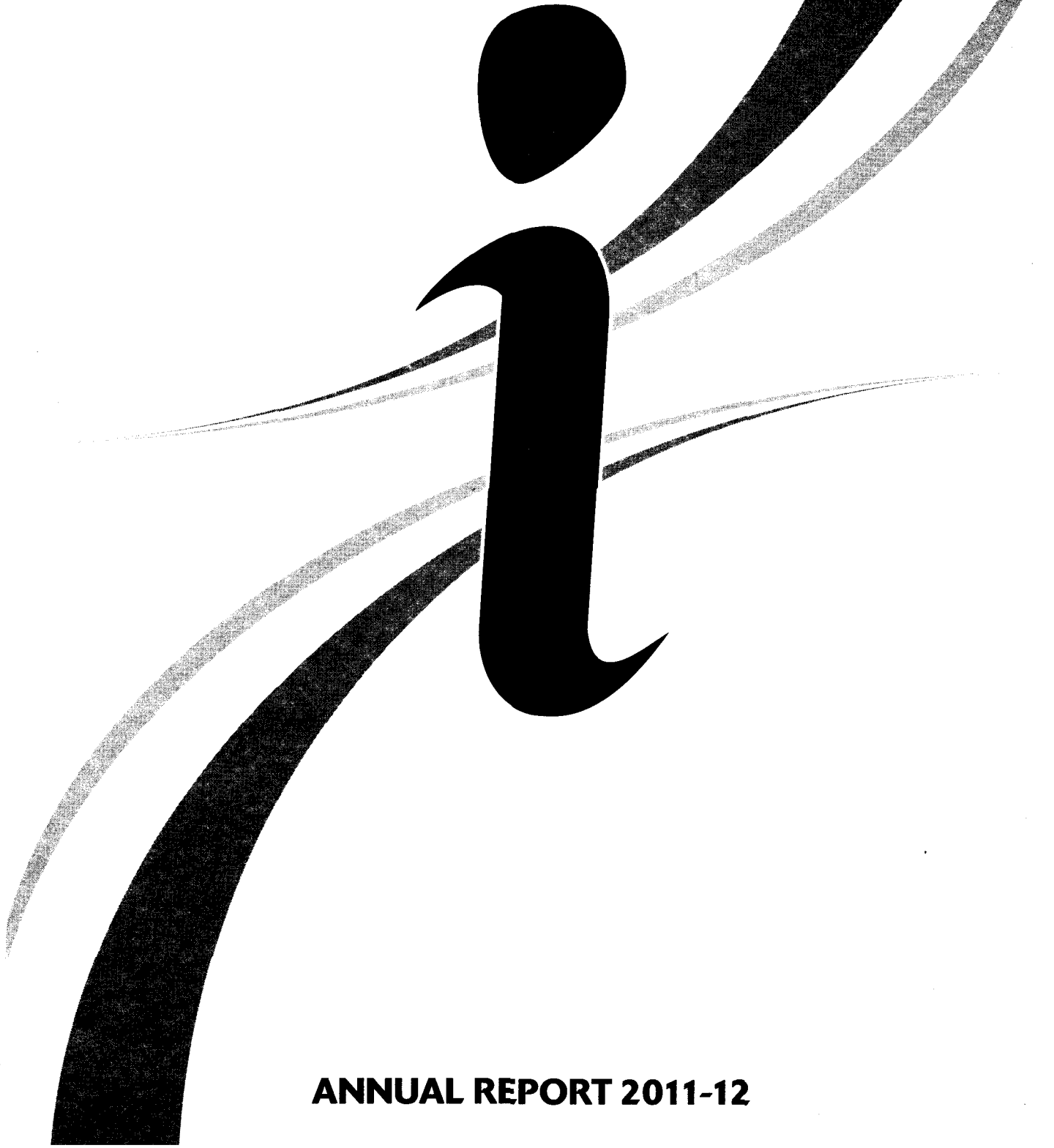


# IO SYSTEM LIMITED



**ANNUAL REPORT 2011-12**

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Mr. Arun Seth	Chairman & Manager
Mr. R C Agarwal	Director
Mr. S K Gupta	Director

### COMPANY SECRETARY

Mr. Dinkar Sharma

### AUDITORS

M/s Gupta Garg & Agrawal,  
Chartered Accountants,  
G-55, 2nd Floor,  
Laxmi Nagar, Vikas Marg,  
Delhi-110 092.

### SHARE TRANSFER AGENT

M/s MAS Services Ltd.  
T-34, 2nd Floor, Okhla Industrial Area,  
Phase-II, New Delhi – 110020  
Tel No. 011- 26387282  
Fax No. 011- 26387284

# Contents

### REGISTERED OFFICE

E-53, Sector-3,  
NOIDA,  
U.P-201 301

### CORPORATE OFFICE

Global Knowledge Park,  
Plot No. 19A & B, Sector-125,  
Noida, U. P. - 201301

### BANKERS

Indusind Bank  
State Bank of Patiala

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**I O SYSTEM LIMITED**

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

**NOTICE TO MEMBERS**

**NOTICE is hereby given that the 24th Annual General Meeting of I O System Limited will be held on Saturday, the 29th September, 2012 at 11:00 am at C-56/36, Sector-62, NOIDA - 201 301, (U.P.) to transact the following business :**

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Balance Sheet as on March 31, 2012 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 a Director in place of Mr. R C Agarwal, Director, who retires by rotation, and being eligible offers himself for re-appointment.
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 fix their remuneration.

In this connection, to consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT M/s Gupta Garg & Agrawal, Chartered Accountants, Delhi, the retiring Statutory Auditors of the Company, be and are hereby re-appointed as the Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on such remuneration as may be determined by the Board of Directors."

**SPECIAL BUSINESS**

4. To consider and if thought fit, to pass, with or without modification, 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 of the Company be and is hereby accorded for the re-appointment of Mr. Arun Seth, Chairman of the Company, as 'Manager' whose office as 'Manager' expired on 19th April, 2012, for a further period of 3 years w.e.f 20th April, 2012, 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 I O SYSTEM Limited,**

**Place : NOIDA  
Date : 30th May, 2012**

**Arun Seth  
Chairman**

**NOTES:**

1. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF / HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
3. Proxies, in order to be effective should be duly stamped, completed, signed and must be received at the registered office of the Company, not later than 48 hours before the commencement of the meeting.
4. The members are requested to bring duly filled attendance slip along with their copy of Annual Report at the meeting.
5. Members are requested to intimate any change in their address directly to the Company's Registrar and Share Transfer Agents, M/s MAS Services Ltd., T-34, 2nd Floor, Okhla Industrial Area, Phase-II, New Delhi – 110020
6. Corporate members intending to send their authorised representatives to attend the meeting are requested to send a duly certified copy of the board resolution authorizing their representatives to attend and vote on their behalf at the meeting.
7. The members are requested to intimate to the Company, queries, if any, at least 10 days before the date of the meeting to enable the management to keep the required information available at the meeting.
8. The Company has decided to close the Register of Members and the Share Transfer Register for a period of five days from 25th September, 2012 to 29th September, 2012 (both days inclusive).
9. Pursuant to Section 109A of the Companies Act, 1956, individual shareholders holding shares in the Company singly or jointly may nominate an individual to whom all the rights in the shares in the Company shall vest in the event of death of the sole / all joint shareholders. Members are requested to avail the above facility by submitting prescribed Form 2B to the Company / RTA.
10. The annual report of the Company for the year ended 31st March, 2012 is uploaded on the Company's website [www.iosystem.co.in](http://www.iosystem.co.in) and may be accessed by the members.
11. As required in terms of Clause 49 of the Listing Agreement with the Stock Exchanges, the information (including profile and expertise in specific functional areas) pertaining to the Director / Manager recommended for re-appointment in the Annual General Meeting is annexed to this Notice.

**IO SYSTEM LIMITED****EXPLANATORY STATEMENT 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.5.00 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 20th April, 2003 for a period of three years and further re-appointed w.e.f 20th April, 2009 for a period of three years and his term of appointment as 'Manager' expired on 20th April, 2012.

The Board of Directors, in their meeting held on 13th February, 2012, have re-appointed Mr. Arun Seth, Chairman, as 'Manager' of the Company w.e.f. 20th April, 2012, 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 the approval of the shareholders of the Company.

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

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

**Details of Director / Manager seeking Appointment / Reappointment in forthcoming Annual General Meeting (in pursuance of Clause 49 IV of the Listing Agreement)**

<b>Name of Director</b>	<b>Mr. Ramesh Chandra Agarwal</b>
Date of Birth	02nd February, 1944
Date of Appointment as Director	27th July, 2005
Qualification	B.Com, LL.B., Chartered Accountant, Company Secretary, DISA (Information System Audit)
Expertise in specific functional areas	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.
List of Companies in which outside Directorship held as on the date of notice	Rajputana Fertilisers Ltd. Super Investment (India) Ltd.
Chairman / Member of the Committees of the Board of the Companies on which he is a Director	IO System Limited: Chairman - Audit Committee
Number of shares held in the Company	NIL
<b>Name of Manager</b>	<b>Arun Seth</b>
Date of Birth	24th September, 1953
Date of Appointment as Manager	20th April, 2012
Qualification	B.A, Diploma in Marketing Management
Expertise in specific functional areas	Immense experience in the areas of Marketing, Electronics and Information Technology sector.
List of Companies in which outside Directorship held as on the date of notice	First Choice Enterprises Pvt. Ltd.
Chairman / Member of the Committees of the Board of the Companies on which he is a Director	IO System Limited Audit Committee – Member Investor Grievance/ Share Transfer Committee – Member
Number of shares held in the Company	NIL

## DIRECTORS' REPORT

To,

The Members,  
IO System Limited

The Board of Directors of your Company have pleasure in placing before the Members the 24th Annual Report together with the audited Statement of Accounts of the Company for the year ended on March 31, 2012.

### FINANCIAL RESULTS

Particulars	(Rs. in Lacs)	
	Year Ended March 31, 2012	Year Ended March 31, 2011
Sales and other Income (Net of Excise Duty)	2.28	0.22
Profit/(Loss) before Depreciation & Interest	(35.26)	(89.69)
Less : Depreciation	0.04	0.03
Profit/(Loss) for the year before taxation	(35.30)	(89.72)
Profit/(Loss) for the year after taxation	(35.30)	(89.72)

### PERFORMANCE REVIEW

During the year under review, the total turnover (sales and other income) of the company was Rs. 2.28 lacs as against Rs. 0.22 lacs during the previous financial year and the company recorded a net loss of Rs. 35.30 Lacs as against a net loss of Rs. 89.72 Lacs during the previous financial year. The Company did not carry on any business activity during the year and has not commenced any new business activity. The other income mainly included interest on FDR.

### DIVIDEND

Your Directors do not recommend any dividend for the year under review in view of the losses incurred.

### 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

There was no change in the Directorship of the Company during the year under review. Mr. R C Agarwal retires by rotation at the ensuing Annual General Meeting. Mr. R C Agarwal, being eligible, has been proposed for re-appointment.

Pursuant to Section 269 of the Companies Act, 1956, Mr. Arun Seth was re-appointed as Manager, whose term of appointment as Manager expired on 19th April, 2012, w.e.f 20th April, 2012, subject to shareholders' approval in the forthcoming Annual General Meeting.

Brief resume of the Director & Manager being re-appointed together with other relevant details form part of the Notice of the ensuing Annual General Meeting. The Board recommends their re-appointment.

### AUDITORS

M/s Gupta Garg & Agrawal, 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 a 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, therefore, do not call for further comments under Section 217 of the Companies act, 1956.

## **IO SYSTEM LIMITED**

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

The additional information under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 in respect of energy conservation and technology absorption is marked as Annexure A and forms integral part of this report.

During the year there was no foreign exchange earnings or outgo.

### **LISTING AT STOCK EXCHANGE(s)**

The Company continues to be listed at Uttar Pradesh, Delhi and Mumbai Stock Exchanges. The Annual Listing Fee for the year 2012-13 has been paid to the stock exchanges.

### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

As required under Clause 49 of the Listing Agreement with the Stock Exchanges, the Management Discussion and Analysis Report is presented in the separate Section and is marked as Annexure B and forms an integral part of the Directors Report.

### **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 Exchanges, the detailed report on Corporate Governance as well as the Certificate confirming compliance of the conditions of Corporate Governance from the Auditors of the Company is annexed to the report on Corporate Governance.

### **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 year ended on March 31, 2012, the applicable accounting standards have been followed along with proper explanation relating to material departures; (ii) that the Directors had 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, 2012 on a 'going concern' basis.

### **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 for the co-operation received from the Central Government, various State Governments, Reserve Bank of India and the Bankers of the Company 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.

**For and on Behalf of the Board of Directors,  
For IO System Limited,**

**Place : Noida  
Date : 30th May, 2012**

**Arun Seth  
Chairman & Manager**

## STATEMENT OF PARTICULARS UNDER THE COMPANIES

## (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

**(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 of Disclosure of particulars with respect to Technology Absorption and Research and Development (R & D)

1. Specific area in which R&D 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**

(a) Capital	: Nil
(b) Recurring	: Nil
(c) Total	: Nil
(d) Total R&D expenditure as a percentage of total turnover	: Nil

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

1.	Efforts, in the brief, made towards technology absorption, adaptation and innovation.	None
2.	Benefit derived as a result of above efforts e.g. product improvement, cost reduction, product development, import substitution etc.	None
3.	In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year)	None



## **MANAGEMENT DISCUSSION ANALYSIS REPORT**

**Industry Structure and Developments:** - Office Automation : IO System Ltd., in order to attain stability, continues evolve newer technologies in office automation business.

**Outlook/Projections for 2012-13 :** The Company expects to improve its results in the next year.

**Opportunities for the Company :** The Company proposes to evaluate new options before it keeping in view its resources.

**Risks and Concerns :** The risks and concerns may be classified as external and internal to the Company.

The external factors such as slowing down of the economy, higher interest rates and liquidity constraints are a cause of concern for the Company.

Internally, the Company has to deal with the competition from large players in this field.

**Internal Control systems and their adequacy :** The Company has in place an adequate internal control system considering its scale of operations .

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

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

**For and on Behalf of the Board of Directors,  
For IO System Limited,**

**Place : Noida  
Date : 30th May, 2012**

**Arun Seth  
Chairman & Manager**

## REPORT ON CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY

The Company continues to adhere to its philosophy on Corporate Governance and practice transparency in its operations and to maintain a professional approach and accountability in dealing with its shareholders and other stakeholders. The basic objective of Company's Corporate Governance is "to ensure efficient conduct of affairs of the Company and 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 an Executive Director who is also the Chairman & Manager of the Company and two others 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 2011-12.

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

A total of four (4) Board Meetings were held during the period 01st April, 2011 to 31st March, 2012 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. 13th May, 2011
2. 11th August, 2011
3. 14th November 2011
4. 13th February, 2012

The composition of the Board and position held by Directors on the Board/Committee of other Public Limited Companies, as on 31st March, 2012, 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 01st April, 2011 to 31st March, 2012	Attendance at last AGM
		Board	Committee**			
			Membership	Chairmanship		
Mr. Arun Seth	Executive	0	0	0	4	Yes
Mr. Ramesh Chandra Agarwal	Non Executive Independent	2	1	0	4	Yes
Mr. Satish Kumar Gupta	Non Executive Independent	1	1	2	4	Yes

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

**III. Remuneration of Directors****(i) Executive Director**

Mr. Arun Seth is an Executive 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. 20th April, 2012 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**

<b>Name of Director</b>	<b>Sitting Fees</b>
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Mr. Ramesh Chandra Agarwal	30,000
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Mr. Satish Kumar Gupta	30,000
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There was no other pecuniary relationship or transactions of the Non-Executive Directors vis-à-vis the Company.

**3. DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT**

The required information regarding the details of Directors seeking appointment or re-appointment is set out in the Annexure attached to the notice.

**4. COMMITTEE (S) OF THE BOARD****I. Audit Committee**

An 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 acts as a link between the management, the statutory auditors and the Board of Directors. The Committee is responsible for reviewing 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 term of reference of the Audit Committee includes the matters specified under Clause 49-II of the Listing Agreement.

The Committee consists of the three Directors as its members. 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.

**Composition and Meetings of the Committee:**

As on 31st March 2012, The Audit Committee consisted of Mr. Ramesh Chandra Agarwal as Chairman and Mr. Satish Kumar Gupta and Mr. Arun Seth as members.

The Audit Committee met Four times during the period from April 2011 to March 2012 on the following dates:

1. 13th May, 2011
2. 11th August, 2011
3. 14th November 2011
4. 13th February, 2012

The details as to the attendance at the Meetings held during the period from April 2011 to March 2012 are as follows:

Name of Director	Designation	Category	Attendance at the Meetings held during the period from April, 2011 to March, 2012
Mr. Ramesh Chandra Agarwal	Chairman	Non-Executive Independent	4
Mr. Satish Kumar Gupta	Member	Non-Executive Independent	4
Mr. Arun Seth	Member	Executive	4

Mr. R C Agarwal, Chairman of Audit Committee was present at the last Annual General Meeting of the Company which was held on 30th September 2011.

**II. Investors' Grievance / Share Transfer Committee**

An Investors' Grievance / Share Transfer Committee has been constituted as per the provisions of Clause 49 of the Listing Agreement to look into the redressal of Complaints of Investors such as transfer or credit of Shares, non receipt of dividend/notices/Annual Reports, etc.

The Shareholders/Investors Grievance Committee met Seven times during the year ended 31st March, 2012.

During the period ended 31st March 2012, the Company received three complaints from the shareholders. There are no pending complaints and transfer relating to the period ended 31st March 2012.

**5. GENERAL BODY MEETINGS**

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

Year	Location	Date	Time
2008-09	Club 26, Sector – 26, Noida – 201301, U.P.	September 30, 2009	10:00 A M
2009-10	C-56/36, Sector-62, NOIDA-201 301 (U.P).	September 30, 2010	10:30 A.M.
2010-11	C-56/36, Sector-62, NOIDA-201 301 (U.P).	September 30, 2011	10:30 A.M.

**6. SUBSIDIARY**

During the period under review, the Company has no subsidiary.

**7. CEO / HEAD FINANCE CERTIFICATION**

As required by Clause 49 of the Listing Agreement, the Manager and Directors certification on the Financial statements and the Cash Flow Statements for the period ended 31st March, 2012 is enclosed at the end of this Report.

**8. 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. A declaration to this effect is enclosed and marked as Annexure A at the end of this Report.

**9. 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.

## **IO SYSTEM LIMITED**

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### **10. MEANS OF COMMUNICATION**

- a) The Company publishes its quarterly/half yearly results usually in Business Standard (English) and Business Standard (Hindi) and/or Jansatta.
- b) The Shareholders/Investors can visit us at our Registered Office.
- c) 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.

### **11. GENERAL SHAREHOLDER INFORMATION**

- (a) Registered Office : E-53, Sector-3, NOIDA-201 301 (U.P)
- (b) Annual General Meeting
  - Date : 29th September, 2012
  - Time : 11.00 A.M
  - Venue : C-56/36, Sector-62, NOIDA-201 301 (U.P).
- (c) Financial Year : 1st April to 31st March
  - Book Closure date : 25th September, 2012 to 29th September, 2012 (Both days inclusive)
- (d) Stock Exchanges at which Shares of the Company are listed
  - (1) The Delhi Stock Exchange Ltd.
  - (2) Uttar Pradesh Stock Exchange Association Ltd.(Regional Stock Exchanges)
  - (3) Bombay Stock Exchange

(g) Stock Market Data

The Company's Share are not actively traded in Stock Exchanges, hence shares of the Company are not currently quoted in the Stock Exchange. The Listing fee has been paid by the Company upto the year under review.

- (h) Registrar and Transfer Agent : M/s MAS Services Ltd.,
  - T-34, 2nd Floor,
  - Okhla Industrial Area,
  - Phase – II, New Delhi – 110 020
  - Tel. No. - 011 26387282
  - Fax No. – 011 26387384

(i) Share Transfer System

Company is committed to Transfer the shares in physical form and dispatch the same within 15 days from the date of their receipt, subject to the documents being valid and complete in all respects. The Investors Grievances Committee looks into the issues relating to Investors Grievances.

(j) Distribution of Shareholding as on March 31, 2012

- a. Promoters & Associates - 96.45%
- b. Mutual Funds/FIs - NIL
- c. OCBs/NRIs - NIL
- d. Other Body Corporates - NIL
- e. Public & Others - 3.55%

(k) 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 and 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.

- (l) Outstanding GDRs/ADRs/ Warrants or Convertible Instruments, conversion Date and likely impact on Equity : Not Applicable
- (m) Plant Location : N.A.
- (n) Address for Investor Correspondence & for any query on Annual Report : Company Secretary  
C/o IO System Limited,  
E-53, Sector-3,  
NOIDA-201 301(U.P)

The above Report has been placed before the Board at its Meeting held on 30th May, 2012 and the same was approved.

## **CERTIFICATE ON CORPORATE GOVERNANCE**

(As Per Clause 49 of the Listing Agreement)

To,

**The Members of IO System Ltd.,**

We have examined the compliance of conditions of Corporate Governance by IO System Ltd. for the period ended on 31st March 2012, 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, there has been no investor grievances during the period under review.

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 & Agarwal,**  
Chartered Accountants,

**(B.B Gupta)**

Partner

Place : Noida  
Date : 30th May, 2012

Membership No. 012399

**CERTIFICATION BY MANAGER AND DIRECTOR OF IO SYSTEM LIMITED AS ON  
31ST MARCH, 2012**

We, Mr. Arun Seth, Chairman & Manager and Mr. Satish Kumar Gupta, Director, certify to the Board that:

- a. We have reviewed Balance Sheet as at 31st March 2012 and the Profit and Loss Account and all its Schedules and Notes to the Accounts as well as Cash Flow Statement for the period ended 31st March 2012;
- b. Based on our knowledge and information, these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- c. Based on our knowledge and information, these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- d. To the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- e. We are responsible for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company.
- f. We have disclosed based on our most recent evaluation, wherever applicable, to the Company's Auditor's and the Audit Committee of the Company's Board of Director's:
  - i. All deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps they have taken or propose to take to rectify these deficiencies;
  - ii. All significant changes in internal control during the year covered by this Report;
  - iii. All significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iv. Instances of significant fraud of which we are aware that involves management having a significant role in the Company's internal control system.
- g. We further declare that all Board members and management personnel's have affirmed compliances with the code of conduct for the period under review.

**For IO System Limited,**

**Place : Noida**  
**Date : 30th May, 2012**

**Arun Seth**  
**Chairman & Manager**

**S K Gupta**  
**Director**

**AUDITORS' REPORT**

To the Shareholders,  
IO SYSTEM LIMITED

1. We have audited the attached Balance Sheet of IO SYSTEM LIMITED as at 31st March 2012, 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 March 31, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2012 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-18, 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 31st March 2012;
    - 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 verification of assets at the end of the year. No major discrepancy noticed on such verification and reported to us.
  - (c) During the year under report, the company has not disposed of any of its fixed assets.
  - (ii) (a) The company is carrying non moving inventories valuing Rs.2.25 lacs which has been physically verified at the year-end by the management. A provision of Rs. 2.00 lacs has been made for diminution in value/obsolescence.
  - (b) The procedures followed by the management were reasonable.
  - (c) The company is maintaining proper records of inventory. No discrepancy noticed on verification.



## IO SYSTEM LIMITED

- (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, there are no comments on sub-clauses (b) (c) (d) of clause (iii) of the Order.
- (b) The company has not taken any loan, secured and unsecured, from a company, firm or other party covered in the register maintained under section 301 of the Companies Act, 1956 and as such there are no comments on sub-clauses (f) and (g) of clause (iii) of the Order.
- (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 Act that need to be entered in the register maintained under section 301, 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 there are no comments in this sub-clause.
- (vi) The clause is not applicable, as the company has not accepted any deposits from the public.
- (vii) The Internal Audit was once carried by a firm of Chartered Accountant, which in our opinion 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, 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'.
- (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. 18.65 Crores as on 31st March 2012. The company has suffered a cash loss of Rs. 35.26 Lacs in the financial year ended on 31.03.2012 as against cash loss of Rs. 89.69 lacs in the immediate preceding 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

FRN : 505762C

**(B.B GUPTA)**

Partner

M.No. 012399

Place : Noida

Date : 30th May, 2012

**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:-**

<b>S.No.</b>	<b>Name of Statute</b>	<b>Assessment Year</b>	<b>Nature of Dues</b>	<b>Amount of Demand</b>	<b>Forum Where dispute is pending</b>
1	U.P.Sales Tax	1997-98	Sales Tax	116,536	JT Commissioner of Trade Tax Noida
2	U.P.(Central/Local)	1998-99	Sales Tax	45,254	JT Commissioner of Trade Tax Noida
3	Delhi Sales Tax	2000-01	Sales Tax	71,789	Asstt. Comm. IX, Delhi Sales Tax
4	Delhi Sales Tax	2001-02	Sales Tax	2,572,528	Addl. Comm. II, Delhi Sales Tax
5	Delhi Sales Tax	2003-04	Sales Tax	1,865,674	Addl. Comm. II, Delhi Sales Tax
6	Delhi Sales Tax	2004-05	Sales Tax	230,073	STO Delhi sales Tax
7	T.N. Sales Tax	2000-01	Sales Tax	184,849	CT III, T. N.S.Tax Appeal Asstt. Comm.
8	T.N. Sales Tax	2002-03	Sales Tax	140,111	CT III, T. N.S.Tax Appeal Asstt. Comm.
9	West Bengal Sales Tax	1999-2000	Sales Tax	288,098	Asstt. Comm. South circle, Directorate of Commercial, West Bengal
10	West Bengal Sales Tax	2000-01	Sales Tax	90,650	Asstt. Comm. South circle, Directorate of Commercial, West Bengal
11	West Bengal Sales Tax	2002-03	Sales Tax	1,011,106	Asstt. Comm. South circle, Directorate of Commercial, West Bengal
	<b>TOTAL</b>			<b>6,616,668</b>	
12	Central Excise Act	1992-00	Penalty and demand	2,387,500	CEGAT New Delhi
13	Central Excise Act	1999-01	Interest and penalty	69,969	CEGAT New Delhi
14	Central Excise Act	2002-03	Interest and penalty	19,427	CEGAT New Delhi
15	Central Excise Act	valuation case	Excise Duty	1,509,876	CEGAT New Delhi
	<b>TOTAL</b>			<b>3,986,772</b>	
16	Income Tax Act 1961	2002-03	Penalty	1,700,000	High Court Allahabad
	<b>TOTAL</b>			<b>1,700,000</b>	

## BALANCE SHEET AS AT MARCH 31, 2012

Particulars	Notes	Figures as at 31-03-2012 Rs.	Figures as at 31-03-2011 Rs.
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
(a) Share capital	2	169,000,000	169,000,000
(b) Reserves and surplus	3	(186,514,231)	(182,983,439)
		(17,514,231)	(13,983,439)
<b>Non-current liabilities</b>			
(a) Long term borrowings	4	18,250,000	14,950,000
(b) Long-term provisions	5	60,184	30,984
		18,310,184	14,980,984
<b>Current liabilities</b>			
Other current liabilities	6	1,489,768	1,393,638
<b>TOTAL</b>		<b>2,285,721</b>	<b>2,391,183</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
- Tangible assets	7	33,407	8,300
<b>Current assets</b>			
(a) Inventories	8	25,000	225,000
(b) Trade receivables	9	-	-
(c) Cash and cash equivalents	10	632,893	504,287
(d) Other current assets	11	1,594,421	1,653,596
		2,252,314	2,382,883
<b>TOTAL</b>		<b>2,285,721</b>	<b>2,391,183</b>
Summary of significant accounting policies	1		
The accompanying notes are an integral part of the financial statements.			

As per our attached report of even date

For GUPTA GARG &amp; AGRAWAL

Chartered Accountants

For and on behalf of the Board of Directors

(B B GUPTA)

PARTNER

Membership No. 012399

Director

Director

Place : Noida

Date : 30th May, 2012

Director

Company Secretary

## STATEMENT OF PROFIT &amp; LOSS

FOR THE YEAR ENDED MARCH 31, 2012

Particulars	Notes	Figures for the year ended 31-03-2012 Rs.	Figures for the year ended 31-03-2011 Rs.
<b>Income</b>			
Revenue from operations		Nil	Nil
Other income	12	228,107	22,031
Total (I)		228,107	22,031
<b>Expenses</b>			
Employee benefits expenses	13	835,896	693,481
Finance costs	14	2,024,023	1,450,129
Other expenses	15	894,387	6,847,737
Total (II)		3,754,306	8,991,347
<b>Earning before interest ,tax depreciation and amortization(EBITDA)(I)-(II)</b>		<b>(3,526,199)</b>	<b>(8,969,316)</b>
Depreciation and amortization expenses	7	4,593	3,080
<b>Profit before exceptional and extraordinary items and tax</b>		<b>(3,530,792)</b>	<b>(8,972,396)</b>
Exceptional items		-	-
<b>Profit before extraordinary items and tax</b>		<b>(3,530,792)</b>	<b>(8,972,396)</b>
Extra ordinary items		-	-
<b>Profit / (loss) before tax</b>		<b>(3,530,792)</b>	<b>(8,972,396)</b>
<b>Tax Expenses</b>			
(i) Current Tax		-	-
(ii) Deffered Tax		-	-
<b>Profit / (Loss) for the year</b>		<b>(3,530,792)</b>	<b>(8,972,396)</b>
Earnings per equity share [nominal value of share Rs. 10 (31 March 2011: Rs. 10)]	16		
1) Basic		(0.21)	(0.53)
2) Diluted		(0.21)	(0.53)
Summary of significant accounting policies	1		
The accompanying notes are an integral part of the financial statements.			

As per our attached report of even date

For GUPTA GARG &amp; AGRAWAL

Chartered Accountants

For and on behalf of the Board of Directors

(B B GUPTA)

PARTNER

Membership No. 012399

Director

Director

Place : Noida

Date : 30th May, 2012

Director

Company Secretary

**CASH FLOW STATEMENT****FOR THE YEAR ENDED MARCH 31, 2012**

Particulars	31-03-2012 Rs.	31-03-2011 Rs.
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	(3,530,792)	(8,972,396)
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation/ amortization	4,593	3,080
Interest expense	2,024,023	1,450,129
Interest (income)	(157,188)	(21,610)
<b>Operating profit before working capital changes</b>	<b>(1,659,364)</b>	<b>(7,540,797)</b>
Movements in working capital :		
Increase / (decrease) in long-term provisions	29,200	20,564
Increase/ (decrease) in other current liabilities	96,130	176,993
Decrease / (increase) in long-term loans and advances	-	-
Decrease / (increase) in other current assets	59,175	2,933,220
<b>Cash generated from / (used in) operations</b>	<b>(1,274,859)</b>	<b>(4,410,020)</b>
Direct taxes paid (net of refunds)	-	-
<b>Net cash flow from/ (used in) operating activities</b>	<b>A (1,274,859)</b>	<b>(4,410,020)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets, including CWIP and capital advances	(29,700)	-
Interest received	157,188	21,610
<b>Net cash flow from/ (used in) investing activities</b>	<b>B 127,488</b>	<b>21,610</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Long-term borrowings	3,300,000	5,850,000
Interest paid	(2,024,023)	(1,450,129)
<b>Net cash flow from/ (used in) in financing activities</b>	<b>C 1,275,977</b>	<b>4,399,871</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>A+B+C 128,606</b>	<b>11,461</b>
Cash and cash equivalents at the beginning of the year	504,287	492,826
<b>Cash and cash equivalents at the end of the year</b>	<b>632,893</b>	<b>504,287</b>
<b>Components of cash and cash equivalents</b>		
Cash on hand	16,597	32
With banks- on current account	616,296	195,320
With banks- on deposit accounts	-	308,935
<b>Total cash and cash equivalents (note 10)</b>	<b>632,893</b>	<b>504,287</b>

Notes :

- The Cash flow statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cash Flow Statements notified by Companies Accounting Standard Rules, 2006 (as amended).
  - Negative figures have been shown in brackets.
- Summary of significant accounting policies 1
- The accompanying notes are an integral part of the financial statements.

As per our attached report of even date

**For GUPTA GARG & AGRAWAL**  
Chartered Accountants

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

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

Director

Director

Place : Noida

Date : 30th May, 2012

Director

Company Secretary

## Note to financial statements for the year ended March 31, 2012

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 1. Corporate Information

IO System limited had entered into a joint venture(JV) agreement with the General Binding Corporation (GBC), USA on 19th June, 1988 for manufacturing and selling office Automation products. The JV was terminated with mutual consent between the parties on 31st March, 2002 and now more than 96% capital of the company is held by Spice Entertainment Ltd. (formerly known as Spice Corp. Ltd.) except little shareholding with the public. The manufacturing activities had been discontinued since Feb., 2006 due to continued losses in the company. The company has also not done very well in its trading business as result of which, there have been no business activities in the company during the past five years.

#### 2. Basis of Accounting

The financial statements are prepared under the historical cost convention on the concept of a going concern, in accordance with the Generally Accepted Accounting Principles and mandatory Accounting Standards as notified under the Companies (Accounting Standards) Rules, 2006 and as per the provisions and presentational requirements of the Companies Act, 1956.

All assets and liabilities have been classified as current or non-current as per the criteria set out in the 'General Instructions for Preparation of Balance Sheet' of the Revised Schedule VI of the Companies Act, 1956.

#### 3 Use of estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities on the date of the financial statements and the results of operations during the reporting year. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### 4 Changes in Accounting policies

The accounting policies adopted are consistent with those of previous financial year. The management assures that there has been no change in accounting policies as compared to that of previous year which would have any significant effect on these financials.

#### 5 Recognition of income

Income is recognised and accounted for on accrual basis unless otherwise stated.

#### 6 Tangible Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which take substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

##### Depreciation on tangible fixed assets

Each assets costing Rs. 5,000 or less each is 100% depreciated in the year of purchase. Depreciation is provided using the SLM Method, at the rates prescribed under Schedule XIV of the Companies Act, 1956.

Particulars	Rates (SLM)
Computers	16.21%
Plant & machinery	4.75%

**7 Taxes on Income**

Current tax is determined and provided for on the amount of taxable income at the applicable rates for the relevant financial year. Deferred Tax Assets and Liabilities (DTA/ DTL) are recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and is capable of reversal in one or more subsequent periods. The DTA is recognised only to the extent that there is reasonable certainty of sufficient future profits against which such DTA can be realised.

**8 Contingent Liability**

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.

**9 Events occurring after the balance sheet date**

Adjustments to assets and liabilities are made for events occurring after the balance sheet date to provide additional information materially affecting the determination of the amounts of assets or liabilities relating to conditions existing at the balance sheet date.

**10 Earnings Per Share**

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

**2. Share Capital**

	Figures as at 31-03-2012 Rs.	Figures as at 31-03-2011 Rs.
Authorized shares		
2,00,00,000 (2,00,00,000) Equity shares of Rs. 10/- each	200,000,000	200,000,000
5,00,000 (5,00,000) Preference shares of Rs.100/- each	<u>50,00,000</u>	<u>50,00,000</u>
Issued, subscribed and fully paid-up shares		
1,69,00,000 (1,69,00,000) Equity Shares of Rs. 10/- each	<u>169,000,000</u>	<u>169,000,000</u>
Total	<u>169,000,000</u>	<u>169,000,000</u>

**(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

## Equity shares

	No. of Shares	Amount	No. of Shares	Amount
At the beginning of the period	16,900,000	169,000,000	16,900,000	169,000,000
Issued during the period – Bonus issue	-	-	-	-
Issued during the period – ESOP	-	-	-	-
Outstanding at the end of the period	<u>16,900,000</u>	<u>169,000,000</u>	<u>16,900,000</u>	<u>169,000,000</u>

**(b) Shares held by holding/ ultimate holding company and/ or their subsidiaries/ associates out of equity shares issued by the company, shares held by its holding company are as below:**

Spice Enfortainment Limited, the holding company

1,62,70,400 (1,62,70,400 ) Equity Shares of Rs. 10/- each fully paid **162,704,000** 162,704,000

**(c) Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:**

NIL

NIL

**(d) Details of shareholders holding more than 5% shares in the company**

Name of the shareholder	No. of Shares	% holding in the class	No. of Shares	% holding in the class
Equity shares of Rs. 10 each fully paid				
Spice Entotainment Limited	16,270,400	96.27%	16,270,400	96.27%

(e) The above information [from (a) to (d)] is as per records of the company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest. The above shareholding represents both legal and beneficial ownerships of shares.

**3. Reserves and Surplus**

	Figures as at 31-03-2012 Rs.	Figures as at 31-03-2011 Rs.
<b>Surplus/ (deficit) in the statement of profit and loss</b>		
Balance as per last financial statements	(182,983,439)	(174,011,043)
Profit/(Loss) for the year	(3,530,792)	(8,972,396)
<b>Net surplus/ (deficit) in the statement of profit and loss</b>	<b>(186,514,231)</b>	<b>(182,983,439)</b>

**4. Long term borrowings**

Unsecured long term borrowings	18,250,000	14,950,000
(Spice Entotainment Ltd.- Holding Company)		
	<b>18,250,000</b>	<b>14,950,000</b>

**5. Long-term provisions**

Provision for Leave-encashment	60,184	30,984
	<b>60,184</b>	<b>30,984</b>

**6. Other current liabilities**

TDS payable	83,957	66,327
Audit fee payable	40,449	44,120
Interest payable	485,008	394,570
Expenses payable	28,430	17,231
PF payable	-	7,466
Sales tax payable	-	12,000
Advances from others *	851,924	851,924
	<b>1,489,768</b>	<b>1,393,638</b>

\* The above balance from a company in which one of the director is common.



**7. Fixed Assets**

Particulars	Gross Block				Depreciation			Net Block	
	As at 01-04-2011	Addition During the year	Sales / Adjustments during the year	As at 31-03-2012	As at 01-04-2011	For the year ended 31-03-2012	As at 31-03-2012	As at 31-03-2012	As at 31-03-2011
TANGIBLE ASSETS:									
Computers	1,365,214	29,700	-	1,394,914	1,356,914	4,593	1,361,507	33,407	8,300
Machine against Demo.	1,287,306	-	-	1,287,306	1,287,306	-	1,287,306	-	-
<b>TOTAL</b>	<b>2,652,520</b>	<b>29,700</b>	<b>-</b>	<b>2,682,220</b>	<b>2,644,220</b>	<b>4,593</b>	<b>2,648,813</b>	<b>33,407</b>	<b>8,300</b>
Previous year	2,652,520	-	-	2,652,520	2,641,140	3,080	2,644,220	8,300	11,380

**8. Inventories**

Service components and spares	<b>50,000</b>	50,000
Finished and trading goods	<b>175,000</b>	175,000
	<b>225,000</b>	225,000
Less: Provision for obsolescence in value*	<b>200,000</b>	-
	<b>25,000</b>	225,000

\*The above inventory carried in the financials does not have commercial sale value and therefore, a provision of Rs. 2,00,000/- has been made for obsolescence/diminution in value.

**9. Trade Receivables**

Unsecured, Considered doubtful	<b>11,976,421</b>	11,976,421
Less: Provision for doubtful debts	<b>(11,976,421)</b>	(11,976,421)
	<b>-</b>	-
Outstanding for a period exceeding six months from the date they are due for payment	<b>11,976,421</b>	11,976,421

**10. Cash and cash equivalents**

Balances with banks:		
- On current accounts	<b>616,296</b>	195,320
- On margin money	<b>-</b>	308,935
- cash on hand	<b>16,597</b>	32
	<b>632,893</b>	504,287

**11. Other current assets**

(Considered good unless otherwise stated)

	Figures as at 31-03-2012 Rs.	Figures as at 31-03-2011 Rs.
Security deposit	595,895	595,895
Earnest Money Deposit	1,300,687	1,300,687
Other Deposits	107,355	107,355
Bal. with Govt. authorities	1,679,762	1,679,762
Insurance claim recoverable	29,977	29,977
Income tax recoverable	513,587	513,587
EPF trust	490	8,176
Advance to suppliers	463,604	476,334
	4,691,357	4,711,773
Less: Provision for doubtful advances	(3,103,715)	(3,103,715)
TDS recoverable	6,779	2,161
Interest accrued on FDR	-	43,377
	1,594,421	1,653,596

**Contingent liabilities & commitments****(1) Contingent Liabilities**

a) Claims against the company not acknowledged as debts	NIL	NIL
b) Guarantees	NIL	NIL
c) Other money for which company is contingently liable	NIL	NIL

**(2) Commitments**

a) Estimated amounts of contracts to be executed on capital account not provided for	NIL	NIL
b) Uncalled liability on partly paid shares	NIL	NIL
c) Other commitments	NIL	NIL

**IO SYSTEM LIMITED****12. Other Income**

	Figures for the year ended 31-03-2012	Figures for the year ended 31-03-2011
Interest on FDR *	157,188	21,610
Interest on income tax refund	-	421
Bank charges reversed	969	-
Margin money written off in previous year recovered	57,950	-
Excess sales tax liability written back	12,000	-
	<u>228,107</u>	<u>22,031</u>

\* Representing interest allowed as per bank certificate on margin money FDRs' encashed during the year.

**13. Employee benefits expense**

Salaries, wages and bonus	757,285	629,583
Contribution to provident fund	49,411	42,724
staff welfare expenses	-	610
Leave encashment	29,200	20,564
	<u>835,896</u>	<u>693,481</u>

**14. Finance costs**

Interest on long term loan	2,024,023	1,450,129
	<u>2,024,023</u>	<u>1,450,129</u>

**15. Other expenses**

Travelling and conveyance	55,196	126,977
Notice & Compliance expenses	42,843	40,536
Legal and professional fees	210,160	109,940
Printing & stationery	74,220	65,258
Filing fee	1,000	1,010
Rates and taxes	-	10,000
Annual General Meeting Expenses	23,535	25,850
Communication cost	40,937	39,411
Director's sitting fee	60,000	60,000
Listing fees	59,385	26,325
Advances not recoverable written off	12,730	57,950
Books & periodicals	-	3,690
Sales tax paid	-	5,263,428
Interest on tax	6,103	876,734
Bank charges	675	7,962
Miscellaneous expenses	27,363	37,808
Payment to auditors (Refer details below)	80,240	94,858
Provision for diminution in value/obsolescence of inventory	200,000	-
	<u>894,387</u>	<u>6,847,737</u>

	Figures for the year ended 31-03-2012	Figures for the year ended 31-03-2011
<b>Payment to auditor</b>		
Audit fee	44,944	44,120
Limited review	16,545	22,060
<b>In other capacity:</b>		
Other services	18,751	28,678
	<u>80,240</u>	<u>94,858</u>

**16. Earnings per share (EPS)**

The following reflects the profit and share data used in the basic and diluted EPS computations:

Profit/ (loss) after tax	(3,530,792)	(8,972,396)
Weighted average number of equity shares in calculating basic and diluted EPS	16,900,000	16,900,000
Basic and diluted earning per share	<u>(0.21)</u>	<u>(0.53)</u>

17. The schedule VI as notified under the Companies Act, 1956 has become applicable to the company for its financial statements for the year ending March 31, 2012. The adoption of the revised schedule VI requirements presentation has significantly modified the presentation and disclosures which have been complied with in these financial statements. Previous year figures have been restated in accordance with current year requirements.

18. The company being listed on stock exchange, therefore, has complied with all the notified applicable Accounting Standards.

**19. Deferred Taxes**

As the commercial activities are yet to commence, therefore, the Deferred Tax Assets / Liabilities (DTA/DTL) has not been recognised in the books of account in compliance of Accounting Standard (AS) -22.

20. Previous year figures have been regrouped/re-classified wherever considered to make comparable with the current year figures.

21. All schedules annexed to and form integral part of the Balance Sheet and Profit & Loss Account.

**22. Related Party Disclosures**

- i) Holding Company Spice Enfotainment Limited
- ii) Common Director and Fellow Subsidiary of i) above First Choice Enterprises P. Ltd.

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

- iii) Key Management Personnel Mr. Arun seth

**IO SYSTEM LIMITED**

## 23. Related Party Transactions:

Particulars	Holding Company	Substantially Interested	
Transactions during the year	Spice Enfotainment Pvt. Ltd.	Bharat It Services Limited	First Choice Enterprises P. Ltd.
Loan taken	3,300,000 (5,850,000)	- -	- -
Loan repaid	- -		
Interest paid/payable	2,024,023 (1,450,129)	- -	- -
Balance at the end of the year			
Loan payable (including accrued interest)	18,735,008 (15,344,750)	- -	- -
Payable	- -	820,824 (820,824)	31,100 (31,100)

24. Value of Import on CIF Basis Nil

25. Earnings in Foreign Exchange Nil

26. Expenditure in Foreign Currency Nil

As per our attached report of even date

For **GUPTA GARG & AGRAWAL**

Chartered Accountants

For and on behalf of the Board of Directors

**(B B GUPTA)**

PARTNER

Membership No. 012399

Director

Director

Place : Noida

Date : 30th May, 2012

Director

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 Saturday, 29th September 2012 at 11:00 A.M. or at any adjournment thereof.

Signed this \_\_\_\_\_ Day of \_\_\_\_\_ 2012

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

Please affix  
₹ 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 C-56/36, Sector-62,  
Noida – 201 301, (U.P.) on Saturday, 29th September 2012 at 11:00 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.

*if undelivered return to :*

**IO SYSTEM LIMITED**

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