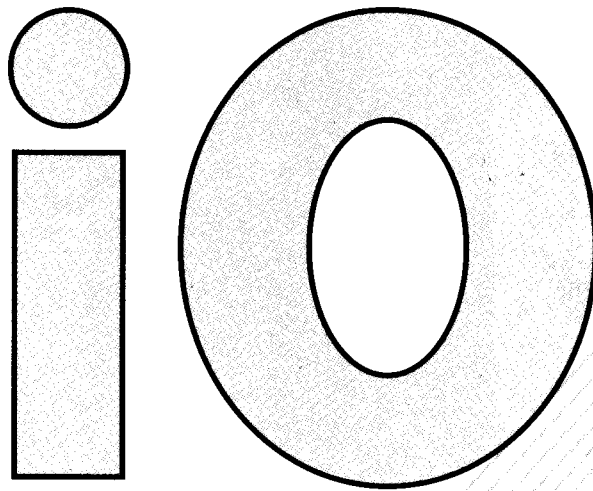


# IO SYSTEM LIMITED



Annual Report



## **BOARD OF DIRECTORS**

Mr. Arun Seth - *Chairman & Manager*

Mr. R.C. Agarwal

Mr. S.K. Gupta

## **COMPANY SECRETARY**

Ms. Mamta Chawla

## **AUDITORS**

M/s Gupta Garg & Agrawal

Chartered Accountants

G - 55, 2nd Floor, Laxmi Nagar,

Vikas Marg,

Delhi - 110092

Ph.No. : 011-22502455, 22515914

Fax No. : 011-22418599

## **SHARE TRANSFER AGENT**

MAS Services Ltd.

T-34, 2nd Floor

Okhla Industrial Area, Phase-II

New Delhi - 110020

Ph. No. : 011-26387281/82/83

Fax No. : 011-26387384

## **REGISTERED OFFICE**

E - 53, Sector - 3,

Noida (U.P.) - 201301

## **BANKERS**

ICICI Bank

State Bank of Patiala

Indusind Bank

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**IO SYSTEM LIMITED**

Regd. Office: - E -53, Sector - 3, Noida (U.P.) - 201301

**NOTICE**

**Notice is hereby given that the Twenty First Annual General Meeting of IO System Limited will be held on Wednesday, the 30<sup>th</sup> day of September 2009 at 10:00 A.M. at Club-26, Sector-26, Noida- 201 301, (U.P.) to transact the following business:**

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2009 and the Profit and Loss Account for the year ended on that date along with the Directors' Report and Auditors' Report thereon.
2. To consider and appoint Director in place of Mr. Ramesh Chandra Agarwal, who retires by rotation and, being eligible, offers himself for reappointment.
3. To consider and appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration. M/s Gupta Garg & Agrawal, Chartered Accountants, the retiring Auditors, being eligible, offer themselves for re-appointment.

**SPECIAL BUSINESS:**

4. **To Consider and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:**

"RESOLVED THAT pursuant to Section 198, 269 and 386 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and rules made thereunder, consent of the shareholders be and are hereby accorded for the re-appointment of Mr. Arun Seth, Chairman of the Company, as 'Manager' whose office as 'Manager' expired on 19<sup>th</sup> April 2009, for a further period of 3 years w.e.f. 20<sup>th</sup> April 2009, without any remuneration except reimbursement of all out of pocket expenses actually incurred by him in connection with his official duties."

**By Order of the Board  
For IO SYSTEM LIMITED**

**Noida  
July 22, 2009**

**(MAMTA CHAWLA)  
COMPANY SECRETARY**

**NOTES :**

1. Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 is annexed hereto.
2. ANY MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXY(S) TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY(S) NEED NOT BE A MEMBER OF THE COMPANY.
3. Proxy Form duly completed and signed should be lodged with the Company at least 48 hours before the commencement of the meeting.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from Friday, September 25, 2009 to Wednesday, September 30, 2009 (both days inclusive).
5. Members are requested to bring their copy of the Annual Report and Attendance Slip with them at the Annual General Meeting.
6. Members are requested to intimate directly to the Company's Registrar and Share Transfer Agent, MAS Services Ltd. - T-34, 2<sup>nd</sup> Floor, Okhla Industrial Area, Phase-II, New Delhi-110020, about changes, if any, in their address with pin code numbers.

7. Members are also requested to quote their ledger Folio No. in all their correspondence.
8. Details of Directors seeking appointment / re-appointment in forthcoming Annual General Meeting (in pursuance of Clause 49 IV (G) of the Listing Agreement).

<b>Name of Director</b>	Mr. Ramesh Chandra Agarwal
<b>Date of Birth</b>	02 <sup>nd</sup> February 1944
<b>Date of Appointment as Director</b>	27 <sup>th</sup> July 2005
<b>Qualification</b>	B.Com, LL.B., Chartered Accountant, Company Secretary, DISA (Information System Audit)
<b>Expertise in specific functional areas</b>	He is a Chartered Accountant, Company Secretary and a Law Graduate, and has a rich experience in the fields of Finance & Accounts, Taxation and Company Law matters and has worked in prestigious organizations.
<b>List of Companies in which outside Directorship held as on the date of notice</b>	ABR Finlease & Holdings Pvt. Ltd. Rajputana Fertilisers Ltd. Super Investment (India) Ltd.
<b>Chairman / Member of the Committees of the Board of the Companies on which he is a Director</b>	IO System Limited: Chairman - Audit Committee

#### **EXPLANATORY STATEMENTS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

In terms of Section 269 of the Companies Act, 1956, every public company having paid up capital of more than Rs. 5 Crores or more is required to have a Managing Director or Whole Time Director or Manager. Mr. Arun Seth, Chairman, was appointed as 'Manager' of the Company on 20<sup>th</sup> April 2003 for a period three years and further re-appointed on 20<sup>th</sup> April 2006 for a period of three years and his term of appointment as 'Manager' expires on 19<sup>th</sup> April 2009.

Hence the Board of Directors in their meeting held on 28<sup>th</sup> April 2009, has re-appointed Mr. Arun Seth, Chairman, as 'Manager' of the company w.e.f. 20<sup>th</sup> April 2009 for a further period of 3 years on no remuneration basis, except reimbursement of out of pocket expenses actually incurred by him in connection with his official duties, subject to shareholder's approval.

The Board recommends the passing of the resolution an Ordinary Resolution.

None of the Directors except Mr. Arun Seth be considered to be interested in passing of the said resolution.

#### **Details of Directors seeking Appointment / Reappointment in forthcoming Annual General Meeting (In pursuance of Clause 49 IV (G) of the Listing Agreement)**

<b>Name of Director</b>	Mr. Arun Seth
<b>Date of Birth</b>	24 <sup>th</sup> September 1953
<b>Date of Appointment as Director</b>	01 <sup>st</sup> October 2002
<b>Qualification</b>	B.A., Diploma in Marketing Management
<b>Expertise in specific functional areas</b>	Immense experience in the areas of Marketing, Electronics and Information Technology Sector.
<b>List of Companies in which outside Directorship held as on the date of notice</b>	First Choice Enterprises Pvt. Ltd.
<b>Chairman / Member of the Committees of the Board of the Companies on which he is a Director</b>	IO System Ltd. Investor Grievance / Share Transfer Committee - Member Audit Committee - Member

## DIRECTORS' REPORT

To,  
The Members  
IO System Limited

The Board of Directors of your Company have pleasure in placing before the Members the 21<sup>st</sup> Annual Report together with the audited Statement of Accounts of the Company for the financial year ended on March 31, 2009.

### FINANCIAL RESULTS

Particulars	(Rs. In Lacs)	
	Year ended March 31, 2009	Year ended March 31, 2008
Sales and other Income (Net of Excise Duty)	0.43	14.51
Profit / (Loss) before Depreciation & Interest	(18.66)	(14.24)
Less: Depreciation	1.40	1.93
Interest	14.96	11.57
Prior period Expenses written off	0.00	0.48
Profit / (Loss) for the year before Taxation	(35.03)	(28.22)
Profit / (Loss) for the year after Taxation	(35.08)	(28.26)
Balance brought forward from previous year	(1718.44)	(1690.18)
<b>Profit / (Loss) at the end of the year</b>	<b>(1753.52)</b>	<b>(1718.44)</b>

### OPERATING RESULTS

During the year under review, the total turnover (sales and other income) of the Company was Rs. 0.43 Lacs as against Rs. 14.51 lacs during the previous financial year and the Company recorded a net loss of Rs. 35.08 lacs as against a net loss of Rs. 28.26 lacs during the previous financial year. The Company was not carrying on any business during the year and has not commenced any new business activity.

### FIXED DEPOSITS

Your Company has not accepted any fixed deposit during the period under review within the meaning of Section 58-A of the Companies Act, 1956, read with the Companies (Acceptance of Deposits) Rules, 1975.

### DIRECTORS

None of the Directors has resigned during the relevant period.

Pursuant to Section 255 & 256 of the Companies Act, 1956, the term of Mr. Ramesh Chandra Agarwal as Director is going to expire at this Annual General Meeting due to retirement by rotation. Board recommends his re-appointment.

Pursuant to Section 269 of Companies Act, 1956, Mr. Arun Seth was re-appointed as Manager, whose term of appointment as Manager expires on 19<sup>th</sup> April 2009, w.e.f. 20<sup>th</sup> April 2009, subject to shareholder's approval in the forthcoming Annual General Meeting.

### SUBSIDIARY

On 12.05.2009, Bharat IT Services Limited has made an allotment of 27,50,000 equity shares to Spice Entertainment Limited. Accordingly shareholding of IO System Limited in Bharat IT Services Limited has been reduced to 21.21%.

Therefore w.e.f. 12.05.2009, Bharat IT Services Limited has ceased to be the subsidiary of IO System Limited.

The Accounts of Bharat IT Services for the year ended 31<sup>st</sup> March 2009 are attached, as required under Section 212 of the Companies Act, 1956.

### CONSOLIDATED FINANCIAL STATEMENTS

As required under Accounting Standards - 21 on Consolidated Financial Statements read with Accounting Standard - 23 on Accounting for Investments in Associates, the audited Consolidated Financial Statement of the Company are annexed and form an integral part of this Report.

**AUDITORS**

M/s Gupta Garg & Agarwal, Chartered Accountants, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Company has received notice from them stating that if appointed, their appointment will be within the limits laid down under Section 224(1B) of the Companies Act, 1956.

**AUDITORS' REPORT**

The observations made in the Auditors' Report and Notes on Accounts are self-explanatory and do not require any explanation from the Directors.

**LISTING AT STOCK EXCHANGE(s)**

The Company continues to be listed at Mumbai, Delhi and U.P. Stock Exchanges.

**CORPORATE GOVERNANCE & COMPLIANCE CERTIFICATE**

The Company is committed to follow the standards of good Corporate Governance. As required under Clause 49 of the Listing Agreement with the Stock Exchange(s), the Report on Management Discussion & Analysis, Corporate Governance as well as the Auditor's Certificate regarding Compliance of conditions of Corporate Governance forms part of this Annual Report.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts for the period ended on March 31, 2009, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the State of Affairs of the Company at the end of the period and of the Profit or Loss of the Company for the period under review.
- (iii) that 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;
- (iv) that the Directors have prepared the annual accounts for the period ended March 31, 2009 on a 'going concern' basis.

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

Information as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 in respect of energy conservation, technology absorption and foreign exchange earnings and outgo are given in Annexure - A and forms part of this Report.

**PERSONNEL**

There is no employee covered under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975.

**ACKNOWLEDGEMENT**

Your Directors wish to convey their appreciation to the Central Government, various State Governments and the Company's Banks for all the help and encouragement they extended to the Company. Your Directors would also like to acknowledge the continuous trust and confidence that the Customers and Shareholders have placed in this Company. Your Directors also place on record deep sense of appreciation for the services rendered by the officers and staff of the Company at all levels and for their dedication and loyalty.

**For and on Behalf of the Board of Directors  
For IO SYSTEM LIMITED**

**Place : Noida**

**Date : July 22, 2009**

**(ARUN SETH)  
CHAIRMAN**

**ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO****A. CONSERVATION OF ENERGY**

Since there is no manufacturing activity in the Company, therefore there is no scope for energy consumption and its conservation.

**B. TECHNOLOGY ABSORPTION**

The information that is required to be disclosed under Rule 2 of the aforesaid Rules, is given hereunder in Form B.

**FORM 'B'****FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION RESEARCH AND DEVELOPMENT (R & D)****1. Specific areas in which R & D was carried out by the Company.**

Nil

**2. Benefits derived as a result of the above R & D**

Nil

**3. Future Plan of Action**

Nil

**4. Expenditure on R & D**

**Rs.**

- Capital	:	Nil
- Recurring	:	Nil
- Total	:	Nil
- Total R & D Exp. as % of total Turnover	:	Nil

**TECHNOLOGY ABSORPTION, ADOPTATION AND INNOVATION****1. Efforts, in brief, made towards technology absorption, adaptation and innovation:**

NIL

**2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.:**

NIL

**3. Information relating to imported technology (imported during the last 5 years reckoned from the beginning of the financial year):**

NIL

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

NIL

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

### **Industry Structure and Developments: - Office Automation**

IO System Ltd. was a forerunner in the field of Office Automation, providing state of the art products from leading suppliers across the world. However, in the past couple of years, this business in India has been in a state of flux.

On one hand newer technologies are emerging and start ups are mushrooming in many parts of the country while on the other hand many technologies are being rendered obsolete and some companies are folding up or exiting the business.

We have therefore decided to adopt a wait and watch policy till technologies evolve fully and stability is assured.

### **Outlook/Projections for 2009-10:**

We shall introduce a slew of products from best of breed companies globally once the roadmap for various technologies competing currently becomes clear so that due investment of resources on a long term basis can be made.

### **Internal Control systems and their adequacy:**

During the period under review, Company has an internal control system in place and was periodically reviewed for effectiveness.

### **Financials:**

Financial performance has been given separately in the Directors' Report.

### **Material development in HR/IR front:**

Due to closure of manufacturing activity, most of the employees have left the company. The Company has settled the dues of most of the employees related to Gratuity and Provident Fund because the management believes that the employees are valuable assets.

The Company follows progressive, employee friendly policies, which are amongst the best in the industry.

### **Cautionary Statement**

Statements in the 'Management Discussion and Analysis Report' describing the Company's Objectives, projections, estimates, expectations or predictions may be forward-looking statement within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed in the statement. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand / supply and price conditions in domestics and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.

## REPORT ON CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY

The Company's philosophy on Corporate Governance is to practice transparency in operations and maintain a professional approach and accountability in dealing with its shareholders. The fundamental objective of Company's Corporate Governance is "to ensure efficient conduct of affairs of the Company and to help the Company to achieve its goal of maximizing value of its stakeholders". The Company shall comply with not only the statutory requirements, but also adhere to a set of strong corporate practices.

### 2. BOARD OF DIRECTORS

#### I. Composition of Board:

The Board consists of three Directors, of which one is Executive Director who is the Chairman & Manager of the Company and two are Non Executive Independent Directors. The Non Executive Independent Directors with their diverse knowledge, experience and expertise bring in their independent judgment to the deliberations and decisions of the Board. Apart from sitting fees (within limits prescribed under Companies Act, 1956) paid for attending Board/ Committee Meetings, the Non-Executive Directors do not have any material pecuniary relationship or transaction with the Company during the period 2008-2009.

#### II. Board Meetings, other Directorship and Attendance of Directors

A total of five (5) Board Meetings were held during the period 01<sup>st</sup> April 2008 to 31<sup>st</sup> March 2009 and the intervening period between the Board Meetings was well within the maximum time gap of four months as prescribed in Clause 49 of the Listing Agreement. The necessary information as per Annexure 'IA' of the Listing Agreement has been made available to the Board. The Board Meetings were held on following dates:

1. 17<sup>th</sup> April 2008
2. 30<sup>th</sup> July 2008
3. 02<sup>nd</sup> September 2008
4. 23<sup>rd</sup> October 2008
5. 28<sup>th</sup> January 2009

The composition of the Board and position held by Directors on the Board/Committee of other Public Limited Companies, as on 31<sup>st</sup> March 2009, and their attendance at Board Meeting and Annual General Meeting of the Company during the period under review is given below:

Name of Directors	Category	No. of Position held in other public companies			Attendance at Meetings during the period from 01 <sup>st</sup> April 2008 to 31 <sup>st</sup> March 2009	Attendance at last AGM
		Board	Committee**			
			Membership	Chairmanship		
Mr. Arun Seth	Executive	0	0	0	5	Yes
Mr. Ramesh Chandra Agarwal	Non Executive Independent	2	0	0	5	Yes
Mr. Satish Kumar Gupta	Non Executive Independent	1	0	0	5	Yes

\* \* Including membership in both Audit Committee and Investor Grievance Committee

### III. Remuneration of Directors

#### (i) Executive Director

Mr. Arun Seth is an Executive Director, Chairman and Manager of the Company. He has been reappointed as the Manager of the Company under Section 198, 269 & 386 read with Schedule XIII w.e.f. 20<sup>th</sup> April, 2009 for a period of 3 years on no remuneration basis, except reimbursement of all out-of-pocket expenses actually incurred by him in connection with his official duties.

**(ii) Non Executive Director**

During the period 2008-09, sitting fee as detailed below is paid to Non-Executive Director.

<b>Name of Director</b>	<b>Sitting Fees</b>
Mr. Ramesh Chandra Agarwal	37,500
Mr. Satish Kumar Gupta	37,500

There was no other pecuniary relationship or transactions of the Non-Executive Directors with the Company.

**3. COMMITTEES OF THE BOARD****Audit Committee**

The Audit Committee has been constituted as per Section 292A of the Companies Act, 1956 and as per the provisions of Clause 49 of the Listing Agreement. The Committee consists of the three Directors as its members out of which two third are Independent Directors. All members of the Committee are financially literate and two members Mr. S.K. Gupta and Mr. R.C. Agarwal, are having the requisite financial management expertise. The quorum for the meeting of the Committee is two members. The Chairman of Audit Committee is an Independent Director. The Company Secretary is the Secretary to the Committee.

The term of reference of the Audit Committee includes the matters specified under Clause 49(II) of the Listing Agreement. The Committee acts as a link between the Management, Statutory Auditors and the Board of Directors. The Audit Committee is responsible for effective supervision of the financial reporting process, ensuring financial and accounting controls and ensuring compliance with financial policies of the Company. The Committee reviews the financial statements with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements before they are submitted to the Board.

The Audit Committee met five (5) times during the period from 1<sup>st</sup> April 2008 to 31<sup>st</sup> March 2009 on the following dates:

1. 17<sup>th</sup> April 2008
2. 30<sup>th</sup> July 2008
3. 02<sup>nd</sup> September 2008
4. 23<sup>rd</sup> October 2008
5. 28<sup>th</sup> January 2009

The composition of Audit Committee as on 31<sup>st</sup> March 2009 and attendance at the meetings held during the period from 01<sup>st</sup> April 2008 to 31<sup>st</sup> March 2009 is as follows:

<b>Name of Director</b>	<b>Designation</b>	<b>Category</b>	<b>Attendance at the meetings held during the period from 01<sup>st</sup> April 2008 to 31<sup>st</sup> March 2009</b>
Mr. Ramesh Chandra Agarwal	Chairman	Non-Executive Independent	5
Mr. Satish Kumar Gupta	Member	Non-Executive Independent	5
Mr. Arun Seth	Member	Executive	5

Mr. Ramesh Chandra Agarwal, Chairman of the Audit Committee was present at the last Annual General Meeting of the Company which was held on 30<sup>th</sup> September 2008.

**Investors' Grievance/Share Transfer Committee**

The Committee formed by the Board of Directors to look into the Investors' Grievances and Share Transfer & related matters and holds its meetings regularly throughout the period. It also looks into redressing of shareholders'/investors' complaints like transfer of shares, non-receipt of dividends, non-receipt of balance sheet, etc. The Committee also oversees the performance of the Registrar and Transfer Agents and recommends measures for overall improvement of

the quality of investor services. The Board of Directors have delegated the power for approving transfer of securities to the said Committee.

Company Secretary acts as a Secretary of the Committee and also acts as a Compliance Officer of the Committee.

The Committee met six times during the year. During the period the Company has not received any complaints from the shareholders. There are no pending complaints at the end of the financial year.

#### 4. GENERAL BODY MEETINGS

The last three Annual General Meetings of the Company were held as under: -

Year	Location	Date	Time
2005-06	Club 26, Sector -26, Noida - 201 301, U.P.	September 11, 2006	11:00 a.m.
2006-07	Club 26, Sector -26, Noida - 201 301, U.P.	September 28, 2007	10:00 a.m.
2007-08	Club 26, Sector -26, Noida - 201 301, U.P.	September 30, 2008	10.00 a.m.

#### 5. SUBSIDIARY

During the period under review, the Company continues to hold 10,04,699 (50.11%) equity shares of Bharat IT Services Ltd., Unlisted Public Company, engaged in the business of maintenance and servicing of computer systems & related peripherals and office automation. W.e.f. 12.05.2009, Bharat IT Services Ltd. ceased to be subsidiary of the company as the holding of the company in Bharat IT Services Ltd. had been reduced to 21.21%, due to allotment of 27,50,000 (57.83%) equity shares by Bharat IT Services Ltd. to Enfotainment Ltd.

#### 6. CEO/CFO CERTIFICATION

As required by Clause 49 of the Listing Agreement, the CEO/CFO certification of the Financial Statements and the Cash Flow Statements for the financial year ended on 31<sup>st</sup> March 2009 is enclosed at the end of this Report.

#### 7. CODE OF CONDUCT

The Company has adopted a Code of Conduct for all Board Members and Senior Management of the Company.

All Board Members and Senior Managerial Personnel have affirmed compliance with the Code of Conduct as applicable to them. The Chairman & Manager have signed a declaration to this effect as part of the CEO/CFO certification, which is enclosed at the end of this Report.

#### 8. DISCLOSURES

- (a) **Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large.**

None of the transactions with any of the related parties were in conflict with the interests of the Company.

- (b) **Details of non compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any Statutory Authority, on any matter related to capital markets, during the last three years.**

No penalties, strictures were imposed on the Company by Stock Exchange or SEBI or any Statutory Authority, on any matter related to capital markets, during the last three years.

- (c) **Whistle Blower Policy**

While the Company has not formally established a Whistle Blower policy as a mechanism for its employees to report to the management about any actual or suspected violation of the Company's business principles or concerns about unethical behavior, the employees are free to access the Management or the Audit Committee to report any such instances.

- (d) **Compliance of Mandatory Requirement**

The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement as presently applicable during the period under review. Details of non-mandatory provisions to the extent complied with have been disclosed in this Report.

**9. MEANS OF COMMUNICATION**

- (a) The Company has published its quarterly results in "The Business Standard" (English) New Delhi and "The Business Standard" (Hindi) New Delhi.
- (b) Management Discussion and Analysis Report forms part of the Annual Report.

All material information about the Company is promptly sent to the stock Exchanges and the Company regularly updates the media and investors community about its financial as well as other organizational developments.

**10. GENERAL SHAREHOLDER INFORMATION**

- (a) **Registered Office** : E - 53, Sector - 3, Noida - 201301 (U.P.)
- (b) **Annual General Meeting**
- ☐ **Date** : 30<sup>th</sup> day of September 2009
  - ☐ **Time** : 10:00 A.M.
  - ☐ **Venue** : Club-26, Sector-26, Noida-201301
- (c) **Financial Calendar** : 1<sup>st</sup> April 2008 to 31<sup>st</sup> March 2009
- (d) **Book closure date** : September 25, 2009 to September 30, 2009  
(both days inclusive)
- (e) **Dividend payment date** : N.A.
- (f) **Stock Exchanges at which Shares of the Company are listed** : 1 The U.P. Stock Exchange Association Limited  
(Regional Stock Exchange)  
2 The Bombay Stock Exchange Limited.  
3 The Delhi Stock Exchange Limited

**(g) Stock Exchange Code**

STOCK EXCHANGE AT WHICH LISTED	SEGMENT	SCRIP CODE	SCRIP ID FOR BOLT SYSTEM	ABBREVIATED NAME ON BOLT
The U.P. Stock Exchange Association Ltd.	Physical	Z492	-	-
The Bombay Stock Exchange Ltd.	Physical	523752	IO SYSTEM	IO SYSTEM
The Delhi Stock Exchange Ltd.	Physical	13153	-	-

**(h) Stock Market Data**

Share price performance for the period 01<sup>st</sup> April 2008 to 31<sup>st</sup> March 2009, as per the information available on the website of the Bombay Stock Exchange Limited is

Date	Open (Rs.)	High (Rs.)	Low (Rs.)	Close (Rs.)	No. of Shares	No. of Trades	Net T/O (Rs.)	*Spread (Rs.)	
								H - L	C - O
April 2008	25.50	25.50	25.00	25.00	200	2	5050.00	0.50	-0.50

\*Spread

H - L - > High - Low

C - O - > Close - Open

There was no trading during the period from May 2008 to March 2009.

- (i) **Registrar and Transfer Agent:** MAS Services Ltd.  
T-34, 2<sup>nd</sup> Floor, Okhla Industrial Area, Phase-II, New Delhi - 110020  
Tel No. 011 - 26387281/82/83  
Fax No. 011 - 26387384

**(j) Share Transfer System**

Transfers of shares in physical form are registered and dispatched within 3 weeks from the date of their receipt, subject to the documents being valid and complete in all respects. The Share Transfer & Investor Grievance Committee looks into the issues relating to Share Transfers & Investors Grievances and this Committee meets on regular basis.

**(k) Distribution of Shareholding as on March 31, 2009**

Spice Entertainment Limited	96.27%
(Previously Spicecorp Entertainment Limited)	
Others (Friends & relatives)	0.18%
Public	3.55%
<b>Total</b>	<b>100.00%</b>

**(l) Dematerialisation of Shares and Liquidity**

At present, trading in Equity Shares of the Company on the Stock Exchanges is permitted only in the physical form as the application of the Company for admission of its equity shares with NSDL & CDSL was not accepted on the grounds of negative net worth of the Company and the application would be reconsidered again in future in case of suitable improvement in the financial position of the Company.

**(m) Outstanding GDRs/ADRs/ Warrants or Convertible Instruments, Conversion Date and likely impact on Equity** : Not Applicable

**(n) Plant Location** : Not Applicable

**(o) Address for Investor Correspondence & for any query on Annual Report** : E - 53, Sector - 3,  
Noida (U.P.) - 201301

**COMPLIANCE:**

A certificate dated July 22, 2009 obtained from the auditors, M/s. Gupta Garg & Agrawal, Chartered Accountants, forms part of this Annual Report and the same is given herein:

**AUDITORS CERTIFICATE****(As Per Clause 49 of The Listing Agreement)**

To,  
**The Members of IO System Limited**

We have examined the compliance of conditions of Corporate Governance by IO System Limited for the period ended on 31<sup>st</sup> March 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representation made by the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that based on

the Report given by the management, the investor grievances received during the period under review have been timely resolved.

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

**For Gupta Garg & Agrawal.**  
Chartered Accountants

Place : New Delhi  
Date : July 22, 2009

**(B. B. Gupta)**  
Partner  
Membership No. 012399

## **CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION**

I, Arun Seth, Chairman & Manager of IO System Limited, to the best of my knowledge and belief, certify that :

1. I have reviewed the Balance Sheet and Profit & Loss Account and all its schedules and notes on accounts as well as the Cash Flow Statement for the financial year ended 31<sup>st</sup> March 2009.
2. Based on my knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements or any statement that might be misleading.
3. Based on my knowledge and information, the financial statements and other information included in this Report, present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards and applicable laws and regulations;
4. To the best of my knowledge and belief, no transactions entered into by the Company during the period are fraudulent, illegal or violative of the Company's code of conduct.
5. I am responsible for establishing and maintaining internal controls over financial reporting for the Company and I have evaluated the effectiveness of the Internal Control Systems of the Company;
6. I have disclosed based on our most recent evaluation, wherever applicable, to the Company's auditors and the Audit Committee of the Company's Board of Directors:
  - a) All deficiencies in the design or operation of internal controls and have identified for the Company's auditors any material weaknesses in internal controls over financial reporting including any corrective actions with regard to deficiencies;
  - b) Significant changes in internal controls during the period covered by this Report;
  - c) All significant changes in accounting policies during the period under review and that the same have been disclosed in the notes to the financial statements;
  - d) Instances of significant fraud of which I am aware, that involves; management or other employees who have significant role in the Company's internal control systems over financial reporting.

**Arun Seth**  
Chairman & Manager

Place : Noida  
Date : July 22, 2009

## FINANCIAL STATEMENTS

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## **AUDITORS' REPORT**

To the Shareholders,  
IO SYSTEM LIMITED

1. We have audited the attached Balance Sheet of IO SYSTEM LIMITED, as at 31<sup>st</sup> March 2009, the Profit and Loss Account of the Company and Cash Flow Statement, both for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In accordance with the provisions of Section 227 of the Companies Act, 1956, we report as under:
  - (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 the books;
  - (c) The Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by the report are in agreement with the books of account;
  - (d) In our opinion, the Profit & Loss Account, the Cash Flow Statement and the Balance Sheet comply with the Accounting Standards referred to in Sub-Section 3C of Section 211 of the Companies Act, 1956;
  - (e) On the basis of written representations received from the Directors of the Company as at 31<sup>st</sup> March, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2009 from being appointed as Director of the Company under clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes to the Accounts in Schedule-17, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) In the case of the Balance Sheet, of the state of the affairs of the Company as at 31<sup>st</sup> March 2009;
    - ii) In the case of the Profit and Loss Account, of the loss for the year ended on that date; and
    - iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.
4. As required by the Companies (Auditor's Report) Order 2003, (as amended) issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate, we give below our comments in seriatim on the matters specified in paragraphs 4 & 5 of the said order:
  - (i)
    - (a) We have been informed that the company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
    - (b) The management has carried out physical stock verification of assets at the end of the year. No discrepancy worth reporting, noticed on such verification.
    - (c) During the year under report, the company has not disposed of any of its fixed assets.
  - (ii)
    - (a) The physical verification of inventory was carried out at the year-end by the management.
    - (b) The procedures followed by the management were reasonable.
    - (c) The company is maintaining proper records of inventory. Discrepancies noticed on verification, which are not significant in nature, have been properly dealt with in the books of account.
  - (iii)
    - (a) As Informed, the company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause (iii) (b) (c) and

(d) of the Companies (Auditor's Report) Order 2003 (as amended) are not applicable.

(e) The company had not taken any loan, secured or unsecured, from a company, firm or any other concern covered in the register maintained under Section 301 of the Companies Act, 1956 and accordingly such the sub-clause (f) & (g) of Companies (Auditor's Report) Order 2003 (as amended) are not applicable.

(iv) The company has adequate internal control procedures in commensuration with its size and nature of business in regard to purchase of inventory and fixed assets and for sale of goods.

(v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act 1956 that need to be entered in the register maintained under Section 301 of Companies Act 1956, have been so entered.

(b) In our opinion and according to the information and explanations given to us, the company has not entered into transactions for a value exceeding Rs. 5 lacs and as such the clause is not applicable.

(vi) The clause is not applicable, as the company has not accepted any deposits from the public.

(vii) The Internal Audit was once carried out at the end of the financial year, which commensurate with the size and the nature of business of the company.

(viii) The Central Govt. has not prescribed the maintenance of the cost records.

(ix) (a) The company has generally been regular except minor delays in one or two cases in depositing undisputed statutory dues including PF, ESI, Income Tax, Sales Tax, Service Tax, Excise Duty, Education Cess and Investor Education Fund etc with the appropriate authorities.

(b) A list of disputed cases of Sales Tax/ Income Tax/Custom Duty/Excise Duty, authority with whom pending and the amount involved is as per Annexure 'A'.

To Income Tax Department for Rs. 47.45 lacs towards penalties imposed against which company is in appeal.

(x) The net worth of the company (paid-up capital + free reserve), which is Rs.16.90 Crores, has been completely eroded as the accumulated losses are Rs. 17.53 Crores as on 31<sup>st</sup> March 2009. The company has suffered a cash loss of Rs. 33.67 Lacs in the financial year ended on 31<sup>st</sup> March 2009 as against Rs. 26.34 Lacs in the immediate preceeding year.

(xi) The company has not defaulted in repayment of dues to any Financial Institution, Bank or debenture-holder.

(xii) The company has not granted any loans or advances against security by way of pledge of shares, debentures or other securities.

(xiii) The clause is not applicable, as the company is not a nidhi/ mutual benefit fund/ society.

(xiv) The clause is not applicable, as the company is not trading in shares.

(xv) The company has not given any guarantees on behalf of others for raising loans from Banks/ Financial Institutions.

(xvi) During the year under report, the company has not obtained any term loan.

(xvii) During the year under report, the company has neither raised nor utilized any long-term loan.

(xviii) During the year under report, the company has not made any preferential allotment of its shares.

(xix) During the year under report, the company has not issued any debentures.

(xx) During the year under report, the company has not raised any money by way of public issue.

(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 audit.

**For Gupta Garg & Agrawal.**  
Chartered Accountants

**(B. B. Gupta)**

Partner

M. No. : 012399

Place : Delhi

Date : June 03, 2009

## Annexure-A

List of disputed cases of Sales Tax/Income Tax/Custom Duty/Excise Duty, authority with whom pending and the amount involved is detailed as under :-

Name of the Statute	Assessment Year	Nature of Dues	Amount of Demand (Rs.)	Forum where dispute is pending
Central Excise Act	1992-00	Penalty and Demand	2,387,850	CESTAT, New Delhi
Central Excise Act	1999-01	Interest and Penalty	69,969	CESTAT, New Delhi
Central Excise Act	2002-03	Interest and Penalty	19,427	CESTAT, New Delhi
Central Excise Act	Valuation Case	Excise Duty	1,509,876	CESTAT, New Delhi
U.P.Sales Tax	1997-98	Sales Tax	151,436	Joint Commissioner of Trade Tax, Noida
U.P.Sales Tax	1998-99	Sales Tax	49,823	Joint Commissioner of Trade Tax, Noida
U.P.Sales Tax	1999-00	Sales Tax	285,611	Joint Commissioner of Trade Tax, Ghaziabad
U.P.Sales Tax	2001-02	Sales Tax	6,887,262	Tribunal of Trade Tax, Noida (Remanded back to STO)
U.P.Sales Tax	2002-03	Sales Tax	6,941,053	Tribunal of Trade Tax, Noida (Remanded back to STO)
U.P.Sales Tax	2003-04	Sales Tax	622,657	Joint Commissioner of Trade Tax, Noida
Delhi Sales Tax	1998-99	Sales Tax	516,331	Joint Commissioner, Delhi Sales Tax
Delhi Sales Tax	1999-00	Sales Tax	643,840	Joint Commissioner, Delhi Sales Tax
Delhi Sales Tax	2000-01	Sales Tax	198,506	Asstt. Commissioner-IX, Delhi Sales Tax
Delhi Sales Tax	2001-02	Sales Tax	2,682,528	Addl. Commissioner-II, Delhi Sales Tax
Delhi Sales Tax	2002-03	Sales Tax	350,535	Deputy Commissioner (Appeal-IV) Delhi S. Tax
Delhi Sales Tax	2003-04	Sales Tax	2,261,674	Addl. Commissioner, Delhi Sales Tax
Delhi Sales Tax	2004-05	Sales Tax	230,073	Sales Tax Officer, Ward-92, Delhi Sales Tax
T.N.Sales Tax	2000-01	Sales Tax	328,621	Appl. Asstt. Commissioner CT III, T.N.S. Tax
T.N.Sales Tax	2002-03	Sales Tax	289,271	Appl. Asstt. Commissioner CT III, T.N.S. Tax
West Bengal sales Tax	1999-00	Sales Tax	288,098	Asstt. Commissioner South Circle, Directorate of Commercial Taxes, W.Bengal
West Bengal sales Tax	2000-01	Sales Tax	90,650	Asstt. Commissioner South Circle, Directorate of Commercial Taxes, W.Bengal
West Bengal sales Tax	2002-03	Sales Tax	1,016,606	Asstt. Commissioner South Circle, Directorate of Commercial Taxes, W.Bengal
Income Tax Act, 1961	2001-02	Penalty	2,570,000	Commissionar of Income Tax (Appeals), Gaziabad
Income Tax Act, 1961	2002-03	Penalty	1,700,000	Commissionar of Income Tax (Appeals), Gaziabad
Income Tax Act, 1961	2004-05	Penalty	475,000	Commissionar of Income Tax (Appeals), Gaziabad

# IO SYSTEM LIMITED

## BALANCE SHEET AS AT MARCH 31, 2009

Particulars	Schedules	As at 31-Mar-09 (Rs.)	As at 31-Mar-08 (Rs.)
<b>I. SOURCES OF FUNDS</b>			
1. Shareholders' Funds			
Share Capital	1	169,000,000	169,000,000
		<u>169,000,000</u>	<u>169,000,000</u>
2. Loan Funds			
Unsecured loans	2	13,800,000	11,300,000
		<u>13,800,000</u>	<u>11,300,000</u>
<b>TOTAL</b>		<u><u>182,800,000</u></u>	<u><u>180,300,000</u></u>
<b>II. APPLICATION OF FUNDS</b>			
1. Fixed Assets	3		
Gross block		5,470,201	5,470,201
Less : Depreciation		<u>4,589,526</u>	<u>4,449,262</u>
Net block		<u>880,675</u>	<u>1,020,939</u>
2. Investment	4	300,750	300,750
3. Current Assets, Loans and Advances			
(a) Inventories	5	3,809,543	3,811,168
(b) Sundry debtors	6	-	-
(c) Cash and bank balances	7	721,718	866,009
(d) Loans and advances	8	<u>5,902,529</u>	<u>6,149,586</u>
		<u>10,433,790</u>	<u>10,826,763</u>
<b>Less : Current Liabilities &amp; Provisions</b>			
(a) Current Liabilities	9	4,127,475	3,684,401
(b) Provisions	10	<u>39,960</u>	<u>8,653</u>
		<u>4,167,435</u>	<u>3,693,054</u>
<b>Net Current Assets</b>		<u>6,266,355</u>	<u>7,133,709</u>
4. Profit & Loss Account		<u>175,352,220</u>	<u>171,844,602</u>
<b>TOTAL</b>		<u><u>182,800,000</u></u>	<u><u>180,300,000</u></u>
<b>Notes to Accounts</b>	17		

The schedules referred to above and notes to accounts form an integral part of Balance Sheet and Profit & Loss Account.

As per our attached report of even date

**For Gupta Garg & Agrawal**

Chartered Accountants

**(B.B.Gupta)**

Partner

Membership No. 012399

**For and on behalf of the Board of Directors**

**Arun Seth**

Manager & Chairman

**R.C.Agarwal**

Director

**S.K.Gupta**

Director

**Mamta Chawla**

Company Secretary

Place : Noida

Date : June 03, 2009

**IO SYSTEM LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED ON MARCH 31, 2009**

Particulars	Schedules	For the year ended on 31-Mar-09 (Rs.)	For the year ended on 31-Mar-08 (Rs.)
<b>I. INCOME</b>			
Turnover (Gross)	11	1,625	54,253
Less: Excise duty		-	-
Turnover (Net)		1,625	54,253
Other income	12	41,401	1,397,222
<b>TOTAL</b>		<b>43,026</b>	<b>1,451,475</b>
<b>II. EXPENDITURE</b>			
Purchase of service goods		-	-
Personnel expenses	13	571,352	399,305
Operating and other expenses	14	1,336,751	1,224,119
(Increase)/decrease in inventory	15	1,625	1,251,942
Depreciation	3	140,264	193,319
Financial expenses	16	1,496,438	1,156,918
<b>TOTAL</b>		<b>3,546,430</b>	<b>4,225,603</b>
<b>Profit/(Loss) from continuing operations before tax, extraordinary and prior period items</b>		<b>(3,503,404)</b>	<b>(2,774,128)</b>
Prior Period Expenses		-	48,385
Profit before Tax		<b>(3,503,404)</b>	<b>(2,822,513)</b>
FBT		4,214	4,409
<b>Profit/(Loss) from continuing operations after tax and extraordinary and prior period items</b>		<b>(3,507,618)</b>	<b>(2,826,922)</b>
<b>Net profit/(Loss)</b>		<b>(3,507,618)</b>	<b>(2,826,922)</b>
<b>Balance brought forward from previous year</b>		<b>(171,844,602)</b>	<b>(169,017,680)</b>
<b>Surplus/(Deficit) carried to Balance Sheet</b>		<b>(175,352,220)</b>	<b>(171,844,602)</b>
<b>Number of Shares outstanding during the year</b>		<b>16,900,000</b>	<b>16,900,000</b>
<b>Nominal value per share (Rs.)</b>		<b>10</b>	<b>10</b>
<b>Earnings/(loss) per share Basic and diluted</b>		<b>(0.21)</b>	<b>(0.17)</b>
<b>Notes to Accounts</b>	17		

The schedules referred to above and notes to accounts form an integral part of Balance Sheet and Profit & Loss Account.

As per our attached report of even date

**For Gupta Garg & Agrawal**

Chartered Accountants

**(B.B.Gupta)**

Partner

Membership No. 012399

**For and on behalf of the Board of Directors**

**Arun Seth**

Manager & Chairman

**S.K.Gupta**

Director

**R.C.Agarwal**

Director

**Mamta Chawla**

Company Secretary

Place : Noida

Date : June 03, 2009

## IO SYSTEM LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED ON MARCH 31, 2009

Particulars	31-Mar-09 (Rs.)	31-Mar-08 (Rs.)
Net Profit/(Loss) before taxation	(3,503,404)	(2,822,513)
Adjustment for:		
Depreciation	140,264	193,319
Interest Expenditure	1,493,259	1,148,082
Interest Income	(21,401)	(16,730)
(Profit)/Loss on sale of fixed assets - net	-	-
Operating Profit/(Loss) before working capital changes	<u>(1,891,282)</u>	<u>(1,497,842)</u>
Adjustment for changes in :		
Inventories	1,625	1,251,942
Trade Receivables	-	310,533
Loans and advances	247,057	(3,121)
Current liabilities	474,381	(1,991,135)
Cash generated by operating activities	<u>(1,168,219)</u>	<u>(1,929,623)</u>
Less: Tax Paid	4,214	4,409
NET CASH FLOW (USED IN )/FROM OPERATING ACTIVITIES (A)	<u>(1,172,433)</u>	<u>(1,934,032)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	-	(19,000)
Sale of fixed assets	-	-
Interest received	21,401	16,730
NET CASH FLOW (USED IN)/FROM INVESTING ACTIVITIES (B)	<u>21,401</u>	<u>(2,270)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from short term loans - unsecured	2,500,000	3,300,000
Repayment of short term loans - secured	-	-
Interest paid	(1,493,259)	(1,148,082)
NET CASH FLOW (USED IN) / FROM FINANCING ACTIVITIES (C)	<u>1,006,741</u>	<u>2,151,918</u>
Net (Decrease)/Increase in Cash and Cash Equivalents (A+B+C)	<u>(144,291)</u>	<u>215,616</u>
<b>CASH &amp; CASH EQUIVALENTS AS AT 1<sup>st</sup> APRIL 2008</b>	866,009	650,393
Cash and current account balances with banks (excluding unpaid dividend account)		
<b>CASH &amp; CASH EQUIVALENTS AS AT 31<sup>st</sup> MARCH 2009</b>	<u>721,718</u>	<u>866,009</u>
Cash and current account balances with banks		

Note: Previous year's figures have been re-grouped/re-cast, wherever necessary.

As per our attached report of even date

**For Gupta Garg & Agrawal**

Chartered Accountants

**(B.B.Gupta)**

Partner

Membership No. 012399

**For and on behalf of the Board of Directors**

**Arun Seth**

Manager & Chairman

**R.C.Agarwal**

Director

**S.K.Gupta**

Director

**Mamta Chawla**

Company Secretary

Place : Noida

Date : June 03, 2009

## IO SYSTEM LIMITED

Particulars	As at 31-Mar-09 (Rs.)	As at 31-Mar-08 (Rs.)
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised</b>		
20,000,000 equity shares of Rs.10/- each	200,000,000	200,000,000
500,000 preference shares of Rs.100/- each	50,000,000	50,000,000
<b>Issued, Subscribed and Paid up</b>		
16,900,000 equity shares of Rs.10/- each fully paid-up	169,000,000	169,000,000
	169,000,000	169,000,000
<b>Schedule 2: UNSECURED LOANS</b>		
<b>From other bodies corporate</b>		
Inter Corporate Loans from Holding Company	13,800,000	11,300,000
	13,800,000	11,300,000

## SCHEDULE 3: FIXED ASSETS AS ON 31.03.2009

(Figures in Rs.)

Particulars	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	As at 01.04.08	Additions during the year	Adjustments/ Sales during the year	As at 31.03.09	Upto 01.04.08	Provided for the year	Adjustments during the year	Upto 31.03.09	As at 31.03.09	As at 31.03.08
Furniture & Fittings	423,302	-	-	423,302	262,230	23,452	-	285,682	137,620	161,072
Office Equipments	2,394,379	-	-	2,394,379	1,552,052	113,732	-	1,665,784	728,595	842,327
Computers	1,365,214	-	-	1,365,214	1,347,674	3,080	-	1,350,754	14,460	17,540
Machines Agst. Demo	1,287,306	-	-	1,287,306	1,287,306	-	-	1,287,306	-	-
<b>TOTAL</b>	<b>5,470,201</b>	<b>-</b>	<b>-</b>	<b>5,470,201</b>	<b>4,449,262</b>	<b>140,264</b>	<b>-</b>	<b>4,589,526</b>	<b>880,675</b>	<b>1,020,939</b>
PREVIOUS YEAR	5,451,201	19,000	-	5,470,201	4,255,943	193,319	-	4,449,262	1,020,939	1,195,258

## IO SYSTEM LIMITED

Particulars	As at 31-Mar-09 (Rs.)	As at 31-Mar-08 (Rs.)
<b>SCHEDULE 4 : INVESTMENT</b>		
Longterm investments in subsidiary company (Bharat IT Services Ltd. )		
Shares (unquoted)		
1,004,699 equity share of Rs.10/-each.	300,750	300,750
<b>SCHEDULE 5: INVENTORIES</b>		
Service components and spares	1,239,280	1,240,905
Finished and trading goods	2,570,263	2,570,263
	3,809,543	3,811,168
<b>SCHEDULE 6: SUNDRY DEBTORS</b>		
Debts outstanding for a period exceeding six months		
Unsecured, considered good	-	-
Considered doubtful	12,065,264	12,065,264
	12,065,264	12,065,264
Other debts		
Unsecured, considered good	-	-
	12,065,264	12,065,264
Less : Provision for doubtful debts	12,065,264	12,065,264
	-	-
<b>SCHEDULE 7: CASH AND BANK BALANCES</b>		
Cash and Cheques in hand *	8,677	11,340
Balances with scheduled banks :		
On current accounts	346,156	487,784
On margin money	366,885	366,885
	721,718	866,009

\* As certified by management

## IO SYSTEM LIMITED

Particulars	As at 31-Mar-09 (Rs.)	As at 31-Mar-08 (Rs.)
<b>SCHEDULE 8: LOANS &amp; ADVANCES</b>		
(Unsecured, considered good except where otherwise stated)		
Advances recoverable in cash or in kind or value to be received (including Rs. 1,007,600/- considered doubtful, Previous year Rs. 1,099,778/-)	6,445,377	6,693,492
Balance with excise and custom authorities	441,407	441,407
Tax deducted at source	4,849	3,791
Security and other deposits (including Rs. 2,003,937/- considered doubtful, Previous year Rs. 2,003,937/-)	2,114,611	2,114,611
	<b>9,006,244</b>	9,253,301
Less : Provision for doubtful advances	<b>3,103,715</b>	3,103,715
	<b>5,902,529</b>	6,149,586

**SCHEDULE 9: CURRENT LIABILITIES**

Sundry Creditors for Goods and Expenses

i) Due to Small Scale Industries *	-	-
ii) Due to others	2,838,089	2,757,393
Advances from customers	2,201,315	
Less: Provision for Advances from Customers	<u>1,380,491</u>	822,652
	<b>820,824</b>	
Unexpired maintenance / service contracts	-	-
Other liabilities	468,562	104,356
	<b>4,127,475</b>	3,684,401

\* As certified by the management

**SCHEDULE 10: PROVISIONS**

Provision for leave encashment	39,960	8,653
	<b>39,960</b>	8,653

## IO SYSTEM LIMITED

Particulars	For the year ended on 31-Mar-09 (Rs.)	For the year ended on 31-Mar-08 (Rs.)
<b>SCHEDULE 11: TURNOVER</b>		
Sales of manufactured goods	-	-
Sales of trading goods	1,625	40,244
Annual maintenance / service revenue	-	14,009
	<u>1,625</u>	<u>54,253</u>

**SCHEDULE 12: OTHER INCOME**

Interest		
Bank deposits (Tax deducted at source Rs. 2,688/- Previous year Rs. 16,730/-)	21,401	16,730
Miscellaneous income	-	-
Profit on Sale of Fixed Assets	-	-
Credit balances / provisions not required, written back	-	1,380,492
Bad Debts Recovered	20,000	-
	<u>41,401</u>	<u>1,397,222</u>

**SCHEDULE 13: PERSONNEL EXPENSES**

Salaries, wages and bonus	43,456	375,408
Contribution to provident fund	525,112	17,853
Workmen and staff welfare expenses	2,784	6,044
	<u>571,352</u>	<u>399,305</u>

## IO SYSTEM LIMITED

Particulars	For the year ended on 31-Mar-09 (Rs.)	For the year ended on 31-Mar-08 (Rs.)
<b>SCHEDULE 14: OPERATING AND OTHER EXPENSES</b>		
Power and fuel	-	-
Repair and maintenance	-	-
Commission	-	-
Transportation	-	-
Rent	-	-
Travel and conveyance	44,264	21,015
Advertisement & Publicity	41,630	27,240
Communication costs	12,434	7,510
Printing & Stationary	90,973	85,158
Filing Fee	57,180	42,664
Festival Expenses	-	6,750
General Meeting Expenses	11,360	23,410
Auditors' remuneration		
- Audit fee	44,120	44,944
- Certification	54,545	46,068
Directors' sitting fee	75,000	85,000
Insurance	-	-
Legal and professional expenses	265,381	426,028
Rates and taxes (net of recovery)	637,593	92,407
Provision for doubtful debts and advances	-	314,833
Loss on Sale of Fixed Assets	-	-
Miscellaneous expenses	2,271	1,091
	<u>1,336,751</u>	<u>1,224,118</u>
<b>SCHEDULE 15: (INCREASE)/DECREASE IN INVENTORIES</b>		
Inventories as at April 01, 2008		
Finished and trading goods	2,570,263	3,250,145
Service components and spares	1,240,905	1,812,965
	<u>3,811,168</u>	<u>5,063,110</u>
Less: Inventories as at March 31, 2009		
Finished and trading goods	2,570,263	2,570,263
Service components and spares	1,239,280	1,240,905
	<u>3,809,543</u>	<u>3,811,168</u>
	<u>1,625</u>	<u>1,251,942</u>
<b>SCHEDULE 16: FINANCIAL EXPENSES</b>		
Interest to :		
- Banks	-	-
- Others	1,493,259	1,148,082
Bank charges	3,179	8,836
	<u>1,496,438</u>	<u>1,156,918</u>

# IO SYSTEM LIMITED

## SCHEDULE 17

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

### ACCOUNTING POLICIES

#### 1. BACKGROUND

The company had entered into a joint venture (JV) agreement with the General Binding Corporation (GBC), USA on 19<sup>th</sup> June, 1988 for manufacturing and selling office Automation products. The JV was terminated with mutual consent between the parties on 31<sup>st</sup> March, 2002 and almost entire capital of the company is held by Spice Entertainment Ltd.(formerly known as Spicecorp Entertainment Ltd.) except little shareholding with the public. The manufacturing activities had been discontinued since February, 2006 due to continued losses in the company. The company has also not done very well in its trading business as a result of which, there have been insignificant business activities in the company during the financial year ended 31<sup>st</sup> March,2009.

#### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENT

The financial statements are prepared in accordance with the historical cost convention on the accrual system of accounting, on the concept of a going concern and in accordance with generally accepted accounting practices and mandatory Accounting Standards as notified under the Companies (Accounting Standards) Rules, 2006 and in accordance with the presentational requirements of the Companies Act, 1956.

However, the concept of a going concern has been severely affected adversely due to i) disposal of substantial part of the fixed assets of the company to outside party/ subsidiary company, ii) continued losses in past several years; and iii) erosion of entire paid up capital by accumulated losses. In view of a few operational transactions in the company for the past 3/4 years, the management is in the process of assessing afresh the realisability of current assets such as inventories, sundry debtors, loans and advances and payability of current liabilities and the financial impact thereof, if any, would be accounted for in the current financial year.

#### 3. USE OF ESTIMATES

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as on the date of the financial statements and reported amounts of income and expenses during the year. Example of such estimates include provisions for doubtful debts, employee retirement benefit plans, provision for income taxes and the useful lives of fixed assets.

#### 4. FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost less accumulated depreciation. The Company capitalises all costs relating to the acquisition and installation of fixed assets. Depreciation on fixed assets, other than demonstration machines and machines for rental and lease, is provided pro-rata to the period of use on the straight-line method using rates determined based on the management's assessment of useful economic lives of the assets or the annual depreciation rates specified in Schedule XIV to the Companies Act, 1956, whichever is higher, as follows:

	%
Plant and machinery	4.75
Moulds	11.31
Furniture and fixtures	6.33
Office equipment	4.75
Computers	16.21
Vehicles	9.50

Demonstration machines and machines for rentals and lease are depreciated over an estimated economic useful life of six years. Individual Fixed assets having value of Rs. 5000/- or less are fully depreciated in year of purchase.

**5. INVENTORIES**

Inventories of Trading Goods, Finished Goods, Service Components & Spares are taken by the management and valued at the lower of cost or net realizable value. The Cost is determined on first in first out basis. Inventories are stated net of write-downs or allowances on account of obsolescence, damaged or non-moving items. Excise and customs duty payable on finished goods is included in the value of the finished goods.

**6. FOREIGN CURRENCY TRANSACTIONS**

Foreign currency transactions are recorded by applying exchange rate at the dates of transactions. The foreign currency monetary assets and liabilities and outstanding foreign currency liabilities relating to non-monetary items are re-instated at exchange rates prevailing at the balance sheet date. Exchange gains or losses, arising out of fluctuations in the exchange rates, on settlement during the year/ reinstatement at the year end, are recognized in the Profit & Loss A/c.

**7. REVENUE RECOGNITION**

Product sales (net of sales tax, trade discounts, returns and allowances) are recognized upon dispatch of goods to customers. Service income is recognised over the period of the service contracts.

**8. INSURANCE CLAIMS**

Insurance (Income) claims are accounted for on the basis of insurance surveyer's report.

**9. IMPAIRMENT OF ASSETS**

The carrying amounts of assets are reviewed at each balance sheet date. If there is any indication of impairment based on internal/ external factors, an impairment loss is recognized, wherever the carrying amount of an asset exceeds its recoverable amount.

The liability for leave encashment is provided for in accordance with the rules of the Company.

**10. RETIREMENT BENEFITS**

Retirement benefits to employees comprise of gratuity and provident fund. The Company has established a self-administered provident fund trust to which contributions are made on a monthly basis. The provisions of Payment of Gratuity Act are not applicable as the company does not employ the requisite number of employees required under the said Act.

**11. LEAVE ENCASHMENT**

The liability for leave encashment is provided for in accordance with the rules of the Company.

**12. Taxes on Income**

Provision for Taxation comprises of Income Tax liability on the profits for the year chargeable to tax and deferred tax resulting from timing difference between Book & Tax profits. The Deferred Tax Assets/Liabilities are provided for as per the Guidance Note issued by the Institute of Chartered Accountants of India on Accounting Standard (AS) 22 "Accounting for Taxes on Income". Deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Fringe Benefit tax is recognized in accordance with the relevant provisions of the Income tax Act and the Guidance Note issued by the Institute of Chartered Accountants of India in this regard.

**13. EARNING PER SHARE**

Basic earnings/(loss) is calculated by dividing the net profit/(loss) for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The Company has not issued any potential equity shares, and accordingly, the basic earnings/(loss) per share and diluted earnings/(loss) per share is the same.

**NOTES TO THE ACCOUNTS****1. HOLDING COMPANY**

The company continues to be subsidiary of Spice Enfotainment Ltd.(formerly Spicecorp Entertainment Ltd.)

**2. SUBSIDIARY COMPANY**

The company continues to be Holding company of Bharat IT Services Ltd. (formerly Spice Net Ltd.).but ceased to be so w.e.f. 12.05.09.

**3. DEFERRED INCOME TAXES**

As per guidance note of the Institute of Chartered Accountants of India on Accounting Standard (AS) - 22, the Company at the prevailing income tax rates as on 31<sup>st</sup> March 2009, has Deferred Tax Assets (DTA) of Rs. 161.60 Lacs on its carried forward accumulated business losses, unabsorbed depreciation, provision for bad and doubtful debts & advances and expenses deductible on payment basis. Similarly, the company has Deferred Tax Liability (DTL) of Rs. 0.12 lacs on account of timing difference of depreciation.

Based on the past performance of the Company over the years there is significant uncertainty on the realisability of the benefits of those deductible differences and consequently, the DTA and DTL have not been recognised in the books of account.

4. In the opinion of the Board of Directors, the current assets, loans and advances have a value on realisation in the ordinary course of business, atleast equal to the amount at which they are stated in the books of account. However, the management is in the process of assessing, afresh the realisability of above current assts , loans and advances and the financial impact of such assessment would be made in the current financial year.
5. The balances appearing in the books at the close of the financial year under the heads 'Sundry Debtors', 'Sundry Creditors', 'Loans and Advances' are subject to confirmation.
6. No provision has been made in the accounts against the liability in respect of future payment of gratuity to the employees as no employee has put in the qualifying period of service for entitlement to the said benefit under the Provisions of 'Payment of Gratuity Act, 1972.
7. The liability on account of Leave Encashment has been duly provided for on the basis of leave accrued and accumulated to the each employee.

**8. RELATED PARTY TRANSACTIONS**

During the year, the Company entered into transactions with related parties. Those transactions along with related balances as at March 31, 2009 and March 31, 2008 are given in the following table:

**List of the related Parties (As certified by the management)**

<b>Name of the Related Party</b>	<b>Relation</b>
i) Spice Enfotainment Limited (formerly Spicecorp Entertainment Ltd.)	Holding Company
ii) Bharat IT Services Limited (formerly Spice Net Limited) w.e.f 01.10.05	Subsidiary company
iii) First Choice Enterprises P.Ltd.	Common Director and Fellow Subsidiary of (i) above.

The names of other associate companies have not been disclosed because of 'Nil' transactions with them during the year.

**Key Management Personnel (KMP)**

Mr. Arun Seth - Manager & Chairman

Particulars	Year	Holding Company	Subsidiary	Substantially Interested		Total
				First Choice Enterprises P.Ltd.	Spice Mobiles Ltd. (formerly Spice Ltd.)	
<b>Transactions during the year</b>						
Purchase of finished goods, consumables and Fixed Assets	Mar'09	-	-	-	-	-
	Mar'08	-	-	-	-	-
Sale of finished goods, consumables and Fixed Assets	Mar'09	-	1,828	-	-	1,828
	Mar'08	-	45,274	-	-	45,274
Purchase of Bharat IT Services Shares	Mar'09	-	-	-	-	-
	Mar'08	-	-	-	-	-
Loan taken during the year	Mar'09	2,500,000	-	-	-	2,500,000
	Mar'08	3,300,000	-	-	-	3,300,000
Loan repaid during the year	Mar'09	-	-	-	-	-
	Mar'08	-	-	-	-	-
Interest Paid / Payable	Mar'09	1,493,259	-	-	-	1,493,259
	Mar'08	1,147,824	-	-	-	1,147,824
<b>Outstanding balance at the year end</b>						
Payables	Mar'09	-	820,823	1,100	-	821,924
	Mar'08	-	822,652	1,100	-	823,752
Loan payable (including accrued interest)	Mar'09	14,114,275	-	-	-	14,114,275
	Mar'08	11,549,768	-	-	-	11,549,768

## 9. SEGMENT REPORTING

Segment wise reporting as defined in Accounting Standard AS-17 is not applicable, since the entire operations of the company relates to one segment i.e. Office Automation Equipment.

## 10. CONTINGENT LIABILITIES

Contingent liabilities are not provided for and are disclosed by way of note.

(a) Claims against the Company not acknowledged as debts

- Excise matters - Rs. 3,987,122/- (2008 - Rs. 6,049,153/-)

- Sales Tax matters (including demands in respect of non-submission of statutory sales tax declaration forms) - Rs.20,320,094/- (2008 - Rs. 31,318,917/-)

- Other cases against the company - Rs. 1,246,664/- (2008 - Rs. 1,246,664/-)

(b) Counter Guarantees issued Rs 682,700/- (2008 - Rs. 682,700/-).

(c) To income tax department for Rs. 4,745,000/- towards penalties imposed against which company is in appeal.

## 11. PAYMENTS TO AUDITORS

	<b>2008-09</b>	<b>2007-08</b>
For services as auditors, including quaterly audit	44,120	44,944
For other services	54,545	46,068

**12. ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PART -II OF THE SCHEDULE - VI TO THE COMPANIES ACT, 1956**

**a) Particulars of purchases and sales**

Particulars	31 <sup>st</sup> March, 2009				31 <sup>st</sup> March, 2008	
	Sales		Purchases/Production		Sales	
	Qty (Nos)	Value (Rs.)	Qty (Nos)	Value (Rs.)	Qty (Nos)	Value (Rs.)
<b>i) Manufactured</b> Binding, laminating & shredding machines	-	-	-	-	-	-
<b>ii) Trading</b> Binding, Laminating, Shredding, Franking and Other machines	-	-	-	-	-	-
	-	-	-	-	-	-
Others (spares & consumables)	-	1,625	-	-	-	40,244
	-	<b>1,625</b>	-	-	-	<b>40,244</b>

**b) Particulars of opening and closing stocks**

Particulars	31 <sup>st</sup> March, 2009				31 <sup>st</sup> March, 2008	
	Opening Stock		Closing Stock		Opening Stock	
	Qty (Nos)	Value (Rs.)	Qty (Nos)	Value (Rs.)	Qty (Nos)	Value (Rs.)
<b>i) Manufactured</b> Binding, laminating & shredding machines	1	2,361	1	2,362	1	2,361
<b>ii) Trading</b> Binding, Laminating, Shredding, Franking and Other machines	106	3,808,807	106	3,807,181	106	3,808,807
	107	3,811,168	107	3,809,543	107	3,811,168
Others (spares & consumables)	-	-	-	-	-	-
	<b>107</b>	<b>3,811,168</b>	<b>107</b>	<b>3,809,543</b>	<b>107</b>	<b>3,811,168</b>

13. Previous year's figures have been regrouped and/or reclassified wherever necessary to make their classification comparable with that of the current year.

Signatures to Schedule 1 to 17

As per our attached report of even date

**For Gupta Garg & Agrawal**

Chartered Accountants

**(B.B.Gupta)**

Partner

Membership No 012399

**For and on behalf of the Board of Directors**

**Arun Seth**

Manager & Chairman

**S.K.Gupta**

Director

**R.C. Agarwal**

Director

**Mamta Chawla**

Company Secretary

Place : Noida

Date : June 03, 2009

# IO SYSTEM LIMITED

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

	As at 31.03.09	As at 31.03.08
<b>A. Registration details -</b>		
Registration No.	20-08764	20-08764
State code	20	20
Date of balance sheet	March 31, 2009	March 31, 2008
<b>B. Capital raised during the year (Amount in Rs. Thousands)</b>		
Public issue	-	-
Rights issue	-	-
Bonus issue	-	-
Private placement	-	-
Preferential issue	-	-
<b>C. Position of mobilisation and deployment of funds (Amount in Rs. Thousands)</b>		
Total liabilities	182,800	180,300
Total assets	182,800	180,300
<b>Sources of funds</b>		
Paid-up capital.	169,000	169,000
Reserves and surplus	-	-
Secured loans	-	-
Unsecured loan	13,800	11,300
	<u>182,800</u>	<u>180,300</u>
<b>Application of funds</b>		
Net fixed assets	881	1,021
Investments	301	301
Net current assets	6,266	7,134
Accumulated losses	175,352	171,844
	<u>182,800</u>	<u>180,300</u>
<b>D. Performance of Company (Amount in Rs. Thousands)</b>		
Turnover (including other income)	43	1,451
Total expenditure	3,546	4,274
Profit / (Loss) before tax	(3,503)	(2,823)
Net Profit / (Loss) after tax	(3,508)	(2,827)
Earning per share ( in Rs.)	(0.21)	(0.17)
Dividend rate (%)	-	-
<b>E. Generic names of three principal products/services of company (as per monetary terms)</b>		
Binding machines	Item Code - 8440	
Laminating machines	Item Code - 8477	
Shredders	Item Code - 8472	

For and on behalf of the Board of Directors

**Arun Seth**  
Manager & Chairman

**R.C. Agarwal**  
Director

Palce : Noida  
Date : June 03, 2009

**S.K.Gupta**  
Director

**Mamta Chawla**  
Company Secretary

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY :**

<b>Name of the Subsidiary Company</b>	<b>Bharat IT Services Limited</b>
<b>1 Financial Year of the subsidiary company ended on</b>	<b>31<sup>st</sup> March 2009</b>
<b>2 Number of shares in the subsidiary company held by the Company at above date :</b>	
a) Number and face value	1,004,699 Equity Shares of Rs. 10/- each fully paid up
b) Extent of holding	50.11%
<b>3 The net aggregate of profits / losses, of the subsidiary company as far it concerns the members of the company :</b>	
I) Dealt with in the accounts of company amounted to :	
a) for the subsidiary financial year ended 31 <sup>st</sup> March 2009	Nil
b) for the previous financial years of the subsidiary since it become subsidiary of the company	Nil
II) Not dealt with in the accounts of company amounted to :	
a) for the subsidiary financial year ended 31 <sup>st</sup> March 2009	Rs. 4,894,945
b) for the previous financial years of the subsidiary since it become subsidiary of the company	Rs. 1,361,663
<b>4. Changes in the interest of the company between the end of the subsidiary's financial year ended 31<sup>st</sup> March 2009</b>	<b>Nil</b>

**For and on behalf of the Board of Directors**

**Arun Seth**  
Manager & Chairman

**S.K.Gupta**  
Director

**R.C.Agarwal**  
Director

**Mamta Chawla**  
Company Secretary

Place : Noida  
Date : June 03, 2009

## **AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS**

**TO THE BOARD OF DIRECTORS OF  
IO SYSTEM LIMITED**

1. We have audited the attached Consolidated Balance Sheet of IO SYSTEM LIMITED and its subsidiary BHARAT IT SERVICES LIMITED, as at 31<sup>st</sup> March, 2009, the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement, for the year ended on that date annexed thereto. 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 financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21 "Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India.
4. Based on our audit and on the consideration of information provided by the management, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the Accounting principles generally accepted in India:
  - i) In the case of the consolidated Balance Sheet, of the state of the affairs of the Company as at 31<sup>st</sup> March 2009; and
  - ii) In the case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date; and
  - iii) In the case of Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

**For GUPTA GARG & AGRAWAL**  
Chartered Accountants

Place: Delhi  
Date: June 03, 2009

**(B.B GUPTA)**  
Partner  
Membership No. 012399

# IO SYSTEM LIMITED

## CONSOLIDATED BALANCE SHEET

### AS AT MARCH 31, 2009

Particulars	Schedules	As at 31-Mar-09 (Rs.)	As at 31-Mar-08 (Rs.)
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
Share Capital	1	169,000,000	169,000,000
Share Application Money		50,000,000	22,500,000
		<u>219,000,000</u>	<u>191,500,000</u>
<b>2. Loan Funds</b>			
Unsecured loans	2	79,149,597	50,477,951
		<u>79,149,597</u>	<u>50,477,951</u>
<b>TOTAL</b>		<u>298,149,597</u>	<u>241,977,951</u>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>	3		
Gross block		8,905,373	6,816,171
Less : Depreciation		(5,329,401)	(4,754,023)
Net block		<u>3,575,972</u>	<u>2,062,148</u>
<b>2. Deferred Tax Assets</b>		471,332	1,071,023
<b>3. Current Assets, Loans and Advances</b>			
(a) Inventories	4	30,956,212	32,349,076
(b) Sundry debtors	5	83,401,382	78,613,989
(c) Cash and bank balances	6	89,224,514	16,872,941
(d) Other Current Assets	7	4,603,378	2,216,997
(e) Loans and advances	8	26,087,652	18,245,081
		<u>234,273,138</u>	<u>148,298,084</u>
<b>Less : Current Liabilities &amp; Provisions</b>			
(a) Current Liabilities	9	131,164,628	108,660,204
(b) Provisions	10	3,790,997	1,808,426
		<u>134,955,625</u>	<u>110,468,630</u>
<b>Net Current Assets</b>		<u>99,317,513</u>	<u>37,829,454</u>
<b>4. Profit &amp; Loss Account</b>		194,784,780	201,015,326
<b>TOTAL</b>		<u>298,149,597</u>	<u>241,977,951</u>
Notes to Accounts	17		

The schedules referred to above and notes to accounts form an integral part of these Consolidated Balance Sheet and Profit & Loss Account.

As per our attached report of even date  
**For Gupta Garg & Agrawal**  
Chartered Accountants

**(B.B.Gupta)**  
Partner  
Membership No. 012399

**For and on behalf of the Board of Directors**

**Arun Seth**  
Manager & Chairman

**S.K.Gupta**  
Director

**R.C.Agarwal**  
Director

**Mamta Chawla**  
Company Secretary

Place : Noida  
Date : June 03, 2009

# IO SYSTEM LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

### FOR THE YEAR ENDED ON MARCH 31, 2009

Particulars	Schedules	For the year ended on 31-Mar-09 (Rs.)	For the year ended on 31-Mar-08 (Rs.)
<b>I. INCOME</b>			
Turnover (Gross)	11	332,103,251	197,093,070
Less: Excise duty		-	-
Turnover (Net)		332,103,251	197,093,070
Other Income	12	7,351,891	1,569,816
<b>TOTAL</b>		<b>339,455,142</b>	<b>198,662,886</b>
<b>II. EXPENDITURE</b>			
Purchase of finished goods		200,121,891	119,694,464
Purchase of service goods		-	-
Personnel expenses	13	44,110,397	30,663,214
Operating and other expenses	14	76,898,871	41,365,815
(Increase)/decrease in inventory	15	1,392,864	(6,572,309)
Depreciation	3	575,378	384,501
Financial expenses	16	7,034,722	6,461,794
<b>TOTAL</b>		<b>330,134,123</b>	<b>191,997,479</b>
<b>Profit/(Loss) from continuing operations before tax, extraordinary and prior period items</b>		<b>9,321,019</b>	<b>6,665,407</b>
Prior Period Expenses		-	(50,829)
<b>Profit/(Loss) from continuing operations before tax</b>		<b>9,321,019</b>	<b>6,614,578</b>
Provision for Income Tax (MAT)		(1,015,038)	(737,405)
Deferred Tax (Liability)/ Asset		(599,691)	1,071,023
Fringe Benefit Tax		(1,475,744)	(745,067)
Excess FBT Prov of earlier years written Back		-	4,483
<b>Profit/(Loss) from continuing operations after tax</b>		<b>6,230,546</b>	<b>6,207,612</b>
Provision for Impairment loss		-	-
<b>Profit/(Loss) from continuing operations after tax and extraordinary and prior period items</b>		<b>6,230,546</b>	<b>6,207,612</b>
<b>Net profit/(Loss)</b>		<b>6,230,546</b>	<b>6,207,612</b>
<b>Balance brought forward from previous year</b>		<b>(201,015,326)</b>	<b>(207,222,938)</b>
<b>Surplus/(Deficit) carried to Balance Sheet</b>		<b>(194,784,780)</b>	<b>(201,015,326)</b>
<b>Number of Shares outstanding during the year</b>		<b>16,900,000</b>	<b>16,900,000</b>
<b>Nominal value per share (Rs.)</b>		<b>10</b>	<b>10</b>
<b>Earnings/(loss) per share Basic and diluted</b>		<b>0.37</b>	<b>0.37</b>
<b>Notes to Accounts</b>	17		

The schedules referred to above and notes to accounts form an integral part of these Consolidated Balance Sheet and Profit & Loss Account.

As per our attached report of even date  
**For Gupta Garg & Agrawal**  
Chartered Accountants

**(B.B.Gupta)**  
Partner  
Membership No. 012399

**For and on behalf of the Board of Directors**

**Arun Seth**  
Manager & Chairman

**R.C.Agarwal**  
Director

**S.K.Gupta**  
Director

**Mamta Chawla**  
Company Secretary

Place : Noida  
Date : June 03, 2009

## IO SYSTEM LIMITED

STATEMENT OF CONSOLIDATED CASH FLOWS FOR  
THE YEAR ENDED ON MARCH 31, 2009

Particulars	For the year ended on 31-Mar-09 (Rs.)	For the year ended on 31-Mar-08 (Rs.)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) before taxation	9,321,019	6,617,023
Adjustment for:		
Depreciation	575,378	384,501
Interest Expenditure	6,523,276	6,187,728
Exchange fluctuation (not realized in cash)	-	-
Prov. not required	1,982,571	-
Interest Income	(2,551,068)	(133,324)
Prior Period Adj.	-	2,039
MAT	(1,015,038)	-
(Profit)/Loss on sale of fixed assets - net	-	-
Operating Profit/(Loss) before working capital changes	14,836,138	13,057,967
Adjustment for changes in :		
Inventories	1,392,864	(6,572,309)
Other Current Assets	(2,386,381)	(1,068,602)
Trade Receivables	(4,787,393)	(48,178,600)
Loans and advances	(7,842,571)	(4,457,670)
Current liabilities	22,504,424	55,899,192
Cash generated by operating activities	23,717,081	8,679,978
Less: Tax Paid	(1,475,744)	(745,067)
<b>NET CASH FLOW (USED IN )/ FROM OPERATING ACTIVITIES</b>	<b>(A)</b>	<b>7,934,911</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(2,089,202)	(475,954)
Purchase of Spicenet Shares	-	-
Sale of fixed assets	-	-
Interest received	2,551,068	133,324
<b>NET CASH FLOW (USED IN)/FROM INVESTING ACTIVITIES</b>	<b>(B)</b>	<b>(342,630)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Share Application money	27,500,000	22,500,000
Proceeds from short term loans - unsecured	28,671,646	(14,599,133)
Repayment of short term loans - secured	-	-
Interest paid	(6,523,276)	(6,187,728)
<b>NET CASH FLOW (USED IN) / FROM FINANCING ACTIVITIES</b>	<b>(C)</b>	<b>1,713,139</b>
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>	<b>(A+B+C)</b>	<b>9,305,420</b>
<b>CASH &amp; CASH EQUIVALENTS AS AT 1<sup>ST</sup> APRIL, 2008</b>		
Cash and current account balances with banks (excluding unpaid dividend account)	16,872,941	7,567,521
<b>CASH &amp; CASH EQUIVALENTS AS AT 31<sup>ST</sup> MARCH, 2009</b>		
Cash and current account balances with banks	89,224,514	16,872,941
Note: Previous year's figures have been re-grouped/re-cast, wherever necessary.		

As per our attached report of even date

**For Gupta Garg & Agrawal**

Chartered Accountants

**(B.B.Gupta)**

Partner

Membership No. 012399

For and on behalf of the Board of Directors

**Arun Seth**

Manager &amp; Chairman

**R.C.Agarwal**

Director

**S.K.Gupta**

Director

**Mamta Chawla**

Company Secretary

Place : Noida

Date : June 03, 2009

## IO SYSTEM LIMITED

Particulars	As at 31-Mar-09 (Rs.)	As at 31-Mar-08 (Rs.)
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised</b>		
20,000,000 equity shares of Rs.10/- each	200,000,000	200,000,000
500,000 preference shares of Rs.100/- each	50,000,000	50,000,000
<b>Issued, Subscribed and Paid up</b>		
16,900,000 equity shares of Rs.10/- each fully paid-up	169,000,000	169,000,000
	169,000,000	169,000,000
<b>SCHEDULE 2: UNSECURED LOANS</b>		
<b>From other bodies corporates:</b>		
External Commercial Borrowing	9,892,454	7,800,528
Interest accrued & due	4,737,814	3,561,547
Spice Enfotainment Ltd. (formerly Spicecorp Entertainment Ltd.)	13,800,000	39,115,876
Spice Mobiles Ltd.	50,719,329	-
	79,149,597	50,477,951

**SCHEDULE 3: FIXED ASSETS AS ON 31.03.2009**

Particulars	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	As at 01.04.2008	Additions during the year	Adjustments/ Sales during the year	As at 31.03.2009	Upto 01.04.2008	Provided for the year	Adjustments during the year	Upto 31.03.2009	As at 31.03.2009	As at 31.03.2008
Plant & Machinery	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	443,664	52,213	-	495,877	262,374	27,516	-	289,890	205,987	181,290
Office Equipments	2,394,379	-	-	2,394,379	1,552,052	113,732	-	1,665,784	728,595	842,327
Computers	2,686,960	2,036,989	-	4,723,949	1,648,429	434,130	-	2,082,559	2,641,390	1,038,531
Machines Agst. Lease	-	-	-	-	-	-	-	-	-	-
Machines Agst. Demo	1,287,306	-	-	1,287,306	1,287,306	-	-	1,287,306	-	-
Vehicles	-	-	-	-	-	-	-	-	-	-
Tools & Equipments	3,862	-	-	3,862	3,862	-	-	3,862	-	-
<b>TOTAL</b>	<b>6,816,171</b>	<b>2,089,202</b>	<b>-</b>	<b>8,905,373</b>	<b>4,754,023</b>	<b>575,378</b>	<b>-</b>	<b>5,329,401</b>	<b>3,575,972</b>	<b>2,062,148</b>
PREVIOUS YEAR	6,340,219	475,952	-	6,816,171	4,369,523	384,501	-	4,754,024	2,062,147	1,195,258

## IO SYSTEM LIMITED

Particulars	As at 31-Mar-09 (Rs.)	As at 31-Mar-08 (Rs.)
<b>SCHEDULE 4 : INVENTORIES</b>		
Service components and spares	21,241,534	29,103,734
Less : Provision for Spares	(10,484,248)	(10,484,248)
Finished and trading goods	20,198,926	13,729,590
Goods in transit	-	-
	<b>30,956,212</b>	<b>32,349,076</b>
<b>SCHEDULE 5: SUNDRY DEBTORS</b>		
Debts outstanding for a period exceeding six months		
Unsecured, considered good	7,447,523	14,374,499
Considered doubtful	12,065,264	12,065,264
Other debts (unsecured considered good)	77,367,548	66,072,260
	<b>96,880,335</b>	<b>92,512,023</b>
Less : Provision for doubtful debts	(13,478,953)	(13,898,034)
	<b>83,401,382</b>	<b>78,613,989</b>
<b>SCHEDULE 6: CASH AND BANK BALANCES</b>		
Cash and Cheques in hand	115,936	126,484
Balances with scheduled banks :		
On collection account	-	-
On current accounts	6,932,977	13,447,369
On Fixed Deposit Accounts	3,937,716	2,932,203
On margin money	78,237,885	366,885
	<b>89,224,514</b>	<b>16,872,941</b>
<b>SCHEDULE 7: OTHER CURRENT ASSETS</b>		
Interest accrued on Bank Deposit	983,431	154,970
Security Deposits	1,841,792	278,740
Metlife India Insurance Pvt. Ltd	512,429	512,429
Earnest Money Deposit	1,265,726	1,270,858
	<b>4,603,378</b>	<b>2,216,997</b>
<b>SCHEDULE 8: LOANS &amp; ADVANCES</b>		
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received (including Rs. 1,099,778/- considered doubtful, Previous year Rs. 1,099,778/-)	7,554,816	9,532,605
Balance with excise and custom authorities	4,252,624	441,407
AMC Recoverable	6,369,532	6,156,304
Tax deducted at source	8,117,797	2,115,783
Security and other deposits (including Rs. 2,003,937/- considered doubtful, Previous year Rs. 1,999,637/-)	2,114,611	2,114,611
Other Recoverable	-	266,537
Prepaid Expenses	781,987	721,549
Less : Provision for doubtful advances	(3,103,715)	(3,103,715)
	<b>26,087,652</b>	<b>18,245,081</b>

## IO SYSTEM LIMITED

Particulars	As at 31-Mar-09 (Rs.)	As at 31-Mar-08 (Rs.)
<b>SCHEDULE 9: CURRENT LIABILITIES</b>		
Sundry Creditors for Goods and Expenses due to others	83,791,318	66,167,123
Advances from customers	19,547,850	16,941,496
Unexpired maintenance / service contracts	7,999,764	6,139,805
Other liabilities	19,825,696	19,411,780
	<u>131,164,628</u>	<u>108,660,204</u>
<b>SCHEDULE 10: PROVISIONS</b>		
Provision for Income Tax	1,752,443	737,405
Provision for leave encashment	1,024,841	550,319
Provision for gratuity	1,013,713	520,702
	<u>3,790,997</u>	<u>1,808,426</u>
<b>SCHEDULE 11: TURNOVER</b>		
Sales of manufactured goods	-	-
Sales of trading goods	254,871,439	130,527,579
Annual maintenance / service revenue	77,231,812	66,565,491
	<u>332,103,251</u>	<u>197,093,070</u>
<b>SCHEDULE 12: OTHER INCOME</b>		
Interest		
Bank deposits (Tax deducted at source Rs. 30,516/- Previous year Rs. 43,781/-)	2,551,068	133,324
Miscellaneous income	-	56,000
Commission Received	1,459,651	-
Profit on Sale of Fixed Assets	-	-
Credit balances / provisions not required, written back	3,276,061	1,380,492
Bad debts recovered	20,000	-
Insurance claim received	45,111	-
	<u>7,351,891</u>	<u>1,569,816</u>
<b>SCHEDULE 13: PERSONAL EXPENSES</b>		
Salaries, wages and bonus	37,957,854	25,822,192
Contribution to provident fund	2,813,568	1,321,529
Contribution to gratuity	-	-
Contract Wages & Security	1,776,106	1,921,807
Workmen and staff welfare expenses	1,413,060	1,300,965
Recruitment expenses	149,809	296,721
	<u>44,110,397</u>	<u>30,663,214</u>

## IO SYSTEM LIMITED

Particulars	For the year ended on 31-Mar-09 (Rs.)	For the year ended on 31-Mar-08 (Rs.)
<b>SCHEDULE 14: OPERATING AND OTHER EXPENSES</b>		
Entertainment expenses	-	-
Stores and consumables	5,347,200	755,351
Power and fuel	1,361,677	697,276
Repair and maintenance	3,038,286	1,825,798
Transportation	2,936,330	1,790,658
Rent	4,092,632	3,235,312
Travel and conveyance	11,916,881	8,068,718
Advertisement & publicity	41,630	27,240
Communication costs	4,396,536	3,496,582
Software purchase	-	43,260
Printing & stationary	1,022,001	868,726
Auditors' remuneration		
- Audit fee	174,120	174,944
- Certification	67,224	80,338
Directors' sitting fee	75,000	85,000
Insurance (net)	225,166	373,596
Filing fee	57,180	42,664
Festival expenses	-	6,750
General meeting expenses	11,360	23,410
Legal and professional expenses	25,050,691	17,897,803
Rates and taxes (net of recovery)	743,874	179,184
Customer service expenses		
-Fee to Authorized Service Agents	847,531	3,400,125
Foreign exchange rate fluctuation loss/(gain)	12,201,777	(2,673,600)
Provision for doubtful debts and advances	64,061	432,335
Sundry debtors written off	2,162,440	-
Gift & presentation	721,241	199,682
Miscellaneous expenses	344,033	334,663
	<b>76,898,871</b>	<b>41,365,815</b>

## IO SYSTEM LIMITED

Particulars	For the year ended on 31-Mar-09 (Rs.)	For the year ended on 31-Mar-08 (Rs.)
<b>SCHEDULE 15: (INCREASE)/DECREASE IN INVENTORIES</b>		
Inventories as at April 01, 2008		
Finished and trading goods	13,729,590	13,212,111
Service components and spares	18,619,486	12,564,656
Goods in transit	-	-
	<u>32,349,076</u>	<u>25,776,767</u>
Less: Inventories as at March 31, 2009		
Finished and trading goods	20,198,926	13,729,590
Service components and spares	10,757,286	18,619,486
	<u>30,956,212</u>	<u>32,349,076</u>
	<u>1,392,864</u>	<u>(6,572,309)</u>
<b>Schedule 16: Financial Expenses</b>		
Interest to :		
-ECB & other Loans	6,523,276	6,187,728
Bank charges	511,446	274,066
	<u>7,034,722</u>	<u>6,461,794</u>

# IO SYSTEM LIMITED

## SCHEDULE -17

### NOTES TO CONSOLIDATED ACCOUNTS

#### 1. Background

The Consolidated financial statements relate to the IO System Limited (hereinafter referred to as the "Company"), and its subsidiary Bharat IT Services Limited (hereinafter referred to as "the subsidiary"). Both the Companies are in the business of trading, installation/ erection and maintenance & servicing of office automation equipments. However, the operations in IO System Ltd. (Holding Co.) have been practically 'nil', due to continued losses for the past several years. In view of continuous losses and insignificant business activities, the concept of going concern has been severely affected in the case of Holding Co..

The name of the Subsidiary has been changed from Spice Net Limited to Bharat IT Services Limited with effect from June 27, 2008.

#### 2. Statement of Significant Accounting Policies

##### a) Basis of Preparation

The consolidated financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Government of India under the Companies (Accounting Standard) Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention, on the concept of a going concern under accrual system of accounting.

##### b) Basis of Consolidation

The Consolidated Financial Statements are prepared in accordance with the applicable Accounting Standards on the following basis:

- i) Subsidiary company is consolidated on a line-by-line basis by adding together the book values of the like items of assets, liabilities, income and expenses, after eliminating all significant intra-group balances and intra-group transactions and also unrealised profits or losses, except where cost cannot be recovered.
- ii) The excess of the cost to the Company of its investment in Subsidiary over its proportionate share in the equity of the investee company as at the date of acquisition of stake is recognized in the financial statements as Goodwill. In case the cost of investment in a subsidiary is less than the proportionate share in the equity of the investee as at the date of investment, the difference is treated as Capital Reserve.
- iii) Minorities' interest in net profit of consolidated Subsidiary for the period is identified and adjusted against the income in order to arrive at the net income attributable to the shareholders of the Company. Minorities' share of net assets is identified and presented in the Consolidated Balance Sheet separately. Where accumulated losses attributable to the minorities are in excess of their equity, in the absence of the contractual obligation on the minorities, the same is accounted for by the holding company.
- iv) As far as possible, the Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements. Differences in accounting policies are disclosed separately.
- v) The financial statements of the subsidiary are drawn up to the same reporting date as that of the parent entity i.e. the year ended March 31, 2009.

##### c) Revenue Recognition

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

##### Sale of Goods

Sales are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, on delivery of the goods as per the terms of the contract, although the goods may be pending installation at the customer's site in some of the cases, the nature of installation being simple. Sales are recorded at invoice value, net of excise, sales tax and trade discount.

##### Revenue from Service Maintenance Contracts

Revenues from service maintenance contracts are recognised pro-rata over the period of such contracts.

**d) Fixed Assets**

Fixed assets are stated at cost, less accumulated depreciation. Cost comprises the purchase price plus attributable cost of bringing the asset to its working condition for its intended use.

**e) Impairment of Assets**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors, an impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount.

**f) Depreciation**

Depreciation on fixed assets is provided on straight line method at the rates prescribed in Schedule XIV to the Companies Act, 1956, except demonstration machines and machines for rental and lease where it is provided on Straight Line Method over an estimated economic useful life of six years.

All individual assets costing Rs.5,000/- or less are depreciated in full in the year of addition.

**g) Investments**

Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

**h) Inventories**
**In the case of IO System Ltd.**

Inventories of trading goods, finished goods, service components and spares are taken by the management and valued at lower of cost or net realizable value. The cost is determined on First In First Out basis. Inventories are stated net of write down or allowances on account of obsolescence, damaged, or slow moving items. The realizability of the inventories carried is being assessed by the management afresh and necessary provisions, if any, required will be carried out in the current financial year.

**In the case of Bharat IT Services Ltd.**

Inventories are valued as follows:

- |  |  |
|--|--|
| i) Service components, Spares and Trading goods. | Lower of weighted average cost or net realisable value, cost includes excise duty. |
| ii) Printers                                     | At cost on FIFO basis.   |

**i) Foreign Currency Transactions**

Foreign currency transactions are recorded by applying exchange rate at the dates of transactions. The foreign currency monetary assets and liabilities and outstanding foreign currency liabilities relating to non-monetary items are re-instated at exchange rates prevailing at the balance sheet date. Exchange gains or losses, arising out of fluctuations in the exchange rates, on settlement during the year/ reinstatement at the year end, are recognized in the Profit & Loss A/c.

**j) Retirement and other employee benefits**

- Provision for leave encashment is accrued and provided for on the basis of an actuarial valuation made at the end of each financial year in the case of Bharat IT Services Ltd. However, in the case of IO System Ltd., the liability has been provided on the basis of leave accrued and accumulated to each employee.
- Gratuity liability under the Payment of Gratuity Act is accounted for on the basis of an actuarial valuation made at the end of each financial year in the case of Bharat IT Services Ltd. In the case of IO System Ltd, no provision has been made as no employee has put in the qualifying period of service for entitlement of gratuity under the provisions of Payment of Gratuity Act.
- The information relating to subsidiary regarding leave encashment and gratuity liability on the date of balance sheet i.e. on 31.03.09 is as under:

**I. Actuarial Assumptions:**

Particulars	Amount in Rupees			
	Gratuity		Leave Encashment	
	2008-09	2007-08	2008-09	2007-08
Discount Rate (Per Annum)	7.00%	8.00%	7.00%	8.00%
Rate of Increase in Compensation Levels	5.00%	5.50%	5.00%	5.50%
Expected Rate of Return on Plan Assets	N.A.	N.A.	N.A.	N.A.
Expected Average remaining working lives of employees (years).	21.14	23.31	21.14	23.31

## II. Changes in Present Value of Obligations:

Particulars	Gratuity		Leave Encashment	
	2008-09	2007-08	2008-09	2007-08
Present Value of Obligations as at the beginning of the year	520,702	337,269	541,666	439,997
Acquisition Adjustments	Nil	Nil	Nil	Nil
Interest Cost	36,449	27,084	37,917	35,296
Past Service Cost	Nil	Nil	Nil	Nil
Current Service Cost	407,552	233,249	390,605	261,683
Curtailment Cost / (Credit)	Nil	Nil	Nil	Nil
Settlement Cost / (Credit)	Nil	Nil	Nil	Nil
Benefits paid	Nil	Nil	(106,480)	(276,511)
Actuarial (gain)/ loss on obligations	49,010	(77,260)	121,173	81,201
Present Value of obligations as at the end of the year	1,013,713	520,702	984,881	541,666

## III. Changes in Fair Value of Plan Assets:

Particulars	Gratuity		Leave Encashment	
	2008-09	2007-08	2008-09	2007-08
Fair value of Plan Assets at the beginning of the year	621,423	641,981	Nil	Nil
Acquisition Adjustments	Nil	Nil	Nil	Nil
Actual Return on Plan Assets	(51,609)	(20,558)	N.A.	N.A.
Contributions	Nil	Nil	Nil	Nil
Benefits Paid	Nil	Nil	Nil	Nil
Fair value of Plan Assets at the end of the year	569,814	621,423	Nil	Nil

## IV. Actuarial Gain/Loss - Plan Assets:

Particulars	Gratuity		Leave Encashment	
	2008-09	2007-08	2008-09	2007-08
Actual return on Plan Assets	(51,609)	(20,558)	Nil	Nil
Expected return on Plan Assets	Nil	Nil	Nil	Nil
Excess of actual over estimated return on Plan Assets	(51,609)	(20,558)	Nil	Nil
Actuarial (gain) /Loss - Plan Assets	(51,609)	(20,558)	Nil	Nil

## V. Actuarial Gain/Loss Recognized:

Particulars	Gratuity		Leave Encashment	
	2008-09	2007-08	2008-09	2007-08
Actuarial gain/(loss) for the year - Obligation	49,010	(77,260)	121,173	81,201
Actuarial gain/(loss) for the year - Plan Assets	(51,609)	(20,558)	Nil	Nil
Total (gain) / loss for the year	(2,599)	(97,818)	121,173	81,201
Actuarial gain/(loss) recognized in the year	(2,599)	(97,818)	12,173	81,201
Unrecognized actuarial (gains)/ losses at the end of year	Nil	Nil	Nil	Nil

## VI. Experience Adjustment :

Particulars	Gratuity		Leave Encashment	
	2008-09	2007-08	2008-09	2007-08
Experience Adjustment Loss/(Gain)-Plan	Nil	Nil	Nil	Nil
Experience Adjustment Loss/(Gain)-Obligations	19,981	Nil	93,400	Nil

## VI. Amount to be recognized in Balance Sheet and Statements of Profit and Loss:

Particulars	Gratuity		Leave Encashment	
	2008-09	2007-08	2008-09	2007-08
Present Value of Obligation as at the end of the year	1,013,713	520,702	984,881	541,666
Fair Value of Plan Assets as at end of the year	569,814	621,423	Nil	Nil
Funded Status	(443,899)	100,721	(984,881)	(541,666)
Unrecognized Actuarial (gain)/(loss)	Nil	Nil	Nil	Nil
Net Asset / (Liability) Recognized in Balance Sheet	(443,899)	100,721	(984,881)	(541,666)

**VII. Expense recognized in the Statement of Profit and Loss:**

Particulars	Gratuity		Leave Encashment	
	2008-09	2007-08	2008-09	2007-08
Current Service Cost	407,552	233,249	390,605	261,683
Past Service Cost	Nil	Nil	Nil	Nil
Interest Cost	36,449	27,084	37,917	35,296
Expected Return on Plan Assets	Nil	Nil	Nil	Nil
Curtailment Cost /(Credit)	Nil	Nil	Nil	Nil
Settlement Cost /(Credit)	Nil	Nil	Nil	Nil
Net actuarial (gain)/loss recognized in the year	49,010	(97,818)	121,173	81,201
Expenses recognized in the Statement of Profit & Loss	493,011	162,515	549,695	378,180

**k) Income Taxes**

Tax expense comprises both current and deferred taxes. Current income- tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are recognised on carry forward unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits.

**l) Segment Reporting Policies**

Segment wise reporting as defined in Accounting Standard - 17 is not applicable, since the entire operations of the Company and subsidiary relate to one segment i.e. Office Automation Equipments.

**m) Earning per Share**

Basic earning per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The Company and subsidiary have not issued any potential equity shares, and accordingly, the basic earnings/(loss) per share and diluted earning/(loss) per share is the same.

**n) Provisions**

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

3. The IO System Ltd. Is the subsidiary of Spice Entertainment Ltd. consequent upon acquisition of 81,50,000 Equity Shares of the company on 31.03.2007.
4. a) Consequent upon acquisition of 1,004,699 shares of Bharat IT Services Limited by IO System Limited with effect from October 1, 2005, the Bharat IT Services Limited has become its subsidiary. Accordingly, the accompanying consolidated financial statements contain a line-by-line item consolidation of the income statement of subsidiary for the year under consolidation.  
  
Bharat IT Services Ltd. ceased to be the subsidiary of the company w.e.f. 12.05.2009 due to change in the share holding pattern of the company.
- b) In the absence of any contractual obligation on the part of the minority to make good the losses, the excess of the share of minority Interest in accumulated losses over the net worth as on October 1, 2005 aggregating Rs 15,757,696/- has been borne by the holding Company. The said amount is included in computation of Goodwill. As there was no recoverable amount of such goodwill, therefore impairment loss on account of goodwill was fully provided in the accounts for the period ended 31.03.2006.
5. Contingent Liabilities (excluding interest, wherever applicable) not provided for in respect of:
  - i) Outstanding Counter Bank Guarantees amounting to Rs. 682,700/- (Previous year Rs. 682,700/-)
  - ii) Counter Guarantee given to the Bank against Guarantee given by the Bank Rs. 3,407,895/- (Previous year Rs. 2,932,203/-)
  - iii) Claims against the company not acknowledged as debts:  
Excise matters Rs 3,987,122/- (Previous year Rs 6,049,153/-)

- Others - aggregating Rs 1,246,664/- (Previous year Rs 1,246,664/-).
- iv) Demands against Sales Tax matters (Including demands in respect of non submission of Statutory Sales Tax declaration forms Rs 20,320,094/- (Previous year Rs 31,316,917/-)
- v) To ex- landlord for non-payment of agreed compensation Rs. 250,000/- (Previous year Rs. 250,000/-)
- vi) To Income Tax Department for Rs. 4,745,000/- towards penalties imposed against which company is in appeal.
6. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. Nil (Previous year Rs. Nil).
7. The accounting year of the Holding and Subsidiary ends on the same date i.e. 31.03.2009, the tax provision for the year has been made on the basis of actual working results. In view of book profits in Bharat IT Services Ltd, provision of Rs.1,018,510/- has been made on account of income Tax. As there are losses and unabsorbed depreciation in the company, no provision has been made for income tax. Further, in view of uncertainty of future profits in the Holding Company, deferred tax asset (DTA) of Rs.161.60/- Lacs on accumulated losses, unabsorbed depreciation, provision for doubtful debts etc. and deferred tax liability Rs.0.12/- lacs on account of timing difference, have not been recognized in the books of account. The Subsidiary company has made profits in the current as well as previous years; therefore the DTA has been recognized in the books of account. Necessary provision has been made on account of FBT.
8. During the year, the Company entered into transactions with the following related parties. The balances of these related parties as at March 31, 2009 and the aggregate of the transactions for the year then ended are presented herein below:

**List of related parties (As certified by the management)**

Relation	Name of the Related Party
Holding Company	: Spice Enfortainment Limited (formerly Spicecorp Entertainment Limited)
Substantially Interested	: Spice Mobiles Limited
Subsidiary Company	: Bharat IT Services Limited (formerly Spice Net Limited)
Common Director	: First Choice Enterprises Pvt. Ltd.
Key Management Personnel (KMP)	: Mr. Arun Seth - Chairman, Manager & CEO RVS Minhas-Chief Operating Officer MV Rama Kanth-Company Secretary.

Figures in Rs.

Particulars	Year	Spice Enfortainment Limited	Key Management Personnel			First Choice Enterprises Pvt. Ltd.	Spice Mobiles Limited	Total
		Holding Company	Arun Seth	RVS Minhas	MV Ramakanth	Substantially Interested	Substantially Interested	
Purchase of finished goods, consumables and Fixed Assets	Mar'09	-	-	-	-	-	36,498,043	36,498,043
	Mar'08	-	-	-	-	-	92,047,866	92,047,866
Sale of finished goods, consumables and Fixed Assets	Mar'09	253,020	-	-	-	-	760,586	1,013,606
	Mar'08	-	-	-	-	-	20,353	20,353
Warranty Income	Mar'09	-	-	-	-	-	6,550,693	6,550,693
	Mar'08	-	-	-	-	-	11,064,166	11,064,166
Expenses	Mar'09	-	-	-	-	1,100	355,000	356,100
	Mar'08	-	-	-	-	1,100	2,107,903	2,109,003
Travelling & Other Exp.	Mar'09	-	253,201	49,047	-	-	-	302,248
	Mar'08	-	-	42,134	-	-	-	42,134
Managerial Remuneration	Mar'09	-	4,496,879	1,314,217	1,117,637	-	-	6,928,733
	Mar'08	-	-	1,414,524	1,245,246	-	-	2,659,770
Loan taken during the year	Mar'09	2,500,000	-	-	-	-	53,100,000	55,600,000
	Mar'08	3,300,000	-	-	-	-	-	3,300,000
Loan repaid during the year	Mar'09	27,815,876	-	-	-	-	6,099,856	33,915,732
	Mar'08	18,800,000	-	-	-	-	-	18,800,000
Interest Paid / Payable	Mar'09	1,493,259	-	-	-	-	4,808,877	6,302,136
	Mar'08	5,944,536	-	-	-	-	-	5,944,536
<b>Outstanding Balance at the year end.</b>								
Payable	Mar'09	-	-	-	-	1,100	-	1,100
	Mar'08	-	-	-	-	1,100	47,229,531	47,230,631
Loan Payable (including accrued interest)	Mar'09	14,114,275	-	-	-	-	50,719,329	64,833,604
	Mar'08	39,365,644	-	-	-	-	-	39,365,644

**BHARAT IT SERVICES LIMITED**

Regd. Office: - 60D, Sainik Farms, New Delhi - 110062

**DIRECTORS' REPORT**

The Board of Directors of your Company has pleasure in presenting 12<sup>th</sup> Annual Report together with the audited Statement of Accounts of the Company for the financial year ended on March 31, 2009.

**FINANCIAL RESULTS**

<b>Particulars</b>	<b>(Rs. In Lacs)</b>	
	<b>Year ended March 31, 2009</b>	<b>Year ended March 31, 2008</b>
Sales and other Income (Net of Excise Duty)	3394.14	1999.25
Profit / (Loss) before Depreciation & Interest	187.98	149.36
Less: Depreciation	4.35	1.91
Interest	55.05	53.05
Profit / (Loss) for the year before Taxation	128.58	94.40
Profit / (Loss) for the year after Taxation	97.68	90.37
Balance brought forward from previous year	(489.20)	(579.55)
Profit / (Loss) at the end of the year	(391.52)	(489.20)

**OPERATING RESULTS**

The performance of the Company is improving steadily. During the period under review, the total turnover (sales and other income) of the Company was Rs. 3394.14 Lac against last year's sales and other Income of 1999.25 Lacs in total, in absolute terms. Bharat IT Services Limited has achieved improved performance by investing in a highly skilled and motivated task force inculcating an enthusiastic and customer-oriented approach towards seeking solutions which resulted in the increase in profit of Rs. 97.68 Lacs as against a profit of Rs. 90.37 lacs during the previous financial year.

**DIVIDEND**

As the company is in the stage of recovery of losses during the period, no dividend has been recommended.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts for the period ended on March 31, 2009, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the period and of the profit or loss of the Company for the period under review.
- (iii) that 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;
- (iv) that the Directors have prepared the annual accounts for the period ended March 31, 2009 on a 'going concern' basis.

**DIRECTORS**

No change in composition of Board of Directors during the period under review.

Mr. R K Gupta is liable to retire by rotation at the forthcoming Annual General Meeting as per Section 255 and 256 of the Companies Act, 1956, and being eligible offer himself for reappointment.

**SHARE CAPITAL**

During the period under review, there is no change in the Share Capital of the Company.

**AUDITORS' REPORT**

The observations made in the Auditors' Report and Notes on Accounts are self- explanatory.

**FIXED DEPOSITS**

Your Company has not accepted any fixed deposit during the period under review within the meaning of Section 58-A of the Companies Act, 1956, read with the Companies (Acceptance of Deposits) Rules, 1975.

**AUDITORS**

M/s Gupta Garg & Agarwal, Chartered Accountants, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

**PERSONNEL**

The details of employees covered under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 are detailed in Annexure 'A'.

**HOLDING COMPANY**

During the period under review, the Company continues to remain subsidiary of IO System Limited.

Pursuant to approval accorded by shareholders in the Extra-ordinary General Meeting held on 13<sup>th</sup> April 2009 for preferential allotment, the Board of Directors in their meeting held on 12<sup>th</sup> May 2009, has approved allotment of 27,50,000 equity shares to Spice Enfotainment Ltd. Consequently, the company becomes the subsidiary of Spice Enfotainment Ltd. and ceased to be subsidiary of IO System Ltd.

**STATUTORY DISCLOSURES**

During the period under review, the Company has earned Rs. 4,986,723/- in foreign exchange and used foreign exchange amounting to Rs. 132,887,909/-. The other disclosures as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 in respect of Conservation of Energy & Technology Absorption are not applicable to the Company.

**ACKNOWLEDGEMENT**

Your Directors wish to express deep sense of gratitude for the valuable support and co-operation of the Company's Bankers, Government agencies, Customers, Suppliers, Management team, work force and would also like to place on record sincere appreciation for the total commitment, dedication and hard work put in by every member of the Company.

**For and on Behalf of the Board of Directors  
For Bharat IT Services Limited**

Place : Delhi

Date : July 15, 2009

Director

Director

## Annexure 'A'

Particulars of employees, as per Section 217(2A) of Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 and forming part of Director's Report for year ended on 31<sup>st</sup> March 2009

Name	Gross Remuneration (In Rs.)	Designation	Qualification	Age	Total Experience	Date of joining and date of leaving	Last Employment and Designation
Arun Seth	4,496,879	CEO	B.A., Diploma in Marketing Management	54 Years	35 Years	01.04.2008 and 31.08.2008	Spice Mobiles Ltd. Director & CEO (IT Business)

## **AUDITORS' REPORT**

To the Shareholders,  
BHARAT IT SERVICES LIMITED

1. We have audited the attached Balance Sheet of BHARAT IT SERVICES LIMITED, as at 31<sup>st</sup> March 2009, the Profit and Loss Account of the Company and Cash Flow Statement, both for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In accordance with the provisions of Section 227 of the Companies Act, 1956, we report as under:
  - (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 accounts as required by law have been kept by the Company so far as appears from our examination of the books;
  - (c) The Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by the report are in agreement with the books of account;
  - (d) In our opinion, the Profit & Loss Account, the Cash Flow Statement and the Balance Sheet comply with the Accounting Standards referred to in Sub-Section 3C of Section 211 of the Companies Act, 1956;
  - (e) On the basis of written representations received from the Directors of the Company as at 31<sup>st</sup> March, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2009 from being appointed as Director of the Company under clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes to the Accounts in Schedule-17, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) In the case of the Balance Sheet, of the state of the affairs of the Company as at 31<sup>st</sup> March 2009;
    - ii) In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.
4. As required by the Companies (Auditor's Report) Order 2003, (as amended) issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate, we give below our comments in seriatim on the matters specified in paragraphs 4 & 5 of the said order:
  - (i)
    - (a) We have been informed that the company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
    - (b) The management has carried out physical stock verification of assets at the end of the year. No discrepancy worth reporting, noticed on such verification.
    - (c) During the year under report, the company has not disposed of any of its fixed assets.
  - (ii)
    - (a) The physical verification of inventory was carried out at the year-end by the management.
    - (b) The procedures followed by the management were reasonable.
    - (c) The company is maintaining proper records of inventory. Discrepancies noticed on verification, which are not significant in nature, have been properly dealt with in the books of account.

- (iii) (a) As Informed, the company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause (iii) (b) (c) and (d) of the Companies (Auditor's Report) Order 2003 (as amended) are not applicable.
- (b) The company had not taken any loans, secured or unsecured loan from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 and as such there are no comments on sub- clause (f) and (g) of Companies (Auditor's Report) Order 2003 (as amended).
- (iv) The company has adequate internal control procedures in commensuration with its size and nature of business in regard to purchase of inventory and fixed assets and for sale of goods.
- (v) (a) According to the information and explanations provided by the management, the company has not entered into any contracts or arrangements referred to in Section 301 of the Companies Act 1956, that need to be entered in the register maintained under Section 301 of Companies Act, 1956.
- (b) In view of the clause (a) above, the sub-clause is not applicable.
- (vi) The clause is not applicable, as the company has not accepted any deposits from the public.
- (vii) The Internal Audit was once carried out at the end of the financial year, which commensurate with the size and the nature of business of the company.
- (viii) The Central Govt. has not prescribed the maintenance of the cost records.
- (ix) (a) The company has generally been regular except minor delays in one or two cases in depositing undisputed statutory dues including PF, ESI, Income Tax, Sales Tax, Service Tax, Excise Duty, Education Cess and Investor Education Fund etc with the appropriate authorities.
- (b) According to the information and explanation provided by the management, there are no disputed cases of Sales Tax/ Income Tax/Custom Duty/Excise Duty, pending with any authority and as such the information is Nil.
- (x) The net worth of the company (paid-up capital + free reserve), which is Rs. 200.50 lacs, has been completely eroded as the accumulated losses are Rs.391.82 lacs as on 31<sup>st</sup> March 2009. The company has earned a cash profits of Rs. 132.60 lacs in the financial year ended on 31.03.2009 as against Rs.100.30 Lacs in the immediate preceeding year.
- (xi) The company has not defaulted in repayment of dues to any Financial Institution, Bank or debenture-holder.
- (xii) The company has not granted any loans or advances against security by way of pledge of shares, debentures or other securities.
- (xiii) The clause is not applicable, as the company is not a nidhi/ mutual benefit fund/ society.
- (xiv) The clause is not applicable, as the company is not trading in shares.
- (xv) The company has not given any guarantees on behalf of others for raising loans from Banks/ Financial Institutions.
- (xvi) During the year under report, the company has not obtained any term loan.
- (xvii) During the year under report, the company has neither raised nor utilized any long-term loan.
- (xviii) During the year under report, the company has not made any preferential allotment of its shares.
- (xix) During the year under report, the company has not issued any debentures.
- (xx) During the year under report, the company has not raised any money by way of public issue.
- (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 audit.

**For GUPTA GARG & AGRAWAL**  
Chartered Accountants

(B.B GUPTA)  
Partner  
M.No. 012399

Place : Delhi  
Date : April 30, 2009

**BHARAT IT SERVICES LIMITED****BALANCE SHEET AS AT MARCH 31, 2009**

Particulars	Schedules	As at 31-Mar-09 (Rs.)	As at 31-Mar-08 (Rs.)
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Fund :</b>			
Share Capital	1	20,050,000	20,050,000
Share Application money		50,000,000	22,500,000
<b>2. Loan Funds</b>			
Unsecured Loans	2	65,349,597	39,177,951
<b>Total</b>		<b>135,399,597</b>	<b>81,727,951</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>	<b>3</b>		
Gross Block		3,435,172	1,345,970
Less : Depreciation		739,875	304,762
<b>Net Block</b>		<b>2,695,297</b>	<b>1,041,208</b>
<b>2. Deferred Tax Assets</b>		<b>471,332</b>	<b>1,071,023</b>
<b>3. Current Assets, Loans &amp; Advances</b>			
Current Asset :			
(a) Inventories	4	27,146,669	28,537,908
(b) Sundry Debtors	5	83,401,382	79,436,641
(c) Cash & Bank Balances	6	88,502,797	16,006,932
(d) Other Current Assets	7	4,603,378	2,216,997
(e) Loans & Advances	8	21,005,945	12,095,496
		<b>224,660,171</b>	<b>138,293,974</b>
<b>Less : Current Liabilities &amp; Provisions</b>			
(a) Current Liabilities	9	127,824,269	105,798,455
(b) Provisions	10	3,754,509	1,799,773
		<b>131,578,778</b>	<b>107,598,228</b>
<b>Net Current Assets</b>		<b>93,081,393</b>	<b>30,695,746</b>
<b>4. Profit and Loss Account</b>		<b>39,151,575</b>	<b>48,919,974</b>
<b>Total</b>		<b>135,399,597</b>	<b>81,727,951</b>
Notes to Accounts	17		

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet and Profit & Loss A/c

In terms of our Report of Even date  
**For Gupta Garg & Agrawal**  
Chartered Accountants

**(B.B.Gupta)**  
Partner  
Membership No. 012399

**For and behalf of the Board of Directors**

**R. K. Gupta**  
Director

**S. K. Gupta**  
Director

**M.V. Rama Kanth**  
Company Secretary

Place : New Delhi  
Date : April 30, 2009

**BHARAT IT SERVICES LIMITED****PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED MARCH 31, 2009**

Particulars	Schedules	Year ended 31-Mar-09 (Rs.)	Year ended 31-Mar-08 (Rs.)
<b>I. INCOME</b>			
Turnover	11	332,103,251	197,079,061
Other Income	12	7,310,490	172,594
<b>TOTAL</b>		<b>339,413,741</b>	<b>197,251,655</b>
<b>II. EXPENDITURE</b>			
Purchases of Finished Goods		203,696,683	119,734,708
Personnel Expenses	13	43,539,045	30,263,909
Operating & Other Expenses	14	71,988,955	40,141,696
(Increase)/Decrease in Inventories	15	1,391,239	(7,824,251)
Depreciation	3	435,113	191,182
Financial Expenses	16	5,504,576	5,304,876
<b>TOTAL</b>		<b>326,555,611</b>	<b>187,812,119</b>
Net Profit / (Loss) Before Tax		12,858,130	9,439,535
Less: Provision for Income Tax		1,018,510	737,405
Deferred Tax Assets/Liability		599,691	(1,071,023)
Fringe Benefit Tax		1,471,530	740,658
Add:- Excess FBT Liability of Earlier Year W. Back		-	4,483
<b>Net Profit / (Loss) After Tax</b>		<b>9,768,399</b>	<b>9,036,978</b>
Prior Period Expenses		-	2,444
Balance B/F from previous years		(48,919,974)	(57,954,509)
<b>Surplus / (Deficit) carried to Balance Sheet</b>		<b>(39,151,575)</b>	<b>(48,919,975)</b>
Number of shares outstanding during the year		2,005,000	2,005,000
Nominal value per share (Rs.)		10	10
Earning/(Loss) per share Basic & Diluted		4.87	4.51
Notes to Account	17		

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet and Profit & Loss A/c.

In terms of our Report of Even date  
**For Gupta Garg & Agrawal**  
Chartered Accountants  
**(B.B.Gupta)**  
Partner  
Membership No. 012399

**For and behalf of the Board of Directors**

**R. K. Gupta**  
Director

**S. K. Gupta**  
Director

**M.V. Rama Kanth**  
Company Secretary

Place : New Delhi  
Date : April 30, 2009

# BHARAT IT SERVICES LIMITED

## STATEMENT OF CASH FLOW FOR PERIOD ENDED ON MARCH 31, 2009

(ALL AMOUNTS IN RUPEES)

Particulars	Year ended on 31-Mar-09 (Rs.)	Year ended on 31-Mar-08 (Rs.)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before tax	12,858,130	9,439,536
Adjustment for :		
Depreciation	435,113	191,182
Interest expenditure	5,504,576	5,039,646
Interest income	(2,529,667)	(116,594)
Prior period adjustment	-	2,039
Provision for tax	(2,490,040)	-
<b>Operating profit before working capital changes</b>	<b>13,778,112</b>	<b>14,555,809</b>
Adjustment for changes in:		
Trade receivables	(3,964,741)	(48,489,133)
Inventories	1,391,239	(7,824,251)
Loans and advances	(4,910,449)	(4,454,549)
Other current assets	(2,386,381)	(1,068,602)
Current liabilities	25,452,080	57,890,327
Cash generated/(used) in operations	<b>29,359,860</b>	<b>10,609,601</b>
Direct taxes paid	(5,471,530)	(740,658)
<b>Net cash from/ (used in) operating activities (A)</b>	<b>23,888,330</b>	<b>9,868,943</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(2,089,202)	(456,952)
Interest received	2,529,667	116,594
<b>Net cash from/ (used in) investing activities (B)</b>	<b>440,466</b>	<b>(340,358)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of share capital ( Share Application Money)	27,500,000	22,500,000
Net (repayments)/proceeds of borrowings from bodies corporate	26,171,646	(17,899,133)
Interest paid	(5,504,576)	(5,039,646)
<b>Net cash from / (Used in) financing activities (C)</b>	<b>48,167,070</b>	<b>(438,779)</b>
<b>Net increase in cash and cash equivalents (A + B + C)</b>	<b>72,495,866</b>	<b>9,089,806</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>16,006,932</b>	<b>6,917,127</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>88,502,798</b>	<b>16,006,932</b>

Note:

- The Cash Flow Statement has been prepared under the Indirect method as set out in Accounting Standard-3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
- Previous year figures have been regrouped/reclassified wherever considered necessary.

In terms of our Report of Even date

**For Gupta Garg & Agrawal**

Chartered Accountants

**(B.B.Gupta)**

Partner

Membership No. 012399

**For and behalf of the Board of Directors**

**R. K. Gupta**

Director

**S. K. Gupta**

Director

**M.V. Rama Kanth**

Company Secretary

Place : New Delhi

Date : April 30, 2009

## BHARAT IT SERVICES LIMITED

Particulars	As at 31-Mar-09 (Rs.)	As at 31-Mar-08 (Rs.)
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised Capital</b>		
4,000,000 Equity Shares of Rs. 10/- each	<u>40,000,000</u>	<u>40,000,000</u>
<b>Issued , Subscribed and Paid up Capital</b>		
2,005,000 Equity Shares of Rs. 10/- each fully paid up	<u>20,050,000</u>	<u>20,050,000</u>
<b>Total</b>	<u><u>20,050,000</u></u>	<u><u>20,050,000</u></u>

### SCHEDULE 2 : UNSECURED LOANS

(a) External Commercial Borrowing (GIL, Singapore)	9,892,454	7,800,528
(b) Interest accrued & due (GIL, Singapore)	4,737,814	3,561,547
(c) Spice Enfortainment Ltd. (formerly Spicecorp Entertainment Ltd.)	-	27,815,876
(d) Spice Mobiles Limited	50,719,329	-
<b>Total</b>	<u><u>65,349,597</u></u>	<u><u>39,177,951</u></u>

### SCHEDULE 3: FIXED ASSETS

Particulars	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	As at 01.04.2008	Additions during the year	Adjustments/ Sales during the year	As at 31.03.2009	Upto 31.03.2008	Dep. for the year	Adjustments during the year	Upto 31.03.2009	As at 31.03.2009	As at 31.03.2008
Computer & EDP (including Software)	1,321,746	2,036,989	-	3,358,735	300,756	431,049	-	731,805	2,626,930	1,020,990
Furniture & Office Equipments	20,362	52,213	-	72,575	144	4,064	-	4,208	68,367	20,218
Tools & Equipments	3,862	-	-	3,862	3,862	-	-	3,862	-	-
<b>TOTAL</b>	<b>1,345,970</b>	<b>2,089,202</b>	<b>-</b>	<b>3,435,172</b>	<b>304,762</b>	<b>435,113</b>	<b>-</b>	<b>739,875</b>	<b>2,695,297</b>	<b>1,041,208</b>
<b>PREVIOUS YEAR</b>	<b>889,018</b>	<b>456,952</b>	<b>-</b>	<b>1,345,970</b>	<b>113,580</b>	<b>191,182</b>	<b>-</b>	<b>304,762</b>	<b>1,041,208</b>	

## BHARAT IT SERVICES LIMITED

Particulars	As at 31-Mar-09 (Rs.)	As at 31-Mar-08 (Rs.)
<b>SCHEDULE 4: INVENTORIES</b>		
As taken, valued at lower of weighted average cost or net relisable value in the cases of spares & services components, trading goods- OA and at cost, on FIFO basis, in the case of passbook printers and certified by the management		
Service components and spares	20,002,254	27862829
Less : Provision for used spares	10,484,248	10,484,248
	9,518,006	17378581
Trading Goods - OA	1,701,136	5,838,801
Trading Goods - Printer	15,927,527	5,320,526
	27,146,669	28,537,908

**SCHEDULE-5 : SUNDRY DEBTORS**

Unsecured, considered good		
Outstanding for a period exceeding Six months	7,447,523	15,197,151
Other debts	77,367,548	66,072,260
	84,815,071	81,269,411
Less : Provision for Doubtful Debts	1,413,689	1,832,770
<b>Total</b>	<b>83,401,382</b>	<b>79,436,641</b>

**SCHEDULE 6 : CASH & BANK BALANCES**

Cash in hand	107,259	115,144
Balances with Scheduled Banks :		
--- In Current Accounts	6,586,822	12,959,585
--- In Fixed Deposit Accounts	3,937,716	2,932,203
--- In Margin Money	77,871,000	-
<b>Total</b>	<b>88,502,797</b>	<b>16,006,931</b>

**SCHEDULE 7 : OTHER CURRENT ASSETS**

Interest accrued on Bank deposits	983,431	154,970
Security deposits	1,841,792	278,740
Metlife India Insurance Pvt Ltd	512,429	512,429
Earnest money deposits	1,265,726	1,270,858
<b>Total</b>	<b>4,603,378</b>	<b>2,216,997</b>

## BHARAT IT SERVICES LIMITED

Particulars	As at 31-Mar-09 (Rs.)	As at 31-Mar-08 (Rs.)
<b>SCHEDULE 8 : LOANS &amp; ADVANCES</b>		
(Unsecured considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	1,930,263*	2,839,113
AMC Recoverable	6,369,532	6,156,304
Others Recoverable	-	266,537
Prepaid Expenses	781,985	721,549
Tax deducted at source	8,112,948	2,111,992
Balance with Excise, Custom & Sales Authorities	3,811,217	-
<b>Total</b>	<b>21,005,945</b>	<b>12,095,495</b>

\* Includes Rs. 820,823/- (Previous Year Rs. 822,652/-) due from Holding Company

### SCHEDULE 9 : CURRENT LIABILITIES

Sundry Creditors for Goods, Services, Expenses etc.	80,953,229	63,409,730
Advances from customers	19,547,850	16,941,496
Unexpired Maintenance / Service Contracts	7,999,764	6,139,805
Other liabilities	17,048,120	18,283,249
FBT Payable	106,117	-
TDS Payable	2,169,189	1,024,175
<b>Total</b>	<b>127,824,269</b>	<b>105,798,455</b>

### SCHEDULE 10 : PROVISIONS

Income Tax	1,755,915	737,405
Leave Encashment	984,881	541,666
Gratuity	1,013,713	520,702
<b>Total</b>	<b>3,754,509</b>	<b>1,799,773</b>

## BHARAT IT SERVICES LIMITED

Particulars	Year ended 31-Mar-09 (Rs.)	Year ended 31-Mar-08 (Rs.)
<b>SCHEDULE 11 : TURNOVER</b>		
Sale of Trading Goods	254,871,439	130,527,579
Annual Maintenance Revenue	77,231,812	66,551,482
<b>Total</b>	<b>332,103,251</b>	<b>197,079,061</b>
<b>SCHEDULE 12 : OTHER INCOME</b>		
Bank Intt. on FD	2,529,667	116,594
(TDS of Rs.573,223/- Previous Year Rs.26,725/- )		
Excess Provisions of earlier Year W. back	3,276,061	-
Insurance claim received	45,111	-
Commission Income	1,459,651	-
Misc.Receipts	-	56,000
<b>Total</b>	<b>7,310,490</b>	<b>172,594</b>
<b>SCHEDULE 13 : PERSONNEL EXPENSES</b>		
Salaries,wages and bonus	37,914,398	25,446,784
Contribution to provident fund	2,288,456	1,303,676
Contract wages & security	1,776,106	1,921,807
Workmen and staff welfare expenses	1,410,276	1,294,921
Recruitment expenses	149,809	296,721
<b>Total</b>	<b>43,539,045</b>	<b>30,263,909</b>
<b>SCHEDULE 14 : OPERATING &amp; OTHER EXPENSES</b>		
Stores and Consumables	1,774,033	755,351
Travelling & Conveyance	11,872,617	8,047,703
Auditors' Remuneration:		
- Statutory Audit Fee	100,000	100,000
- Tax Audit Fee	30,000	30,000
Others	12,679	34,270
Legal & Professional	24,785,310	17,471,775
Postage,Telephone & Couriers	4,384,102	3,489,072
Power & Water Charges	1,361,677	697,276
Printing & Stationery	931,028	783,568
Rates & Taxes	106,281	86,777
Transportation Charges (Net)	2,936,330	1,790,658
Miscellaneous Expenses	171,034	190,747
Interest paid	41,456	33,218
Tender Fees	72,021	68,144
Sundry Balance W. off	2,162,440	-
Gift & Presentation	721,241	199,682
Customer Service Expenses	847,531	3,400,125
Rent (Net)	4,092,632	3,235,312
Repair & Maintenance	3,038,286	1,825,798
Insurance (Net)	225,166	373,596
Subscription	57,253	41,462
Exchange Rate Fluctuation	12,201,777	(2,673,600)
Software purchase	-	43,260
Provision for doubtful debts	64,061	117,502
<b>Total</b>	<b>71,988,955</b>	<b>40,141,696</b>

## BHARAT IT SERVICES LIMITED

Particulars	Year ended on 31-Mar-09 (Rs.)	Year ended on 31-Mar-08 (Rs.)
<b>SCHEDULE 15 : ( INCREASE )/DECREASE IN INVENTORIES</b>		
Inventories as at April 01, 2008		
Trading goods	11,159,327	9,961,966
Service components	17,378,581	10,751,691
	<u>28,537,908</u>	<u>20,713,657</u>
Less : Closing Inventories		
Trading goods	17,628,663	11,159,327
Service components	9,518,006	17,378,581
	<u>27,146,669</u>	<u>28,537,908</u>
<b>Total</b>	<u><u>1,391,239</u></u>	<u><u>(7,824,251)</u></u>

### SCHEDULE 16 : FINANCE COST

Bank charges	474,559	265,230
Intrest on ECB & other loans	5,030,017	5,039,646
<b>Total</b>	<u><u>5,504,576</u></u>	<u><u>5,304,876</u></u>

# BHARAT IT SERVICES LIMITED

## SCHEDULE 17

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS.

#### A. SIGNIFICANT ACCOUNTING POLICIES

##### 1. NATURE OF OPERATIONS

The Company is in the business of trading, installation/ erection of computer hardware including Printers and Office Automation Products. The Company also undertakes maintenance and servicing of computer hardware.

##### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared in accordance with the historical cost convention on the accrual system of accounting, on the concept of a going concern and in accordance with generally accepted accounting practices and mandatory Accounting Standards as notified under the Companies (Accounting Standards) Rules, 2006 and in accordance with the presentational requirements of the Companies Act, 1956.

##### 3. USE OF ESTIMATES

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as on the date of the financial statements and reported amounts of income and expenses during the year. Example of such estimates include provisions for doubtful debts, employee retirement benefit plans, provision for income taxes and the useful lives of fixed assets.

##### 4. FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost less accumulated depreciation. The Company capitalises all costs relating to the acquisition and installation of fixed assets. Depreciation on fixed assets, other than demonstration machines is provided pro-rata to the period of use on the straight-line method at the rates specified in Schedule XIV of the Companies Act, 1956.

The assets costing Rs 5000/- or less are depreciated at 100% in the year of purchase.

##### 5. VALUATION OF INVENTORIES

**Trading Goods including Spares.**

Lower of weighted average cost or net realizable value.

**Pr2e Printer**

At Cost (On FIFO Basis)

##### 6. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are recorded by applying exchange rate at the dates of transactions. The foreign currency monetary assets and liabilities and outstanding foreign currency liabilities relating to non- monetary items are re-instated at exchange rates prevailing at the balance sheet date. Exchange gains or losses, arising out of fluctuations in the exchange rates, on settlement during the year/ reinstatement at the year end, are recognized in the Profit & Loss A/c.

##### 7. REVENUE RECOGNITION

Trading goods sales (net of sales tax, trade discounts, returns and allowances) are recognized upon dispatch of goods to customers. Service income is recognised over the period of the service contracts.

##### 8. RETIREMENT BENEFITS

Retirement benefits in the form of Provident Fund, gratuity and leave encashment are charged to the Profit & Loss Account in the year in which contributions to the respective funds are made. Liability accrued for Gratuity and Leave Encashment at the year end are ascertained and provided for on the basis of an actuarial valuation.

##### 9. TAXES ON INCOME

Tax expense comprises of Current Tax, Deferred Tax and Fringe Benefit Tax. Current Tax Liability is provided on taxable income at the prevailing income tax rates. Deferred Tax is accounted for in accordance with Accounting Standards - 22 on "Accounting for Taxes on Income" as notified in the Companies (Accounting Standards) Rules, 2006.

Deferred tax resulting from timing difference between Book & Tax profits are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realised.

Fringe Benefit tax is recognized in accordance with the relevant provisions of the Income tax Act and the Guidance Note issued by the Institute of Chartered Accountants of India in this regard.

## 10. CONTINGENT LIABILITIES

The contingent liabilities, if any, are disclosed in the Notes to Accounts. Provision is made in the accounts if it becomes probable that there will be outflow of resources for settling the obligation.

## B. NOTES TO THE ACCOUNTS

### 1. CONTINGENT LIABILITIES

- a) Counter guarantees given to the bank against the guarantees given by the bank on the behalf of the company for Rs. 3,407,895/-(P.Y. 2,932,203/-)
- b) For Rs. 250,000/- to the Ex landlord for the non payment of agreed compensation for vacating leased premises at Noida before contractual period (P.Y. 250,000/-)
- c) For Rs. 20,000,000/-( Twenty First Century Capital Limited Rs. 12,000,000/- and First Choice Enterprises Pvt. Ltd. Rs. 8,000,000/-) for letter of credit opened in favour of foreign suppliers against margin money guarantee provided to the bank by said companies.
2. In the opinion of the Board of Directors, the current assets, loans and advances have a value on realisation in the ordinary course of business, at least equal to the amount at which they are stated in the books of accounts.
3. The balances appearing in the books at the close of the financial year under the heads sundry debtor's, sundry creditor's, loans and advance's are subject to confirmation.

### 4. PAYMENT TO AUDITORS ( Excluding Service Tax)

	<u>2008-09</u>	<u>2007-08</u>
Audit Fees	100,000	100,000
Tax Audit Fees	30,000	30,000
Others	12,679	34,270

### 5. DEFERRED INCOME TAXES

As per guidance note of the Institute of Chartered Accountants of India on Accounting Standard (AS) - 22, as on 31<sup>st</sup> March 2009, the company has Deferred Tax Assets (DTA) of Rs. 915,850/- on its unclaimed provision for bad and doubtful debts, gratuity and leave encashment of Rs. 2,963,915/- and Deferred Tax Liability (DTL) of Rs. 444,518/- on account of timing difference of depreciation of Rs. 1,438,569/-. The net DTA of Rs. 471,332/- after adjusting DTL, has been duly recognized in the books of account in view of certainty of future profits.

### 6. EARNING/(LOSS) PER SHARE

Basic earnings is calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The Company has not issued any potential equity shares, and accordingly, the basic earning per share and diluted earnings per share is the same.

	<u>2008-09</u>	<u>2007-08</u>
(i) Profit After Tax	9,738,163	9,036,979
(ii) No. of Equity Shares	2,005,000	2,005,000
(iii) Nominal Value of Ordinary Shares	10	10
(iv) Basic/Diluted Earning Per Equity Share	4.86	4.51

**7. Gratuity and Leave Encashment**

The provision of gratuity and leave encashment liability as on 31<sup>st</sup> March 2009 on the basis of actuarial valuation is as under :

**I. Actuarial Assumptions:**

Amount in Rupees

Particulars	Gratuity		Leave Encashment	
	2008-09	2007-08	2008-09	2007-08
Discount Rate (Per Annum)	7.00%	8.00%	7.00%	8.00%
Rate of Increase in Compensation Levels	5.00%	5.50%	5.00%	5.50%
Expected Rate of Return on Plan Assets	NIL	NIL	N.A	N.A.
Expected Average remaining working lives of employees (years)	21.14	23.31	21.14	23.31

**II. Changes in Present Value of Obligations:**

Particulars	Gratuity		Leave Encashment	
	2008-09	2007-08	2008-09	2007-08
Present Value of Obligations as at the beginning of the year	520,702	337,629	541,666	439,997
Acquisition Adjustments	NIL	Nil	NIL	Nil
Interest Cost	36,449	27,084	37,917	35,296
Past Service Cost	NIL	Nil	NIL	Nil
Current Service Cost	407,552	233,249	390,605	261,683
Curtailment Cost / (Credit)	NIL	Nil	NIL	Nil
Settlement Cost / (Credit)	NIL	Nil	NIL	Nil
Benefits paid	0	0	(106,480)	(276,511)
Actuarial (gain)/ loss on obligations	49,010	(77,260)	121,173	81,201
Present Value of obligations as at the end of the year	1,013,713	520,702	984,881	541,666

**III. Changes in Fair Value of Plan Assets:**

Particulars	Gratuity		Leave Encashment	
	2008-09	2007-08	2008-09	2007-08
Fair value of Plan Assets at the beginning of the year	621,423	641,981	Nil	Nil
Acquisition Adjustments	NIL	Nil	Nil	Nil
Actual Return on Plan Assets	(51,609)	(20,558)	N.A.	N.A.
Contributions	0	0	Nil	Nil
Benefits Paid	0	Nil	Nil	Nil
Fair value of Plan Assets at the end of the year	569,814	621,423	Nil	Nil

**IV. Actuarial Gain/Loss - Plan Assets:**

Particulars	Gratuity		Leave Encashment	
	2008-09	2007-08	2008-09	2007-08
Actual return on Plan Assets	(51,609)	(20,558)	Nil	Nil
Expected return on Plan Assets	NIL	Nil	Nil	Nil
Excess of actual over estimated return on Plan Assets	(51,609)	(20,558)	Nil	Nil
Actuarial (gain) /Loss – Plan Assets	(51,609)	(20,558)	Nil	Nil

## V. Actuarial Gain/Loss Recognized:

Particulars	Gratuity		Leave Encashment	
	2008-09	2007-08	2008-09	2007-08
Actuarial gain/(loss) for the year - Obligation	49,010	(77,260)	121,173	81,201
Actuarial gain/(loss) for the year – Plan Assets	(51,609)	(20,558)	Nil	Nil
Total (gain) / loss for the year	(2,599)	(97,818)	121,173	81,201
Actuarial gain/(loss) recognized in the year	(2,599)	(97,818)	121,173	81,201
Unrecognized actuarial (gains)/ losses at the end of year	Nil	Nil	Nil	Nil

## VI. Experience Adjustments :

Particulars	Gratuity		Leave Encashment	
	2008-09	2007-08	2008-09	2007-08
Experience Adjustment Loss/(Gain)-Plan	NIL	NIL	NIL	Nil
Experience Adjustment Loss/(Gain)-Obligations	19,981	NIL	93,400	Nil

## VII. Amount to be recognized in Balance Sheet and Statements of Profit and Loss:

Particulars	Gratuity		Leave Encashment	
	2008-09	2007-08	2008-09	2007-08
Present Value of Obligation as at the end of the year	1,013,713	520,702	984,881	541,666
Fair Value of Plan Assets as at end of the year	569,814	621,423	NIL	Nil
Funded Status	(443,899)	100,721	(984,881)	(541,666)
Unrecognized Actuarial gain/(loss)	Nil	Nil	NIL	Nil
Net Asset / (Liability) Recognized in Balance Sheet	(443,899)	100,721	(984,881)	(541,666)

## VIII. Expense recognized in the Statement of Profit and Loss:

Particulars	Gratuity		Leave Encashment	
	2008-09	2007-08	2008-09	2007-08
Current Service Cost	407,552	233,249	390,605	261,683
Past Service Cost	NIL	Nil	NIL	Nil
Interest Cost	36,449	27,084	37,917	35,296
Expected Return on Plan Assets	NIL	Nil	NIL	Nil
Curtailment Cost /(Credit)	NIL	Nil	NIL	Nil
Settlement Cost /(Credit)	NIL	Nil	NIL	Nil
Net actuarial (gain)/loss recognized in the year	49,010	(97,818)	121,173	81,201
Expenses recognized in the Statement of Profit & Loss	493,011	162,515	549,695	378,180

## 8. RELATED PARTY TRANSACTIONS

During the year, the Company entered into transactions with related parties. Those transactions along with related balances as at March 31, 2009 and March 31, 2008 are given in the following table:

**List of the related Parties (As certified by the management)**

Name of the related Party	Relation
i) IO System Limited (formerly Spice Systems Limited)	Holding Company
ii) Spice Entertainment Ltd.(Formerly Spicecorp Entertainment Ltd.)	Ultimate Holding company
iii) Spice Mobiles Limited	Fellow Subsidiary of Ultimate Holding Company
iv) Mudliar & Sons Hotels Pvt. Ltd.	Fellow Subsidiary of Ultimate Holding Company
v) Mcorp (Europe) Limited	Associates & Joint Venture

The names of other associate companies have not been disclosed because of 'nil' transactions with them during the year.

**Key Management Personnel**

Arun Seth	Chief Executive Officer.
RVS Minhas	Chief Operating Officer.
MV Rama Kanth	Company Secretary

Particulars	Year	Holding Company	Ultimate Holding Company	Fellow Subsidiary of Ultimate Holding Company		Associates & Joint Venture	Key Management Personnel			Total
		IO System Ltd. (formerly Spice Systems Ltd.)	Spice Enfortainment Ltd (formerly Spicecorp Entertainment Ltd.)	Spice Mobiles Limited	Mudliar & Sons Hotels Pvt. Ltd.	Mcorp (Europe) Limited	Arun Seth	RVS Minhas	MV Ramakant	
<b>Transactions during the year</b>										
Purchase of finished goods, consumables and Fixed Assets	Mar'09	1,828	-	36,498,043	-	-	-	-	-	36,499,871
	Mar'08	45,274	-	92,047,866	-	-	-	-	-	92,093,139
Sale of finished goods, consumables and Fixed Assets	Mar'09	-	253,020	760,586	-	-	-	-	-	1,013,606
	Mar'08	-	-	20,353	-	-	-	-	-	20,353
Warranty Income	Mar'09	-	-	6,550,693	-	-	-	-	-	6,550,693
	Mar'08	-	-	11,064,166	-	-	-	-	-	11,064,166
Expenses	Mar'09	-	-	355,000	-	-	-	-	-	355,000
	Mar'08	-	-	2,107,903	-	-	-	-	-	2,107,903
Loan taken during the year	Mar'09	-	-	53,100,000	-	-	-	-	-	53,100,000
	Mar'08	-	-	-	-	-	-	-	-	-
Loan repaid during the year	Mar'09	-	27,815,876	6,099,856	-	-	-	-	-	33,915,732
	Mar'08	-	18,800,000	-	-	-	-	-	-	18,800,000
Interest Paid	Mar'09	-	-	4,808,877	-	-	-	-	-	4,808,877
	Mar'08	-	4,796,712	-	-	-	-	-	-	4,796,712
Managerial Remuneration	Mar'09	-	-	-	-	-	4,496,879	1,314,217	1,117,637	6,928,733
	Mar'08	-	-	-	-	-	-	1,414,524	1,245,246	2,659,770
Traveling & Other Expenses.	Mar'09	-	-	-	-	-	253,201	49,047	-	302,248
	Mar'08	-	-	-	-	-	-	42,134	-	42,134
<b>Outstanding balance at the year end</b>										
Receivables	Mar'09	820,823	-	-	-	-	-	-	-	820,823
	Mar'08	822,652	-	-	-	-	-	-	-	822,652
Payables	Mar'09	-	-	-	-	-	-	-	-	-
	Mar'08	-	-	47,229,531	-	-	-	-	-	47,229,531
Loan payable (including accrued interest)	Mar'09	-	-	50,719,329	-	-	-	-	-	50,719,329
	Mar'08	-	27,815,876	-	-	-	-	-	-	27,815,876

## 9 SEGMENT REPORTING

Segment wise reporting as defined in Accounting Standard 17 is not applicable.

## 10 ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PART - II OF THE SCHEDULE - VI TO THE COMPANIES ACT, 1956

- Licensed capacity and production  
The Company is not subject to industrial licensing.
- Raw Materials and components consumed-Not Applicable
- Particulars of purchases and sales

Particulars	31 <sup>st</sup> March, 2009				31 <sup>st</sup> March, 2008			
	*Sales		Purchases		*Sales		Purchases	
	Qty (Nos)	Value (Rs.)	Qty (Nos)	Value (Rs.)	Qty (Nos)	Value (Rs.)	Qty (Nos)	Value (Rs.)
<b>1. Trading</b>								
Binding, Laminating, Shredding, Projectors, Printers and Other machines	11,993	233,456,404	12,584	186,718,873	5,831	110,329,396	5,827	98,583,058
	11,993	233,456,404	12,584	186,718,873	5,831	110,329,396	5,827	98,583,058
Others (Spares & Consumables)	-	21,415,035	-	16,977,809	-	19,695,915	-	20,961,519
<b>Total</b>	<b>11,993</b>	<b>254,871,439</b>	<b>12,584</b>	<b>203,696,682</b>	<b>5,831</b>	<b>130,025,311</b>	<b>5,827</b>	<b>119,544,577</b>

## d) Particulars of opening and closing stocks.

Particulars	31 <sup>st</sup> March, 2009				31 <sup>st</sup> March, 2008			
	Opening Stock		Closing Stock		Opening Stock		Closing Stock	
	Qty (Nos)	Value (Rs.)	Qty (Nos)	Value (Rs.)	Qty (Nos)	Value (Rs.)	Qty (Nos)	Value (Rs.)
i) <b>Trading</b>								
Binding, Laminating, Shredding, Franking and Other machines	426	6,420,623	991	16,027,995	430	10,550,243	426	6,420,623
Others (spares & Consumables)	-	22,117,285	-	11,118,674	-	10,163,414	-	22,117,285
<b>Total</b>	<b>426</b>	<b>28,537,908</b>	<b>991</b>	<b>27,146,669</b>	<b>430</b>	<b>20,713,657</b>	<b>426</b>	<b>28,537,908</b>

## e) Value of imports on CIF basis

31 March' 2009

31 March' 2008

Finished goods, raw materials, components and supplies

132,807,149

15,179,667

## f) Earnings in Foreign Exchange

Pr2e printer sale

4,986,723

-

## g) Expenditure in Foreign Currency

Travelling Expenses

80,760

-

Signatures to Schedule 1 to 17

As per our attached report of even date

**For Gupta Garg & Agrawal**

Chartered Accountants

**(B.B.Gupta)**

Partner

Membership No. 012399

Place : New Delhi

Date : April 30, 2009

**For and on behalf of the Board of Directors****R. K. Gupta**

Director

**S K Gupta**

Director

**M.V. Rama Kanth**

Company Secretary

# BHARAT IT SERVICES LIMITED

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

	As at 31.03.09	As at 31.03.08
<b>A. Registration details -</b>		
Registration No.	80315	80315
State code	55	55
Date of balance sheet	March 31, 2009	March 31, 2008
<b>B. Capital raised during the year (Amount in Rs. Thousands)</b>		
Public issue	-	-
Rights issue	-	-
Bonus issue	-	-
Private placement	-	-
Preferential issue	-	-
<b>C. Position of mobilisation and deployment of funds (Amount in Rs. Thousands)</b>		
Total liabilities	135,400	81,728
Total assets	135,400	81,728
<b>Sources of funds</b>		
Paid-up capital.	20,050	20,050
Share Application Money	50,000	22,500
Reserves and surplus	-	-
Secured loans	-	-
Unsecured loan	65,350	39,178
	<b>135,400</b>	<b>81,728</b>
<b>Application of funds</b>		
Net fixed assets	2,695	1,041
Net current assets	93,081	30,696
Deferred Tax assets	471	1,071
Accumulated losses	39,152	48,920
	<b>135,400</b>	<b>81,728</b>
<b>D. Performance of Company (Amount in Rs. Thousands)</b>		
Turnover (including other income)	339,414	197,252
Total expenditure	326,556	187,812
Profit/(Loss) before Tax	12,858	9,440
Profit/(Loss) after Tax	9,768	9,037
Earning per share ( in Rs.)	4.87	4.51
Dividend rate (%)	-	-
<b>E. Generic names of three principal products/services of company</b> (as per monetary terms)		
Laminating machines	Item Code : 8477	
Digital Projectors	Item Code : 8528	
Shredders	Item Code : 8472	

For and on behalf of the Board of Directors

**R. K. Gupta**  
Director

**S K Gupta**  
Director

Place : New Delhi  
Date : April 30, 2009

**M.V. Rama Kanth**  
Company Secretary

## IO SYSTEM LIMITED

Regd. Office : E-53, Sector-3, Noida, (U.P.) – 201 301

### Proxy Form

L.F.No.	
No. of Shares held	

I/ We \_\_\_\_\_  
of \_\_\_\_\_ in the district of \_\_\_\_\_ being a member /  
members of the above named Company, hereby appoint Mr./Miss/Mrs. \_\_\_\_\_  
of \_\_\_\_\_ in the district of \_\_\_\_\_ or failing him /  
her, Mr./Miss/Mrs. \_\_\_\_\_ of \_\_\_\_\_ in the district  
of \_\_\_\_\_ as my / our proxy to vote for me / us on my / our behalf at the Annual  
General Meeting of the Company to be held on Wednesday, the 30<sup>th</sup> September 2009 at 10:00 A.M. or at any adjournment  
thereof.

Signed this \_\_\_\_\_ Day of \_\_\_\_\_ 2009

Specimen Signature of the Proxy \_\_\_\_\_

Please affix  
Rs 1/-  
Revenue  
Stamp

Note : The Proxy Form must be duly signed and deposited at the Registered office of the Company not less than 48 hours  
before the time for holding the Meeting.

## IO SYSTEM LIMITED

Regd. Office : E-53, Sector-3, Noida, (U.P.) – 201 301

### Attendance Slip

L.F.No.	
No. of Shares held	

I/ We hereby record my / our presence at the Annual General Meeting of the Company held at Club 26, Sector-26, Noida – 201 301,  
(U.P.) on Wenesday, 30<sup>th</sup> September 2009 at 10:00 A.M.

NAME OF THE SHAREHODER (IN BLOCK LETTERS)	
SIGNATURE OF THE SHAREHOLDER	
NAME OF THE PROXY (IN BLOCK LETTERS)	
SIGNATURE OF THE PROXY	

Note : You are requested to sign and hand over this at the entrance.

**BOOK POST / UPC**

if undelivered return to :

**IO SYSTEM LIMITED**

**E-53, Sector-3, Noida (U.P.) - 201301**