realise their potential.

The Company's Corporate HRD policy emphasizes on continuous, increased quality and commitment of its employees in order to succeed in the achievement of the corporate goals. The company provides employee development opportunities by conducting training programs to equip the employee with upgraded skills enabling them to adapt to the contemporary technological advancements.

The HRD Team strive for the enhancement of Human Resources Organization , systems, processes and procedures, using the principles of continuous quality improvement that incorporate quality service and excellent performance standards, increased accountability and maximizes cost-effectiveness.

CAUTIONARY STATEMENT:

Certain statements made in the management discussion and analysis report relating to the Company's objectives, projections, outlook, expectations, estimates and others may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ from such expectations, projections and so on whether express or implied. Several factors could make significant difference to the Company's operations. These include climatic conditions and economic conditions affecting demand and supply, government regulations and taxation, natural calamities and so on over which the Company does not have any direct control.

REPORT ON CORPORATE GOVERNANCE:

1) COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

The Company firmly believes in and has consistently endeavored to practice good corporate Governance. The Company's Philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, professionalism and accountability, in all facets of its operations, and in all its interactions with its stake holders, including shareholders and employees.



2) BOARD OF DIRECTORS

- The Board of Directors consists of five Directors as on 30th June, 2013. The Board has an optimum combination of Executive and Non-Executive directors.
- Composition and Category of directors as on 30th June, 2013.

Category	No. of Directors
Promoter Directors	2
Non-Executive Non Independent Directors	0
Non-Executive Independent Directors	3
Total	5

The composition of the Board is in conformity with clause 49 of the Listing Agreement entered with the Stock Exchanges.

SL.No.	Name of the Director	Category	Designation	No. of Board Meetings held	No. of Board Meetings Attended	Attendance in last AGM held on 07.12.2012
1	Mr. Krishna Chintam	Promoter, Executive	Managing Director	12	12	Present
2	Mr. Niranjan Chintam	Promoter, Executive	Director	12	12	Present
3	Mr. Rajendra Vithal Naniwadekar	Independent Non – Executive	Director	12	11	Present
4	Mr. Potluri Srinivas	Independent Non – Executive	Director	12	9	Present
5	Mr. Brij Mohan Venkata Mandala	Independent Non – Executive	Director	12	10	Present
6	*Mr. P Krishnam Raju	Independent Non – Executive	Director	3	-	Absent
7	*Mr. M V Sivarama Raju	Independent Non – Executive	Director	3	-	Absent

Details of resignations and other changes, during the year:

Mr. P. Krishnam Raju and Mr. M.V. Sivarama Raju resigned from their office as Directors with effect from 30.10.2012.

b) Number of other Directorships and Company Memberships as on 30.06.2013

Sl.No:	Name of Director	Other Directorships*	Committee Membership	Committee Chairmanship
1	Mr.Krishna Chintam	1	2	1
2	Mr. Niranjan Chintam	-	-	-
3	Mr. Rajendra Vithal Naniwadekar	3	1	2
4	Mr. Potluri Srinivas	-	-	-
5	Mr.Brij Mohan Venkata Mandala	1	3	-
6	*Mr. P Krishnam Raju	-	-	-
7	*Mr. M V Sivarama Raju	-	-	-

* excluding foreign companies and private companies



c) Number of Board Meetings held and the date on which held:

12 (Twelve) Board Meetings were held during the year. The maximum gap between any two meetings was not more than four months.

The dates on which the Board meetings were held are as follows:

Quarter	No. of Meetings	Dates on which held
July- September 2012	1	(i) 07.08.2012
October – December 2012	6	(ii) 19.10.2012 (iii) 30.10.2012 (iv) 09.11.2012 (v) 14.11.2012 (vi) 10.12.2012 (vii) 27.12.2012
January – March 2013	4	(viii) 21.01.2013 (ix) 12.02.2013 (x) 09.02.2013 (xi) 30.03.2013
April – June 2013	1	(xii) 14.05.2013
Total	12	

3) AUDIT COMMITTEE

The Audit Committee was constituted in terms of Section 292A of the Companies Act, 1956 and as per the provisions of Clause 49 of the Listing Agreement. The Audit Committee consists of a combination of Executive Directors and Non Executive Independent Directors and assists the Board in fulfilling its overall responsibilities.

I) Brief description of terms of reference

- a. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- b. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees;
- c. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- d. Review, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - (i) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956;
 - (ii) Changes, if any, in accounting policies and practices and reasons for the same;
 - (iii) Major accounting entries involving estimates based on the exercise of judgment by management;
 - (iv) Significant adjustments made in the financial statements arising out of audit findings;
 - (v) Compliance with listing and other legal requirements relating to financial statements;
 - (vi) Disclosure of any related party transactions;
 - (vii) Qualifications in the draft audit report.



- e. Review, with the management, the quarterly financial statements before submission to the board for approval;
- f. Review, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- g. Review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- h. Discussion with internal auditors any significant findings and follow up there on;
- i. Review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
- j. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- k. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors;
- l. Review the functioning of the Whistle Blower mechanism, in case the same is existing;
- m. Carry out any other function as is mentioned in the terms of reference of the Audit Committee.

Explanation: The term "related party transactions" shall have the same meaning as contained in the Accounting Standard 18, Related Party Transactions, issued by The Institute of Chartered Accountants of India.

During the year, the Audit committee has met 4 (four) times. Attendance of each member at the committee meeting were as follows:

I) Composition, name of members and Chairperson

The Audit Committee comprises of the following directors.

S. No.	Name of the Member	Status
1	Mr.Rajendra Vithal Naniwadekar	Chairman
2	Mr.Brij Mohan Mandala	Member
3	Mr. Krishna Chintam	Member

II) Meetings and attendance during the year 2012 - 13

S. No.	Name of the Member	Meetings held during the year	Meetings attended
1	Mr.Rajendra Vithal Naniwadekar	4	3
2	Mr.Brij Mohan Mandala	4	2
3	Mr. Krishna Chintam	4	3

4) REMUNERATION COMMITTEE

a) Brief description of terms of reference

As Remuneration Committee

The Committee shall determine the policy on specific remuneration packages for executive directors including pension rights and any compensation payment. In the absence of any such policy the Committee shall determine the remuneration package for executive directors on case to case basis, as and when required. Besides, it also determine Remuneration to the relatives of Directors, if any.

As Compensation Committee

Function as a Compensation Committee with the requisite powers and authority as envisaged under the Guidelines.

b) Composition, name of members and Chairperson

The Remuneration Committee comprises of the following directors

S. No.	Name of the Director	Status
1	Mr.Rajendra Vithal Naniwadeka	Chairman
2	Mr.Brij Mohan Mandala	Member
3	Mr.Potluri.Srinivas	Member

c) Meetings and Attendance during the year 2012-13:

Name of the Member	Meetings held during the year	Meeting Attendance
Mr.Rajendra Vithal Naniwadeka	1	1
Mr.Brij Mohan Mandala	1	1
Mr.Potluri.Srinivas	1	1

The Remuneration committee has been constituted to recommend / review the Remuneration packages of the Executive Directors.

An amount of RS. 3000000/- was paid as Managerial remuneration to the Executive Directors during the year ending 30.06.2013

5) SHAREHOLDERS / INVESTORS' GRIEVANCE COMMITTEE

Shareholders / Investors Grievance Committee consist of the following Directors as on 30.06.2013

S. No.	Name of the Director	Status
1	Mr. Krishna Chintam	Chairman
2	Mr.Brij Mohan Mandala	Member
3	Mr. Rajendra Vithal Naniwadekar	Member

The Committee reviews redressing of Shareholders and investors Complaints like transfer of shares, non-receipt of Balance sheet, non-receipt of declared Dividends, etc besides complaints from SEBI, Stock Exchanges, and various Investor Forums. The Committee also oversees the performance of Registrar and Share Transfer Agents and recommends measures for overall improvement in the quality of investor's services.

- i) **Name and Designation of Compliance Officer:** Mr. Krishna Chintam
Address: Plot No. 1367, Road No. 45, Jubilee Hills, Hyderabad – 500 033
Contact Details: Tel: 040-44333030; Fax: 040-66660451 & Email ID: compliance@kelltontech.com
- ii) Details of complaints for the year 2012-13 : Nil
- iii) Details of requests received for the year 2012-13 is as follows :



S. No.	Nature	Numbers	
1.	Transfer of Shares	383	5,06,525
2.	Dematerialization	28	2,58,50,856
3.	Rematerialization	Nil	Nil
4.	Loss of Shares / Duplicate Shares	Nil	Nil
5.	Total	411	2,63,57,381

All the requests were approved and dealt with and there were no pending valid requests as on 30th June , 2013.

6) GENERAL BODY MEETING:

6.1. Location and Time for Last Three Annual General Meetings held:

Financial Year	Date	Venue	Time	No. of Special Resolutions
2011-12	07.12.2012	Kalinga Cultural Trust, Plot No. 1269, Road No. 12, Near MLA Colony, Banjara Hills, Hyderabad - 500034	11.00 A.M.	1. Approve Employee Stock Option Plan 2012
2010-11	22.12.2011	22-240/5, Nandhita Complex, Opp. KPHB Colony, Kukatpally, Hyderabad	11.00 A.M.	Nil
2009-10	23.12.2010	22-240/5, Nandhita Complex, Opp. KPHB Colony, Kukatpally, Hyderabad	11.00 A.M.	Nil

No Resolutions are proposed to be conducted through postal ballot this year.

7) DISCLOSURES

(i) There are no significant related party transactions with the Company's Promoters, Directors, the Management or relatives that may have potential conflict with the interest of the Company at large.

Related party transactions have been disclosed in Notes to the Annual Accounts

(ii) The Company has complied with all the requirements of the Listing Agreement with the Stock Exchanges as well as the regulations and guidelines of SEBI. No penalties or strictures have been imposed on the Company by the Stock Exchanges, SEBI or any other statutory authority, on any matter relating to the capital markets, during the last three years.

(iii) The information on Directors seeking appointment/ re-appointment is provided in the notes to the notice of the Annual General Meeting under the heading "Additional information on Directors seeking Appointment/Re-appointment at the ensuing Annual General Meeting".

(iv) The minutes of the Committee meetings are placed before every Board Meeting for its approval/ confirmation.

(v) The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement.

(vi) The Company has not adopted any of the non-mandatory requirements except the remuneration committee as mentioned in Annexure ID of Clause 49 of the Listing Agreement.

(vii) The shareholding of the Non –Executive Directors in the Company as on June 30, 2013 is as under:

(i) Mr Brij Mohan Mandala Nil Equity Shares

(viii) As required under Clause 49 VII of the Listing Agreement, the practicing company secretary certificate is given as an annexure to the Directors' Report.

(ix) As required under Clause 49 I D ii of the Listing Agreement, the declaration issued by the Managing Director is provided in the Annual Report.



8) MEANS OF COMMUNICATION

Quarterly Results

- (i) Quarterly Results are normally published in the all India editions of the Business Standard(National Daily) and Praja Shakthi (Regional Newspaper) along with the official news release.
- (ii) All material information about the Company is promptly sent through facsimile / letters to the Bombay Stock Exchange Limited.
- (iii) The quarterly results and other official news release are displayed www.kelltontech.com
- (iv) The Management Discussion and Analysis Report is attached and forms part of the Annual Report.

9) GENERAL SHAREHOLDERS INFORMATION

I. 19th Annual General Meeting:	Date :27th December, 2013 Time : 11.00 A.M Venue: Hotel Kens, Plot No:53,Srinagar Colony, Hyderabad -500073
II. Financial Year	1st July to 30th June
III. Date of Book Closure	24th December, 2013 to 27th December, 2013 (both days inclusive)
IV. Listing on Stock Exchanges	Bombay Stock Exchange Ltd,(BSE) P.J Towers, Dalal Street, Mumbai – 400 001
V. Stock Code/Symbol	519602 & KELLTONTEC
VI. Annual Listing fees to Stock Exchanges (BSE)	Listing Fees as applicable have been paid.
VII. Registrar & Share Transfer Agents	M/s XL Softech Systems Limited, 3 Sagar Society, Road No.2, Banjara Hills, Hyderabad - 500 034 Tel: 040 23545913 Fax: 040 23553214 Email: mail@xlsoftech.com
VIII. Depositories for Equity Shares	NSDL & CDSL ISIN: INE164B01014

(10) GREEN INITIATIVE FOR PAPERLESS COMMUNICATIONS:

The Ministry of Corporate Affairs ("MCA") has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by Companies through electronic mode. In accordance with the recent circular bearing no.17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011 issued by the Ministry of Corporate Affairs, Companies can now send various notices/ documents to their shareholders through electronic mode to the registered e-mail addresses of the shareholders. This is a golden opportunity for every member of the Company to contribute to the Corporate Social Responsibility initiative of the Company.

This move by the Ministry is a welcome move, since it will benefit the society at large through reduction in paper consumption and contribution towards a greener environment. Additionally, it will avoid loss in postal transit, save time, energy and costs.

By Understanding the underlying theme of the above circulars, to support this green initiative of the Government in full measure, the company hence forth proposes to send documents like notice convening general meetings, financial statements, directors reports, auditor's report etc to the email address registered with the depositories by the share holders holding shares in electronic form and for shareholders holding shares in physical form with the Registrar and Share transfer Agents of the Company.

In this regard, we request members who have not registered their email addresses, so far to register their email addresses, in respect of electronic holding with depository through their concerned depository participants Members who hold shares in physical form are requested to fill and send the required details in the Green Initiative form available in the Annual Report and Members can also download the form Company's website: www.kelltontech.com and forward to the Registrar and Share Transfer Agent, M/s. XL Softech System Limited, 3, Sagar Society, Road No. 2, Banjara Hills, Hyderabad – 500 034



11. a) STOCK MARKET DATA

Month & Year	Bombay Stock Exchange (BSE)	
	High (Rs.)	Low (Rs.)
July, 2012	10.23	8.83
August, 2012	9.90	7.75
September, 2012	9.75	8.14
October, 2012	10.70	8.46
November, 2012	Delisted due to process of Scheme of Arrangement	Delisted due to process of Scheme of Arrangement
December, 2012	Delisted due to process of Scheme of Arrangement	Delisted due to process of Scheme of Arrangement
January, 2013	18.00	13.95
February, 2013	13.26	9.70
March, 2013	10.98	8.81
April, 2013	11.90	9.50
May, 2013	10.00	7.60
June, 2013	9.67	7.56

b) The listing fee for the year 2013-2014 has been paid to the Stock Exchange, Mumbai.

c) Registrar & Share Transfer Agents : **M/s XL Softech Systems Limited**

3 Sagar Society, Road No.2,
Banjara Hills, Hyderabad - 500 034
Tel: 040 23545913
Fax: 040 23553214
Email: mail@xlsoftech.com

d) The Company's shares are covered under the Compulsory dematerialization list and are transferable through the depository system. As per the internal quality standards, the Company has put in processes for physical share transfers and the same have been reviewed by the Investors Grievance Committee. Shares received for physical transfer are generally registered within a period of 30 days from the date of receipt, if the documents are clear in all respects. As regards shares held in Electronics form, the credit being given as per guidelines issued by SEBI/NSDL/CDSL.

e) Share Transfer System:

All the physical share transfers received are processed by the Share Transfer agents, M/s XL Softech Systems Limited, Hyderabad. The Company's shares are being traded in compulsory Demat form. The company has already entered into agreement with both the depositories i.e. NSDL and CDSL, for dematerialization of shares, which enables the shareholders to hold and transfer shares in electronic form.

12) CAPITAL BUILD UP DURING THE FINANCIAL YEAR

During the year under review there is no change in the Authorised and Paid up capital of the Company:



13) DISTRIBUTION OF SHAREHOLDING PATTERN:

No. of shares held	No. of shareholders	% of shareholders	No. of Shares (Issued Equity)	% of Shareholding
Upto-5,000	2,392	67.95	5,52,605	1.56
5,001-10,000	547	15.54	4,55,118	1.28
10,001-20,000	265	7.53	4,20,583	1.19
20,001-30,000	76	2.16	1,92,962	0.54
30001-40,000	42	1.19	1,54,424	0.44
40,001 -50,000	48	1.36	2,31,772	0.65
50,001-1,00,000	64	1.82	4,93,980	1.39
1,00,001 & above	86	2.45	3,29,87,656	92.95
Total		100	3,54,89,100	100

14) DEMATERIALIZATION OF SHARES AND LIQUIDITY:

The Company appointed M/s. XL Softech Systems Limited as a Depository Transfer Agent (DTA) and signed tripartite agreements with NSDL/CDSL and M/s XI Softech Systems Limited to facilitate dematerialization of shares. Shares received for dematerialization are generally confirmed, within a period of 10 days from the date of receipt, if the documents are clear in all respects. As on 30.06.2013, 96% of Companies Share Capital was dematerialized.

Liquidity of Shares: The shares of the Company are traded in the Stock Exchange, Mumbai (BSE)

15) SHARE HOLDING PATTERN OF THE COMPANY AS ON 30TH JUNE, 2013

Category	No. of shares held	Percentage of shareholding
Promoters	9,42,776	2.66
Promoters Body Corporate	1,95,85,950	55.19
Mutual funds / UTI	0	0
Financial Institutions /Banks	0	0
Foreign Institutional Investors	0	0
Venture Capital Funds	0	0
Bodies Corporate	24,73,845	6.97
Foreign Bodies Corporate	0	0
Retail individuals/NRIs/Trusts /others	1,24,86,529	35.18
Total	3,54,89,100	100

16) OUTSTANDING GDRS/ADRS/WARRANTS OR ANY CONVERTIBLE INSTRUMENTS, CONVERSION DATE AND LIKELY IMPACT ON EQUITY:

As on June 30, 2013, there were no outstanding GDRs/ADRs/Warrants or any Convertible Instruments of the Company.



17) INVESTOR CORRESPONDENCE:

- a) For transfer / dematerialization of shares and any other query relating to the shares of the Company.

M/s XL Softech Systems Limited
3 Sagar Society, Road No.2,
Banjara Hills, Hyderabad - 500 034
Tel: 040 23545913
Fax: 040 23553214
Email: mail@xlsoftech.com

- b) For correspondence with the Company
Secretarial Department,
M/s. Kellton Tech Solutions Limited,
Plot No. 1367, Road No. 45,
Jubilee Hills,
Hyderabad - 500 033.
Ph: 91-040-44333030; Fax: 040-66660451
Email: info@kelltontech.com
Website: www.kelltontech.com

18) CODE OF CONDUCT FOR BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The code has been circulated to all the members of the Board and Senior Management and the compliance of the same has been affirmed by them. A Declaration signed by the Managing Director is furnished here under.

19) DETAILS OF UNCLAIMED SHARES

SEBI vide its Circular No. CIR/CFD/DIL/10/2012 dated December 16, 2010 amended the Listing Agreement entered into with Stock Exchanges wherein under Clause 5A, the Company is required to open an Unclaimed Suspense Account with a Depository Participant and transfer all the unclaimed share certificates of Members after giving three reminders.

As on June 30, 2013, your Company has 3,40,70,731 equity shares in dematerialized form and 1418369 equity shares in physical mode. There are no shares pending credit to the members. Hence, the balance in the Unclaimed Suspense account is NIL.

DECLARATION

As stipulated under Clause 49 I D (ii) of the Listing Agreement, the Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the financial year ended 30th June, 2013.

Place: Hyderabad

Date: 03/12/2013

Sd/-
Krishna Chintam
Managing Director



CERTIFICATION BY CEO/ CFO OF THE COMPANY

We, Niranjan Chintam and Krishna Chintam, Executive Chairman and Managing Director respectively, of Kellton Tech Solutions Limited, to the best of our knowledge and belief certify that:

1. We have reviewed the Balance Sheet, Profit and Loss Account, its schedule & notes to the accounts and cash flow statement for the year ended 30th June, 2013 and that to the best of our knowledge and belief:
 - a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) These statements together present a true and fair views of the Company's and are in compliance with existing accounting standards, applicable laws and regulations.
2. We also certify, that based on our knowledge and the information provided to us, there are no transactions entered into by the Company during the year which are fraudulent, illegal or violate the Company's code of conduct.
3. We accept the responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps taken or propose to take to rectify these deficiencies.
4. We have indicated to the Auditors and the Audit Committee:
 - a) Significant changes in internal control during the year;
 - b) Significant changes in accounting policies during the year and that the same have been disclosed in notes to the financial statements; and
 - c) 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.

Place : Hyderabad
Date : 03/12/2013

Sd/-
Niranjan Chintam
Director

Sd/-
Krishna Chintam
Managing Director



AUDITORS CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT(S)

To,

The Member of **KELLTON TECH SOLUTIONS LIMITED**

1. We have reviewed the implementation of Corporate Governance by Kellton Tech Solutions Limited (the Company) during the year ended 30th June, 2013, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

We further state that such compliance is neither an assurance as to the future viability of the Company as per the records maintained by the Shareholder's/Investors Grievance Committee.

3. We state that no investor grievance are pending for a period exceeding one month against the Company as per the records maintained by the Shareholder's/Investors Grievance Committee.
4. On the basis of our review and according to the information and explanations provided to us, the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement(s) with the Stock Exchange have been complied with in all material respect of the Company.

for **Mahesh, Virender & Sriram**
Chartered Accountants,
Reg No.0019395

Place: Hyderabad
Date: 03-12-2013

Sd/-
(B R Mahesh)
Partner
M.No. 18628



REPORT OF INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENT

To the Member of
Kellton Tech Solutions Limited
(formerly VMF Soft Tech Limited)
Plot No. 1367, Road No 45,
Jubilee Hills
Hyderabad - 500033,
Andhra Pradesh

Report on the financial statements

We have audited the accompanying financial statements of Kellton Tech Solutions Limited (formerly VMF Soft Tech Limited) ("the Company"), which comprise the Balance Sheet as at 30th June, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

- a. in the case of the Balance Sheet, of the state of affairs of the Company as at 30th June, 2013.
- b. In the case of Profit and loss account, of the profit for the year ended on that date.
- c. In the case of cash flow statement, of the cash flows for the year ended on that date.

Emphasis of Matter:

We draw attention to :

Notes No: - 24 (5) of notes to financials - regarding non - confirmation of balances from various parties.

Notes No: - 24 (6) of notes to financials - regarding non – provision of proportionate liability on account of employee's retirement benefits, which have not been quantified.

Notes No: - 24 (7) of notes to financials - regarding non – provision of loss if any, on account of unquoted investments' market value not ascertainable.

Our opinion is qualified in respect of these matters.



Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- 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, dealt with by this Report is in agreement with the books of account.
- d. In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
- e. On the basis of written representations received from the directors as on 30th June, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 30th June, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For Mahesh Virender & Sriram
Chartered Accountants
Registration Number – 001939S

Sd/-
B R Mahesh
Partner
Membership No - 018628
Place: Hyderabad
Date: 29.08.2013



ANEXURE TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 1 under “ Report on other legal and regulatory requirements section our report of even date

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we report that:

- i. A. The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.

B. A substantial portion of the fixed assets have been physically verified by the management during the year. In our opinion the frequency of such verification is reasonable having regard to the size of the company and nature of its visits. No material discrepancies were noticed on such verification.

C. During the year, the company has not disposed off any substantial part of the fixed assets.
- ii. The company does not have any inventory and hence this clause is not applicable.
- iii. The Company has neither granted nor taken any loans, secured or unsecured to / from companies, firms or other parties covered in the register in the register maintained under section 301 of the Companies Act, 1956.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the company and the nature of its business for the purchases of plant and machinery, equipment and other assets
- v. In our opinion according to the information and explanation given to us, there are no transactions that need to be entered in pursuance of section 301 of the Companies Act 1956.
- vi. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from public to which the provisions of Section 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of deposit) rules 1975 apply.
- vii. The internal audit system of the commensurate with the size of the Company.
- viii. Maintenance of cost records by the company has not been prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956.
- ix. (a) As per the records of the maintained by the company, the company is regular in depositing undisputed statutory dues to the authorities. According to the information and explanations given to us, presently the company is not liable under Employee State Insurance Act. The company is regular in depositing the provident fund dues with respective authorities. According to the information and explanations to us, the company is not liable under investor education protection fund Act, sales tax Act, wealth tax Act, custom duty Act,. There are no outstanding statutory dues as the last day of the financial year concerned, which are outstanding for more than six months from the date they became payable.

(b) As per the records maintained by the company and according to the information and explanation given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Customs Duty and Excise duty and Cess as at 30th June, 2013.



- x. The company does not have any accumulated losses as at the end of the year.
- xi. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to bank during the year.
- xii. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion and according to the information and explanations given to us the provisions of any special statute applicable to a chit fund or a nidhi /mutual benefit fund/ society.
- xiv. In our opinion, and according to the information and explanation given to us, the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause 4 (xiv) of the order are not applicable to the company.
- xv. The company has not given any guarantees for loans taken by others from banks or financial institutions.
- xvi. In our opinion and according to the information and explanations given to us, term loans have been applied, by the company, during the year, for the purpose for which they were raised.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets.
- xix. The company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xx. The company has not issued any Debentures and hence the creation of securities in respect of the same does not arise.
- xxi. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

Place: Hyderabad
Date: 29.08.2013

For Mahesh, Virender & Sriram
Chartered Accountants
Reg No. 0019395

Sd/-
(B R Mahesh)

Partner
M.No. 18628

KELLTON TECH SOLUTIONS LIMITED



Standalone Balance Sheet as at 30th June 2013

PARTICULARS	Note No	Rs.	Rs.
		As at 30th June 2013	As at 30th June 2012
I.EQUITY AND LIABILITIES			
(1)Shareholder's Funds			
(A)Share Capital	2	177,445,500	177,445,500
(B)Reserves and Surplus	3	51,274,990	24,678,579
(C)Money Rec. Agst. Share Warrants		Nil	Nil
(2)Share app money pending almt			
(3)Non-Current Liabilities			
(A)Long-term borrowings	4	12,831,257	1,675,110
(B)Deferred tax liabilities (Net)	5	1,205,506	1,700,152
(C)Other Long term liabilities	6	51,375,208	32,869,787
(D)Long term provisions			
(4)Current Liabilities			
(A)Short-term borrowings	7	45,988,114	14,165,514
(B)Trade payables	8	2,089,826	2,943,026
(C)Other Long term liabilities	9	1,198,502	3,141,230
(D)Short-term provisions	10	13,198,929	1,886,978
Total		356,607,831	260,505,877
(1) Non-current assets			
(A) Fixed assets	11		
(i) Tangible assets		20,250,050	9,966,500
(ii) Intangible assets		97,320,655	98,287,062
(iii) Capital work-in-progress			
(iv) Intangible assets under devt.			
(B) Non-current investments	12	145,435,871	104,856,578
(C) Deferred tax assets (net)			
(D) Long term loans and advances	13	14,613,146	6,035,136
(E) Other non-current assets	14	1,433,570	360,976
(2) Current assets			
(A) Current investments			
(B) Inventories			
(C)Trade receivables	15	43,302,557	33,028,035
(D) Cash and cash equivalents	16	5,136,962	2,812,518
(E) Short-term loans and advances	17	29,115,021	5,159,072
(F) Other current assets			
Total		356,607,831	260,505,877

Accounting Policies 1
Notes to Financial form part of accounts 1 to 24
For and on behalf of Board of Directors

As per our report of even date
For Mahesh, Virender & Sriram
Firm's Reg No. 0019395
Chartered Accountants

Sd/-
Niranjan Chintam
Director

Sd/-
Krishna Chintam
Managing Director

Sd/-
(B R Mahesh)
Partner
M.No. 18628

Place: Hyderabad
Date: 29.08.2013

KELLTON TECH SOLUTIONS LIMITED



Standalone Statement Of Profit and Loss For The Year Ended

PARTICULARS	Note No	for year ended	for year ended
		30th June 2013	30th June 2012
		Rs.	Rs.
INCOME			
Revenue From Operations	18	145,160,887	141,350,506
Other Income	19	1,917,919	497,916
TOTAL REVENUE		147,078,806	141,848,422
EXPENSES:			
Cost of materials consumed		Nil	Nil
Purchase of Stock-in-Trade		Nil	Nil
Changes in inventories of finished goods		Nil	Nil
Employee benefit expense	20	74,315,699	71,674,645
Financial costs	21	6,000,390	2,413,313
Depreciation and amortization expense	22	4,579,336	3,237,352
Other expenses	23	31,842,026	39,684,351
TOTAL EXPENSE		116,737,451	117,009,661
Profit / Loss before taxes		30,341,354	24,838,762
Tax expense:			
(1) Current tax		4,239,590	Nil
(2) Deferred tax		494,646	725,687
Profit / Loss for the period		26,596,411	25,564,449
Earning per equity share:			
Basic		0.75	0.72
Diluted		0.75	0.72

Accounting Policies
Notes to Financial form part of accounts
For and on behalf of Board of Directors

1
1 to 24

As per our report of even date
For Mahesh, Virender & Sriram
Firm's Reg No. 0019395
Chartered Accountants

Sd/-
Niranjan Chintam
Director

Sd/-
Krishna Chintam
Managing Director

Sd/-
(B R Mahesh)
Partner
M.No. 18628

Place: Hyderabad
Date: 29.08.2013



Note No. 1. Accounting policies

1) Basis of accounting:

- i) The financial statements are prepared under the historical cost convention and in accordance with the applicable accounting standards issued by the institute of chartered accountants of India and requirements of the Companies Act 1956 and on a going concern concept.
- ii) The company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis.

2) Revenue Recognition:

- i) Revenue from software is recognized on billing to clients.

3) Fixed Assets:

- i) The tangible fixed assets are stated at cost of acquisition and subsequent improvements thereto including taxes. Duties, freight and other incidental expenses related to acquisition and installation.
- ii) The Intangible assets are recognized when it is probable that the future economic benefit that are attributable to the assets will flow to the enterprise and the cost of the assets can be measured reliably.

4) Depreciation:

Depreciation on fixed assets [Tangible and Intangible assets] is provided on Straight line method on pro –rata basis at the rates prescribed in schedule XIV of the Companies Act, 1956 as amended from time to time, including the fixed assets merged.

5) Impairment of Assets:

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors.

6) Borrowing cost:

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessary takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

7) Inventories:

Inventories are valued at lower of the cost or net realizable value which ever is lower..

8) Preliminary expenditure

To write off preliminary expenses in ten equal yearly installments.

9) Investments:

- i) Long term and unquoted current investments are stated at cost and quoted current investments at lower of cost or market value. Provision for diminution in value of long-term investments is made only if such a decline is other than temporary in the opinion of the management.



10) Taxes on Income

- i. Current tax is determined on the amount of tax payable in respect of taxable income for the year.
- ii. To provide and recognize deferred tax on timing difference between taxable income and accounting income subject to prudent practices.

11) Segment reporting:

- i. To disclose the revenue and expenses by way of business segments, geographical segments and customer segments.

12) Related parties Transactions:

- i. Related party transactions including purchases, services, fund and non fund based agreements are disclosed separately.

13) Employees' Retirement Benefits:

- i. Retirement benefits are provided in accounts on a rational method where in accrued liability for retirement benefits payable to all employees at the end of the year are reflected.

Notes to Financial Statements Note No : 2	As at 30th June 2013		As at 30th June 2012	
	Number	Amount (INR)	Number	Amount (INR)
(A) Share Capital				
(a) Authorised				
Equity Shares of Rs.5 Each	47,000,000	235,000,000	47,000,000	235,000,000
Previous Year Rs.5 Each				
(b) Issued Subscribed & Paid Up				
Opening Balance	35,489,100	177,445,500	35,489,100	177,445,500
Additions during the year	Nil	Nil	Nil	Nil
Total	35,489,100	177,445,500	35,489,100	177,445,500

(c) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period

Particulars	Number	Amount
Shares outstanding at the beginning of the year	35,489,100	177,445,500
Shares issued during the year	Nil	Nil
Shares bought back during the year	Nil	Nil
Shares outstanding at the end of the year	35,489,100	177,445,500

KELLTON TECH SOLUTIONS LIMITED



(d) Terms/rights attached to equity shares, including restrictions on distribution of dividends and the repayment of capital

(1) Equity shares issued by the company are Equity Shares within the meaning of Section 85(2) of the Companies Act, 1956.

(2) Each holder of equity share is entitled to one vote per share.

(3) In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts.

(4) The distribution will be in proportion to the number of equity shares held by the shareholders

(e) Shares in the Company held by each share holder holding more than 5 percent shares specifying the number of shares.

Name of Share Holder	As at 30th June 2013		As at 30th June 2012	
	No of Shares Held	% of holding	No of Shares Held	% of holding
Matnic Finvest Private Limited	16,585,950	46.74%	16,585,950	46.74%
Kelton Wealth Management Pvt Ltd	3,000,000	8.45%	3,000,000	8.45%
Bhavani Sana Reddy	1,881,046	5.30%	Nil	Nil
Venkat Homes Private Limited	500,000	1.41%	500,000	5.41%

Note to Financial Statements as at

Note No.	Notes to Financials	30 June 2013	30 June 2012
		Rs.	Rs.
3	RESERVES & SURPLUS:		
a)	General Reserve		
	Opening Balance	10,373,580	240,000
	Current year transfer		
	Warrants Forfieted written back in the current year		3,450,000
	Reserve of amalgamating Company		6,683,580
	Closing Balance	10,373,580	10,373,580
b)	Capital Subsidy		
	Opening Balance	567,350	567,350
	Closing Balance	567,350	567,350
c)	Surplus		
	Opening Balance	13,737,649	(59,168,541)
	Net Profit / Loss for the current year	26,596,411	25,564,449
	Income Tax Adjustments		(580,678)
	Reserves of amalgamating Company		1,726,919
	Reduction in share capital as per scheme of agreement		46,195,500
	Closing Balance	40,334,060	13,737,649
	Grand Total of Reserve & Surplus	51,274,990	24,678,579



Notes to Financial Statements as at
Non-Current Liabilities

Note No.	Notes to Financials	30 June 2013	30 June 2012
		Rs.	Rs.
4	LONG TERM BORROWINGS		
	Secured		
	Term Loan - Vehicle		
	From Diangler Financial Services Pvt Ltd and (repayable in 36 equated installment out of which 18 are paid)	20,61,515	1,675,110
	ICICI Bank Ltd (repayable in 36 equated installments out of which 6 are paid)	10,75,635.2	Nil
	Term Loan Axis Secured by exclusive charge on the entire current asstes with collateral of movable fixed asstes and extention of EM on premises of Director)	9,69,4107	Nil
	TOTAL	12,831,257	1,675,110
5	DEFERRED TAX LIABILITIES (Net)		
	Opening Balance	1,700,152	2,425,839
	Current year transfer	Nil	Nil
	Written back in current year	(494,646)	(725,687)
	Closing Balance	1,205,506	1,700,152
6	Other Long Term Liabilities		
	Others	51,375,208	32,869,787
	Total	51,375,208	32,869,787
	CURRENT LIABILITIES		
7	SHORT TERM BORROWINGS		
	Secured Loans From Banks		
	Working capital loan - Axis Secured by exclusive charge on the entire current asstes with collateral of movable fixed asstes and extention of EM on premises of Director)	45,988,114	14,165,514
	Total	45,988,114	14,165,514
	CURRENT LIABILITIES		
8	Trade payables		
	Sundry Creditors	2,089,826	2,943,026
	There are no amounts due to Micro, Small and Medium Enterprises under Section 22 of Micro, Small & Medium Enterprises Development Act 2006(MSMED Act)		
	Total	2,089,826	2,943,026



Note No.	Notes to Financials	30-Jun-13	30-Jun-12
		Rs.	Rs.
9	Other Current Liabilities		
	Advances Received	271,100	629,836
	Others (staff reimbursements)	173,357	1,404,000
	TDS Payable	533,885	920,056
	Professional Tax Payable	5,080	1,850
	Provident Fund Payable	215,080	185,488
	Total	1,198,502	3,141,230
10	Short-Term Provisions		
	(a) Provisions for Employees benefits	8,250,878	1,995,386
	(b) Outstanding Expenses	1,888,918	590,447
	(c) Audit fee payable	100,000	146,534
	(d) Provision for Taxation	2,959,133	-845,389
	Total	13,198,929	1,886,978



Note No - 11 Fixed Assets

S. No.	Description of Asset	Gross block			Depreciation			Net block			Rate of Dep.
		As At 30-Jun-2012	Additions during the year	Deletions during the year	As At 30-Jun-2013	Up to 30-Jun-2012	For the year	On Deletions	Up to 30-Jun-2013	As at 30-Jun-2013	
	Tangible Assets										
1	Plant & Machinery	405,932	44,882		450,814	218,876	22,189	241,065	209,749	187,056	4.75%
	[a] Equipment	1,140,133	8,248,280	41,850	9,346,563	440,232	85,191	513,084	8,833,479	699,901	4.75%
	[b] Electrical Equipment	501,608	268,232		769,840	183,211	33,647	216,858	552,982	318,397	4.75%
	[c] Communication Equipment	499,972			499,972	265,947	23,749	289,696	210,276	234,025	4.75%
	[d] Air Conditioners	10,513,472	1,135,530	137,700	11,511,302	6,363,140	1,805,588	8,031,027	3,480,275	4,150,332	16.21%
2	Computers	145,697	1,838,824		1,984,521	48,132	32,475	80,606	1,903,915	97,565	6.33%
3	Furniture & Fixtures	6,400			6,400	5,097	247	5,344	1,056	1,303	9.50%
4	Vehicles	4,456,550	1,696,910		6,153,460	178,628	973,282	1,151,910	5,001,550	4,277,922	9.50%
	[a] Scooter & Cycles	58,996			58,996		2,226	2,226			9.50%
	[b] Car										
	[c] Bike										
	Total Tangible Assets	17,669,764	13,291,654	179,550	30,781,868	7,703,262	2,978,593	10,531,817	20,250,051	9,966,502	
	Intangible Assets										
	Soft Ware	8,544,580	475,049		9,019,629	6,507,518	1,441,456	7,948,973	1,070,655	2,037,062	16.21%
	Good Will	96,250,000			96,250,000				96,250,000	96,250,000	
	Total Intangible Assets	104,794,580	475,049		105,269,629	6,507,518	1,441,456	7,948,973	97,320,655	98,287,062	
	Previous years figures	12,906,562	109,557,782		122,464,344	6,895,532	7,315,248	14,210,780	108,253,564	6,011,030	



Note No - 12 NON-CURRENT INVESTMENTS
Investments in Equity Instruments

S.L No.	Name of the Body Corporate	Subsidiary / Associate / JV / Controlled entity /Others	No. of Shares/Units		Partly paid/ Fully paid	Extent of Holding (%)		Amount		Whether stated at Cost Yes/No	If Answer to column (9) is 'No' Basics of Valuation
			30-Jun-13	30-Jun-12		30-Jun-13	30-Jun-12	30-Jun-13	30-Jun-12		
1	IGLILY INC	Other	36,000	36,000	Fully Paid	18.00%	18.00%	18,149,552	18,149,552	Yes	
2	MCS Global INC	Subsidiary	750,000	750,000	Fully Paid	100.00%	100.00%	86,707,026	86,707,026	Yes	
3	Kellton Dbydx Software Pvt Ltd (Formerly Skan Dbydx Software Pvt Ltd)	Subsidiary	83,23,765	83,23,765	Fully Paid	100.00%	100.00%	40,579,293	Nil	Yes	
	Total							145,435,871	104,856,578		



Notes to Financial Statements as at
Non-current assets

Note No.	Notes to Financials	30-Jun-13	30-Jun-12
		Rs.	Rs.
	NON - CURRENT ASSETS		
13	LONG TERM LOANS AND ADVANCES:		
	(Unsecured Considered Good Unless Otherwise Stated)		
	Deposits	6,607,146	4,580,136
	Others	1,455,000	1,455,000
	Contribution in Nagasuri	6,551,000	
	Total	14,613,146	6,035,136
14	OTHER NON-CURRENT ASSETS		
	Misc Expenditure to the extent not written off or adjusted		
	Opening Balance	360,976	421,139
	Add: Addition during the year	1,231,880	
	Less written off for the year	159,286	60,163
	Closing Balance	1,433,570	360,976
15	TRADE RECEIVABLES:		
	(Unsecured & Considered Good)		
	Outstanding For more than Six Months	-	13,201,936
	Others	43,302,557	19,826,099
	Total	43,302,557	33,028,035
16	CASH & CASH EQUIVALENTS :		
	Cash On Hand	1,517,529	19,919
	Bank Balance	866,025	2,730,849
	Fixed Deposits	2,753,408	61,750
	Total	5,136,962	2,812,518
17	SHORT TERM LOANS & ADVANCES:		
	(Unsecured and Considered good)		
	Staff Advance	86,000	74,780
	MAT Entitlement	3,156,715	3,156,715
	Other Advances	24,231,246	1,158,512
	Prepaid Expenses	440,057	387,558
	Interest accrued on fixed deposits	66,610	4,446
	Service Tax Input	1,134,394	377,061
	Total	29,115,021	5,159,072



Notes to Financial Statements for the Period Ended

Note No.	Notes to Financials	30-Jun-13 Rs.	30-Jun-12 Rs.
18	REVENUE FROM OPERATIONS		
	Software Sevices-Export	116,294,893	102,301,750
	Software Sevices-Domestic	28,813,646	38,638,108
	Other Operating Income	52,348	410,648
	Total	145,160,887	141,350,506
19	OTHER INCOME		
	Interest received	67,628	89,664
	Chit Dividend received	1,532,500	
	Interest received - Income Tax Refund	116,366	336,999
	Exchange fluctuations	186,663	
	Profit on sale of Asstes	13,526	
	Sundry Accounts Written Back	1,236	71,253
	Total	1,917,919	497,916
20	EMPLOYEE BENEFIT EXPENSES		
	Salaries	68,288,601	55,350,283
	Bonus	2,201,802	13,607,813
	Provident Fund	1,198,357	1,227,483
	Employer Contribution To Labour Welfare Fund	23476	Nil
	Staff welfare Exps	2,603,463	1,489,066
	Total	74,315,699	71,674,645
21	FINANCIAL COST		
	Bank Charges	250,574	396,824
	Interest - Vehicle Loan	321,077	143,057
	Interest - Working Capital Loan	3,315,888	1,856,463
	Interest and charges on other Loans	2,048,025	Nil
	Int - TDS Late Payment	64,826	16,968
	Total	6,000,390	2,413,313
22	DEPRECIATION & AMORTIZATION EXPENSE		
	Depreciation	44,20,050	31,77,189
	Miscellaneous Exp w/off	1,59,286	60,163
	Total	45,79,336	32,37,352

KELLTON TECH SOLUTIONS LIMITED



Notes to Financial Statements for the Period Ended

Note No.	Notes to Financials	30-Jun-13 Rs.	30-Jun-12 Rs.
23	OTHER EXPENSES:		
	Professional Fee	77,07,721	10,623,082
	Rent	98,64,200	8,738,688
	Travelling and conveyance	42,25,974	4,949,248
	Sundry Debtors written off	-	3,748,408
	Job Work Charges	-	2,682,196
	Communication Expenses	3,80,065	1,072,633
	Office Maintenance	16,14,019	473,523
	Generator running Expenses	5,11,345	473,501
	Electricity	10,90,731	821,326
	Housekeeping Expenses	2,00,510	59,452
	Broadband Charges	5,08,683	426,888
	Internet and Web Hosting	4,38,961	276,291
	Printing and Stationery	2,71,644	638,384
	Advertisements Expenses	53,641	313,483
	AGM & EGM Expenses	53,353	111,814
	Income Tax	12,425	-
	Repairs and Maintenance	26,93,590	2,540,697
	Business Promotion Expenses	15,64,188	556,156
	Rates & Taxes	3,98,652	661,054
	Exchange fluctuations	-	271,624
	Donations	35,000	19,950
	Subscription fees	1,01,814	120,953
	Audit Fees		
	(a) Statutory Audit fees	40,000	70,000
	(b) Income Tax Representation fees	20,000	20,000
	Accounting fees	30,000	15,000
	Loss on Sale of Asset	25,510	-
	Total	31,842,026	39,684,351

24. Notes to financial statement for the year ended 30-06-2013.

1. Change in name of the company:- Consequent to the approval of scheme of arrangement and amalgamation, the name of the company has been changed to Kellton Tech Solution Limited. The Registrar of the Companies, Andhra Pradesh has issued a fresh certificate of incorporation under the new name i.e., Kellton Tech Solutions Limited on 12th Nov 2012.

2. Contingencies

- i. All major events occurring after the date of financial statements, which impair the financials are duly provided.

KELLTON TECH SOLUTIONS LIMITED



2. Directors remuneration	30-06-2013 Rs. Lakhs	30-06-2012 Rs.Lakhs
(a) Paid during the year	30.00	NIL
Total	30.00	NIL
(b) Computation of net profit under section 309 [5] of the companies act, 1956	NA	NA

3. Particulars of employees	30-06-2013 Rs.	30-06- 2012 Rs.
Particulars of employees in accordance with section 217 2A of the companies act, 1956	NIL	NIL

Software sales	30-06-2013 Rs. Lakhs	30-06- 2012 Rs.Lakhs
Export		
Local		



4. Related Party Transactions as per AS 18

Transactions with related parties in the ordinary course of business-

	30-06-2013	30-06-2012
Loans received	1) Kellton Financial Services Pvt. Ltd – Rs. 1,02,00,000 2) Niranjana Chintam - Rs. 14,16,061 3) Krishna Chintam – Rs. 6,47,869 4) Avid Software Solutions Pvt. Ltd. – Rs. 1,31,66,500	Nil 1) Niranjana Chintam - Rs. 12,91,061 2) Krishna Chintam – Rs. 805000
Loan Given – Subsidiary	3) Kellton Dbydx Software Pvt Ltd	Not Applicable

5. Confirmation of balances from parties as at the end of the year has not been received. The adjustments, if any, shall be made as an ongoing process. Current assets and Current liabilities are subject to confirmation and adjustments, if any.
6. Employees' retirement benefits have not been provided pending actuarial valuation. The retirement benefits are accounted on cash basis.
7. In the opinion of the management the investments of Rs.18,149,552 in IGLILY INC (USA) is good and recoverable in view of the future road map of the companies.
8. Following are the 100% subsidiaries of the company:-
 - MCS GLOBAL INC-(USA)
 - KELLTON DBYDX SOFTWARE PVT LTD (India)
9. Goodwill is subject to impairment testing on an annual basis. However, if indicators of impairment are present, the company will review goodwill for impairment when such indicators arise. The company performs an annual review and no impairment was recorded. In performing the review, the company determine the recoverable amount of goodwill based on fair value less any costs that would be incurred should the company sell a cash generating unit to which goodwill would be apportioned from the operating segment. Key assumptions used by management to determine the fair value of the goodwill include industry earnings multiples and earnings multiples from previous company acquisitions.
10. Long term loans and advances includes an amount of Rs. 14,55,000 which is pending settlement and collections.
11. Previous year figures have been regrouped wherever necessary.

Signatories to schedules 1 to 24
For and on behalf of Board of Directors

Vide our report of even date
For Mahesh Virender & Sriram
Chartered Accountants
Registration Number – 0019395

Sd/-
Niranjana Chintam
Director

Sd/-
Krishna Chintam
Managing Director

Sd/-
(B R Mahesh)
Partner
M.No. 18628

Date: 29.08.2013
Place: Hyderabad

KELLTON TECH SOLUTIONS LIMITED



CASH FLOW STATEMENT FOR THE YEAR ENDED 30-06-2013

	Particulars	Rs. 30 June 2013	Rs. 30 June 2012
a.	Cash flow from operating activities		
	Net Loss/Profit before tax	30,341,354	24,838,762
	Depreciation	4,420,050	3,237,352
	Interest & Finance Charges	6,000,390	2,413,313
	Sundry Accounts Written Back	-1,236	-71,253
	Operating profit before working capital changes	40,760,559	30,418,173
	Adjustment for (increase)/decrease in operating assets		
	Trade & other Receivables	-10,274,521	-7,752,776
	Short-Term Loans and Advances	-23,955,950	-14,080,396
	Other Current Assets		8,482,882
	Long Term Loans and Advances	-8,578,010	-4,666,901
	Other Non-Current Assets	-1,072,594	
	Adjustment for increase/(decrease) in operating liabilities		
	Other Current Liabilities	-1,942,729	1,360,780
	Short Term Borrowing	31,822,600	14,165,514
	Short Term Provisions	11,311,951	13,119,110
	Trade Payables	-853,201	2,800,723
	Other Long-Term Liabilities	18,505,421	-43,710,504
	Cash generated from operations	55,723,526	136,605
	Interest & finance charges paid	-6,000,390	-2,413,313
	Extra ordinary items	1,236	71,253
	Taxes Paid	-4,239,590	
	Net cash from operating activity	45,484,782	-2,205,454
b.	Cash flow from investing activity		
	Purchase of fixed assets	-13,737,193	-6,799,115
	Long Term Investments	-40,579,293	
	Net cash used in investing activities	-54,316,486	-6,799,115
c.	Cash flow from financing activities		
	Proceeds of long term borrowings	11,156,147	1,675,110
	Repayment of share application money		-461,540
	Net cash accrued in Financing activities	11,156,147	1,213,570
	Net increase in cash and cash equivalent	2,324,443	-7,790,999
	Cash & Cash equivalent as at 1 day	2,812,519	10,603,518
	Cash & cash equivalent as at last day	5,136,962	2,812,519

For and on behalf of Board of Directors

As per our report of even date
For Mahesh, Virender & Sriram
Firm's Reg No. 0019395
Chartered Accountants

Sd/-
Niranjan Chintam
Director

Sd/-
Krishna Chintam
Managing Director

Sd/-
(B R Mahesh)
Partner
M.No. 18628

Place: Hyderabad
Date: 29.08.2013



REPORT OF INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENT

Kellton Tech Solutions Limited
(formerly VMF Soft Tech Limited)
Plot No. 1367, Road No 45,
Jubilee Hills
Hyderabad - 500033,
Andhra Pradesh

Report on the Financial Statements

1. We have audited the attached Consolidated Financial statements of M/s Kellton Tech Solutions Limited, Formerly VMF Soft Tech Limited (and Reduced) it's subsidiary as at 30th June, 2013 and the statement of Consolidated profit and loss and the Consolidated Cash Flow Statement of the Group for the year ended on that date. In which are incorporated the financials for nine months, of the amalgamating company, which were audited by other auditors. The Consolidated Financial statements include investments in associates accounted on the equity method in accordance with accounting standard-23 (Accounting for investment in Associates in Consolidated Financial Statements) and as notified under the Companies (Accounting Standards) Rules, 2006. These Financial Statements are the responsibility of the Company's Management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion
3. (a) As stated in Notes to financials, the financial statements of the foreign subsidiary have been considered in preparation of consolidated financial statements, based on the unaudited financial statements of the subsidiary.

(b) We report that the consolidated Financial Statements have been prepared by the company in accordance with the requirements of Accounting Standard-21 (Consolidated Financial statements), as notified under the Companies (Accounting Standards) Rules, 2006.
4. Based on our audit and to the best of our information and according to the explanations given to us, subject to paragraph 3 (a) above, in our opinion, the consolidated financial statements read together with the Significant Accounting Policies and other notes to financials thereon give the information required by the Companies Act, 1956, in the manner so required, and present a true and fair view, in conformity with the accounting principles generally accepted in India:
 - (a) In the case of consolidated Balance Sheet, of the state of affairs of the Company as at 30th June, 2013;
 - (b) In the case of consolidated profit and loss account of the Profit for the year ended on that date. And
 - (c) In the case of consolidated cash flow statement, of the cash flows for the year ended on that date

For Mahesh, Virender & Sriram
Chartered Accountants
Registration Number - 0019395

(B R Mahesh)
Partner
Membership No - 018628
Place: Hyderabad
Date: 29.08.2013

KELLTON TECH SOLUTIONS LIMITED



Consolidated Balance Sheet as at 30th June 2013

PARTICULARS	Note No	Rs. As at 30th June 2013	Rs. As at 30th June 2012
I.EQUITY AND LIABILITIES			
(1)Shareholder's Funds			
(A)Share Capital	2	177,445,500	177,445,500
(B)Reserves And Surplus	3	93,694,410	49,559,402
(C)Money Rec. Agst. Share Warrants		-	-
(2)Share app money pending almt.			
(3)Non-Current Liabilities			
(A)Long Term Borrowings	4	16,218,491	1,675,110
(B)Deferred Tax Liabilities (Net)	5	3,213,276	1,700,152
(C)Other Long-Term Liabilities	6	66,020,591	32,869,787
(3)Current liabilities			
(A)Short Term Borrowing	7	45,988,114	14,165,514
(B)Trade Payables	8	7,362,216	7,067,756
(C)Other Current Liabilities	9	2,189,384	3,141,230
(D)Short Term Provisions	10	15,901,088	3,813,851
Total:		428,033,069	291,438,303
II. Assets			
(1) Non-current assets			
(A) Fixed Assets	11		
(i) Tangible Assets		29,809,139	10,101,181
(ii) Intangible Assets		188,206,324	153,709,368
(iii) Capital work-in-progress			
(iv) Intangible assets under development			
(B) Non-Current Investments	12	18,149,552	18,149,552
(C) Deferred Tax Assets (Net)		Nil	Nil
(D) Long-Term Loans And Advances	13	15,432,586	6,337,859
(E) Other Non-Current Assets	14	1,433,570	360,976
(2) Current assets			
(A) Current investments			
(B) Inventories			
(C) Trade receivables	15	130,084,359	85,361,113
(D) Cash and cash equivalents	16	9,486,417	5,283,747
(E) Short-term loans and advances	17	35,431,121	12,134,506
Total:		428,033,069	291,438,303

Accounting Policies 1
Notes to Financial form part of accounts 1 to 24
For and on behalf of Board of Directors

Sd/-
Niranjan Chintam
Director

Place: Hyderabad
Date: 29.08.2013

Sd/-
Krishna Chintam
Managing Director

As per our report of even date
For **Mahesh, Virender & Sriram**
Chartered Accountants
Firm's Registration No. 0019395

Sd/-
(B R Mahesh)
Partner
M.No. 18628

KELLTON TECH SOLUTIONS LIMITED



CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED

PARTICULARS	Note No	for year ended 30th	for year ended 30th
		June 2013	June 2012
		Rs.	Rs.
INCOME			
Revenue From Operations	18	486,132,937	390,605,817
Other Income	19	5,362,724	2,179,411
TOTAL REVENUE		491,495,661	392,785,228
EXPENSES:			
Cost of materials consumed		Nil	Nil
Purchase of Stock-in-Trade		Nil	Nil
Changes in inventories of finished goods		Nil	Nil
Employee benefit expense	20	332,712,360	255,643,233
Financial costs	21	9,610,065	2,837,498
Depreciation and amortization exp.	22	10,668,355	8,861,514
Other expenses	23	93,644,544	93,722,810
TOTAL EXPENSES		446,635,325	361,065,055
Profit / Loss before taxes		44,860,336	31,720,173
Tax expense:			
(1) Current tax		5,795,912	3,052,953
(2) Deferred tax		-1,765,918	725,687
Profit/(Loss) For the period		37,298,506	29,392,908
Earning per equity share:			
(1) Basic		1.05	0.83
(2) Diluted		1.05	0.83

Accounting Policies
Notes to Financial form part of accounts 1 to 24
For and on behalf of Board of Directors

1

As per our report of even date
For Mahesh, Virender & Sriram
Firm's Registration No. 0019395
Chartered Accountants

Sd/-
Niranjan Chintam
Director

Sd/-
Krishna Chintam
Managing Director

Sd/-
(B R Mahesh)
Partner
M.No. 18628

Place: Hyderabad
Date: 29.08.2013



30-June-2013

Note No. 1 Accounting policies

1) Basis of accounting:

- i) The financial statements are prepared under the historical cost convention and in accordance with the applicable accounting standards issued by the institute of chartered accountants of India and requirements of the Companies Act 1956 and on a going concern concept.
- ii) The company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis.

2) Revenue Recognition:

- i) Revenue from software is recognized on billing to clients.

3) Fixed Assets:

- i) The tangible fixed assets are stated at cost of acquisition and subsequent improvements thereto including taxes. Duties, freight and other incidental expenses related to acquisition and installation.
- ii) The Intangible assets are recognized when it is probable that the future economic benefit that are attributable to the assets will flow to the enterprise and the cost of the assets can be measured reliably.

4) Depreciation:

Depreciation on fixed assets [Tangible and Intangible assets] is provided on Straight line method on pro –rata basis at the rates prescribed in schedule XIV of the Companies Act, 1956 as amended from time to time, including the fixed assets merged.

5) Impairment of Assets:

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors.

6) Borrowing cost:

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessary takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

7) Inventories:

Inventories are valued at lower of the cost or net realizable value whichever is lower.

8) Preliminary expenditure

To write off preliminary expenses in ten equal yearly installments.

9) Investments:

- i) Long term and unquoted current investments are stated at cost and quoted current investments at lower of cost or market value. Provision for diminution in value of long-term investments is made only if such a decline is other than temporary in the opinion of the management.



10) Taxes on Income

- i) Current tax is determined on the amount of tax payable in respect of taxable income for the year.
- ii) To provide and recognize deferred tax on timing difference between taxable income and accounting income subject to prudent practices.

11) Segment reporting:

- i) To disclose the revenue and expenses by way of business segments, geographical segments and customer segments.

12) Related parties Transactions:

- i) Related party transactions including purchases, services, fund and non fund based agreements are disclosed separately.

13) Employees' Retirement Benefits:

- i) Retirement benefits are provided in accounts on a rational method where in accrued liability for retirement benefits payable to all employees at the end of the year are reflected.

Notes to Financial Statements

Note No : 2

(A) Share Capital	As at 30th June 2012		As at 30th June 2011	
	Number	INR	Number	INR
(a) Authorised				
Equity Shares of Rs.5 Each	47,000,000	235,000,000	47,000,000	235,000,000
Previous Year Rs.5 Each				
(b) Issued Subscribed & Paid Up				
Opening Balance	35,489,100	177,445,500	35,489,100	177,445,500
Additions during the year	Nil	Nil	Nil	Nil
Total	35,489,100	177,445,500	35,489,100	177,445,500

C) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period

Particulars	Number	Amount (Rs.)
Shares outstanding at the beginning of the year	35,489,100	177,445,500
Shares issued during the year	Nil	Nil
Shares bought back during the year	Nil	Nil
Shares outstanding at the end of the year	35,489,100	177,445,500



(d) Terms/rights attached to equity shares, including restrictions on distribution of dividends and the repayment of capital.

(1) Equity shares issued by the company are Equity Shares within the meaning of Section 85(2) of the Companies Act, 1956.

(2) Each holder of equity share is entitled to one vote per share.

(3) In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts.

(4) The distribution will be in proportion to the number of equity shares held by the shareholders.

(e) Shares in the Company held by each share holder holding more than 5 percent shares specifying the number of shares held by the shareholders. (after considering the scheme of amalgamation)

Name of Share Holder	As at 30th June 2013		As at 30th June 2012	
	No of Shares Held	% of holding	No of Shares Held	% of holding
Matric Finvest Private Limited	16,585,950	46.74%	Nil	Nil
Kelton Wealth Management Pvt Ltd	3,000,000	8.45%	Nil	Nil
Venkat Homes Private Limited	500,000	1.41%	500,000	5.41%
Bhavani Sana Reddy	1,881,046	5.30%	Nil	Nil

Note No.	Notes to Financials	(Amount in INR) 30 June 2013	(Amount in INR) 30 June 2012
3	RESERVE & SURPLUS:		
a)	General Reserve		
	Opening Balance	10,373,580	240,000
	Current year transfer		
	Warrants Forfeited written back in the current year		3,450,000
	Reserve of amalgamating Company		6,683,580
	Closing Balance	10,373,580	10,373,580
b)	Capital Subsidy		
	Opening Balance	567,350	567,350
	Closing Balance	567,350	567,350
c)	Surplus		
	Opening Balance	18,890,632	(59,168,541)
	Translation exchange difference	688,903	Nil
	Net Profit / Loss for the current year	37,298,506	29,392,908
	Income Tax Adjustments		(5,89,647)
	Reserves of amalgamating Company		3,060,413
	Reduction in share capital (As per the scheme of Arrangement)		46,195,500
	Closing Balance	56,878,042	18,890,632



	Foreign Exchange Currency Translation	963,985	1,153,638
	Closing Balance	963,985	1,153,638
	Capital Reserve	24,911,454	18,574,201
	Closing Balance	24,911,454	18,574,201
	Grand Total of Reserve & Surplus	93,694,410	49,559,402

Notes to Financial Statements as at Non-Current Liabilities

Note No.	Notes to Financials	30 June 2013 Rs.	30 June 2012 Rs.
4	Long Term Borrowing Secured		
	Term Loan - Vehicle		
	From Diamler Financial Services Pvt Ltd (repayable in 36 equated installment out of which 18 are paid)	2,061,515	1,675,110
	ICICI Bank Ltd (repayable in 36 equated installments out of which 6 are paid)	1,075,635	-
	Suntrust IN (repayable in 60 equated installments out of which 10 are paid)	3,387,233	-
	Term Loan Axis	9,69,4107	-
	Secured by exclusive charge on the entire current asstes with collateral of movable fixed asstes and extention of EM on premises of Director		
	Total	16,218,491	1,675,110
5	Deferred tax Liabilities (Net)		
	Opening Balance	1,447,358	2,425,839
	Current year transfer		
	Written back in current year	1,765,918	(725,687)
	Closing Balance	3,213,276	1,700,152
6	Other Long Term Liabilities		
	Others	66,020,591	32,869,787
	Total	66,020,591	32,869,787
	Current Liabilities		
7	Short Term Borrowings		
	secured Loans From Banks		
	Working capital loan - Axis (Secured by exclusive charge on the entire current asstes with collateral of movable fixed asstes and extention of EM on premises of Director)	45,988,114	14,165,514
	Total	45,988,114	14,165,514
8	TRADE PAYABLES		
	Sundry Creditors		
	There are no amounts due to Micro, Small and Medium Enterprises under Section 22 of Micro, Small & Medium Enterprises Development Act 2006(MSMED Act)	7,362,216	7,067,756
	Total	7,362,216	7,067,756



Note No.	Notes to Financials	30-Jun-13	30-Jun-12
		Rs.	Rs.
9	Other Current Liabilities		
	Advances Received	271,100	629,836
	Others (staff reimbursements)	833,408	1,404,000
	TDS Payable	824,340	920,056
	Professional Tax Payable	5,080	1,850
	Provident Fund Payable	253,698	185,488
	ESI Payable	1,759	
	Total	2,189,384	3,141,230
10	Short-term provisions		
	(a) Provisions for Employees benefits	12,984,242	1,995,386
	(b) Outstanding Expenses	1,888,918	590,447
	(c) Audit fee payable	130,000	146,534
	(d) Provision for Taxation	897,928	1,081,484
	Total	15,901,088	3,813,851



(Amount in INR)

30-June-2013

Notes to Financial Statements

Note No - 11 Fixed Assets

S. No.	Description of Asset	Gross block				Depreciation				Net Block				
		As At 30-Jun-2011	Additions during the year	Add Subsidiary (acquired during the year)	Deletions during the year	Translation exchange difference	As at 30-Jun-2013	Up to 30-Jun-2011	Up to 30-Jun-2013	On Deletions	Translation exchange difference	Up to 30-Jun-2013	As at 30-Jun-2013	As at 30-Jun-2011
1	Tangible Assets													
	Plant & Machinery	405,932	44,882	808,827	41,850		1,259,641	219,013	250,426	60,608	1,44,514	385,533	874,108	186,919
	[a] Equipment	1,140,133	8,248,280			9,346,563	440,232			85,191		513,084	8,833,479	699,901
	[b] Electrical Equipment	501,608	422,963	834,317	376,450	1,758,888	183,211	222,446	78,963	138,925	104,051	345,695	1,413,193	318,397
	[c] Communication Equipment	499,972	11,350	376,450	137,700	511,322	265,947	159,152	40,653	71,512	17,795,571	290,189	221,133	234,025
	[d] Air Conditioners	10,736,929	1,375,260	7,308,732		19,269,770	6,451,782	4,754,078	3,042,373	80,056	146,299	12,275,914	6,993,857	4,285,147
2	Computers	354,044	1,838,824	751,678		2,932,005	256,479	282,949				460,644	2,471,361	97,565
3	Furniture & Fixtures													
4	Vehicles	6,400				6,400	5,097		247			5,344	1,056	1,303
	[a] Scooter & Cycles	4,456,550	5,731,739			10,188,289	178,628		1,057,418			1,236,046	8,952,243	4,277,922
	[b] Car		58,996			58,996			2,226			2,226	56,770	
	[c] Bike													
	Total Tangible Assets	18,101,568	17,732,294	10,080,004	556,000	45,331,874	8,000,389	5,669,051	4,447,734		2,296,821	15,514,674	29,817,199	10,101,179
	Intangible Assets													
	Soft Ware	72,923,337	17,523,720	726,622		92,386,299	15,463,968	271,689	6,061,331		214,614	19,311,846	73,054,453	57,459,369
	Good Will	96,250,000	18,893,811			115,143,811							115,143,811	96,250,000
	Total Intangible Assets	169,173,337	36,417,531	726,622		207,510,111	15,463,968	271,689	6,061,331		214,614	19,311,846	188,198,264	153,709,369
	Previous years figures	12,906,562	109,557,782	64,810,561		187,274,905	6,895,532		1,958,416			23,464,357	163,810,548	6,011,030



Note No - 12 NON-CURRENT INVESTMENTS
Investments in Equity Instruments

S.L No.	Name of the Body Corporate	Subsidiary / Associate / JV / Controlled entity /Others	No. of Shares/Units		Quoted /Un quoted	Partly paid/ Fully paid	Extent of Holding (%)		Amount		Whether stated at Cost Yes/No	If Answer to column (9) is 'No' Basics of Valuation
			30-06-13	30-06-12			30-06-13	30-06-12	30-06-13	30-06-12		
1	IGLILY INC	Other	36,000	36,000	Unquoted	Fully Paid	18.00%	18.00%	18,149,552	18,149,552	Yes	
	Total								18,149,552	18,149,552		



Notes to and Financial Statements as at

Note No.	Notes to Financials	30-Jun-13	30-Jun-12
		Rs.	Rs.
	Non-current assets		
13	Long term loans and advances		
	[Unsecured and considered good]		
	Deposits	7,426,586	4,882,859
	Others	1,455,000	1,455,000
	Contribution in nagasuri	6,551,000	
	Total	15,432,586	6,337,859
14	Other non-current assets		
	Misc Expenditure to the extent not written off or adjusted		
	Opening Balance	360,976	421,139
	Add: Addition during the year	1,231,880	
	Less written off for the year	159,286	60,163
	Closing Balance	1,433,570	360,976
	Current assets		
15	Trade receivables		
	[Unsecured & Considered Good]		
	Outstanding For more than Six Months	-	13,201,936
	Others	130,084,359	72,159,177
	Total	130,084,359	85,361,113
16	Cash and cash equivalents		
	Cash on hand	4,163,715	19,919
	Bank Balance	2,549,706	5,202,078
	Fixed Deposits	2,772,996	61,750
	Total	9,486,417	5,283,747
17	Short-term loans and advances		
	[Unsecured and considered good]		
	Staff Advance	1,643,152	533,676
	MAT Entitlement	3,200,454	3,156,715
	Other Advances	28,512,920	7,193,355
	Prepaid Expenses	1,510,941	869,253
	Interest Accrued on Fixed Deposit	66,610	4,446
	Service Tax Input	497,044	377,061
	Total	35,431,121	12,134,506



Notes to Financial Statements for the period Ended

Note No.	Notes to Financials	30-Jun-13	30-Jun-12
		Rs.	Rs.
18	Revenue from Operations		
	Software Sevices-Export	432,051,551	351,445,661
	Software Sevices-Domestic	53,445,584	38,638,108
	Other Operating Income	635,802	522,048
	Total	486,132,937	390,605,817
19	Other Income		
	Interest received	67,628	89,664
	Chit Dividend received	1,532,500	
	Interest received - Income Tax Refund	162,776	392,684
	Exchange fluctuations	-	-
	Other Income	2,533,133	-
	Profit on sale of Asstes	13,526	-
	Sundry Accounts Written Back	1,053,160	1,697,063
	Total	5,362,724	2,179,411
20	Employees Benefit Expenses		
	Salaries	312,745,218	239,305,322
	Bonus	2,847,471	13,607,813
	Provident Fund	1,461,281	1,227,483
	Employer Contribution To Labour Welfare Fund	23,476	
	Employer Contribution To ESI	60,044	
	Staff welfare Exps	15,574,869	1,502,615
	Total	332,712,360	255,643,233
21	Financial Cost		
	Bank Charges	494,308	783,371
	Transaction Fee	2,604,738	
	Interest - Vehicle Loan	384,065	143,057
	Interest - Working Capital Loan	3,315,888	1,856,463
	Interest and charges on other Loans	2,635,682	-
	Interest - Taxes Late Payment	175,385	54,607
	Total	9,610,065	2,837,498



Notes to Financial Statements for the period Ended

22	Depreciation & Amortisation Expense		
	Deprecitation	10,509,069	8,801,351
	Miscellaneous Exp w/off	159,286	60,163
	Total	10,668,355	8,861,514

Note No.	Notes to Financials	30-Jun-12	30-Jun-11
		Rs.	Rs.
23	Other Expenses		
	Professional Fee	26,790,056	27,936,449
	Rent	20,454,446	12,664,878
	Travelling and conveyance	8,812,886	7,830,122
	Sundry Debtors written off	-	4,977,494
	Job Work Charges	14,308,163	1,76,84,109
	Communication Expenses	2,355,800	20,44,555
	Office Maintenance	5,488,724	1,11,95,949
	Generator running expenses	1,147,528	4,73,501
	Electricity	3,288,582	10,54,365
	Housekeeping expenses	263,189	1,17,172
	Broadband charges	508,683	426,888
	Internet and webhosting	1,252,167	555,471
	Printing & Stationary	552,998	924,106
	Advertisement Exps	404,653	313,483
	AGM & EGM Expenses	53,353	111,814
	Income Tax	18,917	Nil
	Repairs & Maintenance	3,750,927	2,947,472
	Business Promotion Expenses	2,625,388	1,267,583
	Rates & Taxes	709,384	661,054
	Exchange fluctuations	287,806	271,624
	Donations	48,678	33,750
	Subscription fees	158,308	125,971
	Audit Fee		
	(a) Statutory Audit Fee	60,000	60,000
	(b) Income tax representation fee	30,000	30,000
	Accounting Services	30,000	15,000
	Loss on Sale of Asset	243,909	-
	Total	93,644,544	93,722,810

24 Notes to Consolidated financial statement for the year ended 30-06-2013.

1) Change in name of the company:- Consequent to the approval of scheme of arrangement and amalgamation, the name of the company has been changed to Kellton Tech Solution Limited. The Registrar of the Companies, Andhra Pradesh has issued a fresh certificate of incorporation under the new name i.e., Kellton Tech Solutions Limited on 12th Nov 2012.

2. Contingencies

l) All major events occurring after the date of financial statements, which impair the financials are duly provided.

1. Contingent liabilities	30-06-2013 Rs. Lakhs	30-06-2012 Rs.Lakhs
(a) Claims against the company not acknowledged as debts	NIL	NIL
(b) Uncalled liability on shares partly paid	NIL	NIL
(c) Arrears of fixed cumulative dividend	NIL	NIL
(d) Estimated amount of contracts remaining to be paid on capital account not provided for	NIL	NIL
(e) Other money for which the company is contingently liable	NIL	NIL

2. Directors remuneration	30-06-2013 Rs. Lakhs	30-06-2012 Rs.Lakhs
(a) Paid during the year	30.00	NIL
Total	30.00	NIL
(b) Computation of net profit under section 309 [5] of the companies act, 1956	NA	NA

3. Particulars of employees	30-06-2013 Rs. Lakhs	30-06- 2012 Rs.Lakhs
Particulars of employees in accordance with section 217 (2A) of the companies Act, 1956	NIL	NIL

3. Additional information:

Quantitative details are not applicable since it is a software development company.

Software sales	30-06-2013 Rs. Lakhs	30-06- 2012 Rs.Lakhs
Export	Rs. 4320.52	Rs. 3514.45
Local	Rs. 434.46	Rs. 386.38
Total	Rs. 4754.97	Rs. 3900.83



	30-06-2013 Amount in Foreign Currency	30-06-2013 Amount in INR	30-06-2012 Amount in Foreign Currency	30-06-2012 Amount in INR
(e) Value of imports during the year	Nil	Nil	Nil	Nil
(f) Expenditure in foreign currencies	USD 50,60,035 Euro 1184 AED 14,133 SGD 2105	27,57,23,971 81,882 2,15,063 1,00,985	USD 50,04,743	25,10,31,047
(g) Earnings in foreign currencies	USD 72,34,225 HKD 5,50,435 GBP 74,544 AED 62,202 SGD 9000	35,12,11,223 37,61,078 63,04,790 14,14,411 4,20,660	USD 70,73,067 GBP 25,895 AED 11,990	35,55,17,668 20,30,560 6,54,654

4. Related Party Transactions as per AS 18

Transactions with related parties in the ordinary course of business

	30-06-2013	30-06-2012
Loans received	1) Kellton Financial Services Pvt. Ltd – Rs. 1,02,00,000 2) Niranjana Chintam - Rs. 14,16,061 3) Krishna Chintam - Rs. 6,47,869 4) Avid Software Solutions Pvt. Ltd. - Rs. 1,31,66,500	Nil 1) Niranjana Chintam - Rs. 12,91,061 2) Krishna Chintam - Rs. 80,50,00

3. Confirmation of balances from parties as at the end of the year has not been received. The adjustments, if any, shall be made as an ongoing process. Current assets and Current liabilities are subject to confirmation and adjustments, if any.

4. Employees' retirement benefits have not been provided pending actuarial valuation. The retirement benefits are accounted on cash basis

5. In the opinion of the management the followings investments are good and recoverable in view of the future road map of the companies.

IGLILY INC

Rs. 1,81,49,552

6. Long term loans and advances includes an amount of Rs 14,55,000 is pending settlement and collections.

7. The account contain consolidation of the following subsidiary company :-

MCS GLOBAL INC-(USA)
KELLTON DBYDX SOFTWARE PVT LTD (India)



8. Principles of consolidations:-

The financial statements of the subsidiary companies used in the consolidation are drawn up to the same reporting date as of the company.

The consolidated financial statements have been prepared on the following basis:-

- (i) The financial statement of the company and its subsidiary companies have been combined on a line by line basis by adding together like items of assets, liabilities, income and expenses. Intercompany balances and transactions and unrealized profits or losses have been fully eliminated.
- (ii) The excess of the cost to the parent of its investment in a subsidiary over the parent's portion of equity, is recognized as Goodwill (on consolidation) . when the cost to the parent of its investment in the subsidiary is less than the parent's portion of equity, then the difference is treated as Capital Reserve (on Consolidation) in the consolidated financial statements.

9. Translation of Non-Integral Foreign Operations

Financial statements of non-integral foreign operations are translated as under:

- (i) Assets and Liabilities both monetary and non monetary are translated at the rate prevailing at the end of the year.
- (ii) Income and expense items are translated at exchange rates at the average rate. Exchange differences arising on translation of non integral foreign operations are accumulated in the foreign currency translation reserves until the disposal of such operations.

10. Goodwill is subject to impairment testing on an annual basis. However, if indicators of impairment are present, the company will review goodwill for impairment when such indicators arise. The company performs an annual review and no impairment was recorded. In performing the review, the company determines the recoverable amount of goodwill based on fair value less any costs that would be incurred should the company sell cash generating unit to which goodwill would be apportioned from the operating segment. Key assumptions used by management to determine the fair value of the goodwill include industry earnings multiples and earnings multiples from previous company acquisitions.

11. In view of consolidation of the new subsidiary company M/s Kellton Dbydx Software Private Limited (formerly Skan Dbydx Software Pvt Ltd) during the year, the figures of current year are not comparable with those of previous year.

12. Previous year figures have been regrouped wherever necessary.

Signatories to schedules 1 to 24
For and on behalf of Board of Directors

As per our report of even date
For **Mahesh, Virender & Sriram**
Firm's Reg No. 0019395
Chartered Accountants

Sd/-
Niranjan Chintam
Director

Sd/-
Krishna Chintam
Managing Director

Sd/-
(B R Mahesh)
Partner
Membership No - 18628

Place: Hyderabad
Date: 29.08.2013

KELLTON TECH SOLUTIONS LIMITED



CASH FLOW STATEMENT FOR THE YEAR ENDED 30 June 2013

	Particulars	Rs. 30 June 2013	Rs. 30 June 2012
a.	Cash flow from operating activities		
	Net Loss/Profit before tax	44,860,336	24,838,762
	Depreciation	10,509,069	8,861,514
	Interest & Finance Charges	9,610,065	2,837,498
	Miscellaneous Expenditure Written off	-	-
	Sundry Accounts Written Back	(1,053,160)	(1,697,063)
	Operating profit before working capital changes	63,926,311	41,722,122
	Adjustment for increase/(decrease) in operating Assets		
	Trade & other Receivables	(44,723,246)	(702,000)
	Short-Term Loans and Advances	(23,296,615)	(20,107,284)
	Other Current Assets	-	9,514,223
	Long Term Loans and Advances	(9,094,727)	(5,031,591)
	Other Non-Current Assets	(1,072,594)	
	Adjustment for increase/(decrease) in operating liabilities		
	Other Current Liabilities	(951,846)	(13,455,864)
	Short Term Borrowing	31,822,600	13,799,453
	Short Term Provisions	12,087,236	15,304,389
	Trade Payables	294,459	7,067,756
	Other Long-Term Liabilities	33,150,804	(43,344,443)
	Translation Exchange Difference	688,903	
	Foreign Exchange Currency Translation	(189,654)	
	Capital Reserve	6,337,253	
	Differed Tax Liability	(252,794)	
	Cash generated from operations	68,726,090	4,766,761
	Interest & finance charges paid	(9,610,065)	(2,837,498)
	Extra ordinary items	1,053,160	1,697,063
	Taxes Paid	(5,795,912)	
	Net cash from operating activity	54,373,273	3,626,326
b.	Cash flow from investing activity		
	Purchase of fixed assets	(64,713,983)	(22,405,103)
	Net cash used in investing activities	(64,713,983)	(22,405,103)
c.	Cash flow from financing activities		
	Proceeds of long term borrowings	14,543,380	1,675,110
	Repayment of share application money		(461,540)
	Net cash accrued in Financing activities	14,543,380	1,213,570
	Net increase in cash and cash equivalent	4,202,668	(17,565,207)
	Cash & Cash equivalent as at 1 day	5,283,749	12,281,458
	Cash & cash equivalent as at last day	9,486,416	5,283,749

For and on behalf of Board of Directors

As per our report of even date
For Mahesh Virender & Sriram
Firms' Registration No: 0019395
Chartered Accountants

Sd/-
Niranjan Chintam
Chairman

Sd/-
Krishna Chintam
Managing Director

Sd/-
(B R Mahesh)
Partner
M.No. 18628

KELLTON TECH SOLUTIONS LIMITED



KELLTON TECH SOLUTIONS LIMITED

Regd. Office: PLOT NO 1367, ROAD NO- 45, JUBILEE HILLS, HYDERABAD- 500 033,
ANDHRA PRADESH

PROXY FORM

19th Annual General Meeting – 27th December, 2013

Folio No/DP and Client ID

--	--	--	--	--	--	--

I / We being Member(s) of Kellton Tech Solutions Limited hereby appoint of or failing him / her of in the district of as my / our proxy to vote for me / us on my / our behalf at the **19th Annual General Meeting** of the Company to be held at **11.00 A.M** on Friday, **27th December, 2013** at Hotel Kens, Plot No 53, Sri Nagar Colony, Hyderabad – 500073, Andhra Pradesh and at any adjournment thereof.

No. of Shares held

Please affix
Rs 1/-
Revenue Stamp

.....
(Signature of Member/s as per specimen signature on Company's record)

Note : Proxies in order to be valid must be duly filled in, stamped, signed and deposited at the Registered Office of the Company not less than 48 hours before the time of commencement of the Meeting. The Proxy need not be a member of the Company.



KELLTON TECH SOLUTIONS LIMITED

Regd.Office: PLOT NO 1367, ROAD NO- 45, JUBILEE HILLS, HYDERABAD- 500 033,
ANDHRA PRADESH

ATTENDANCE SLIP

19th Annual General Meeting – 27th December, 2013

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER
AT THE ENTRANCE OF THE MEETING HALL

Folio No/DP and Client ID

--	--	--	--	--	--	--	--

I Certify that I am member /Proxy for the member of the company

I hereby record my presence at the 19th Annual General Meeting of the Company held on **27th December, 2013 at 11.00 A.M** at Hotel Kens, Plot No.53, Srinagar Colony, Hyderabad 500073.

Regd Folio No.

--	--	--	--	--	--	--	--

No. of Shares held

--

(Signature of Member / Proxy)

.....
Note : Please fill in the attendance slip and hand it over at the entrance of the meeting Persons attending the Annual General Meeting are required to bring their copies of Annual Reports as the practice of distribution of copies of the Report at the meeting has been discontinued.

BOOK POST



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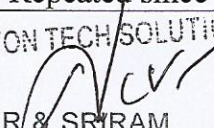
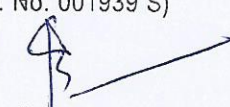
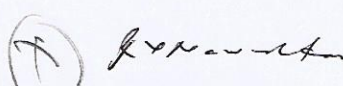
KELLTON TECH SOLUTIONS LTD

Plot No. 1367, Road No. 45, Jubilee Hills,
Hyderabad - 500033, A.P. India Ph: +91-40-44333000

Hyderabad | Gurgaon | New Jersey | Virginia

FORM A

Format of covering letter of the annual audit report to be filed with the stock exchanges

1	NAME OF THE COMPANY	KELLTON TECH SOLUTIONS LIMITED
2	Annual financial statements for the year ended	30 th June 2013
3	Type of Audit observation	<p>1) Notes No: - 24 (5) of notes to financials - regarding non - confirmation of balances from various parties.</p> <p>2) Notes No: - 24 (6) of notes to financials - regarding non - provision of proportionate liability on account of employee's retirement benefits, which have not been quantified.</p> <p>3) Notes No: - 24 (7) of notes to financials - regarding non - provision of loss if any, on account of unquoted investments' market value not ascertainable.</p>
4	Frequency of observation	Repeated since 3 Years
5	To be signed by <ul style="list-style-type: none"> • CEO/Managing Director • Auditor of the company • Audit Committee Chairman 	<p style="text-align: center;">For KELLTON TECH SOLUTIONS LIMITED</p> <p style="text-align: center;">  Director </p> <p style="text-align: center;"> For MAHESH, VIRENDER & SRIRAM Chartered Accountants (Reg. No. 001939 S) </p> <p style="text-align: center;">  B.R. MAHESH Partner M No. 18628 </p> <p style="text-align: center;">  </p>