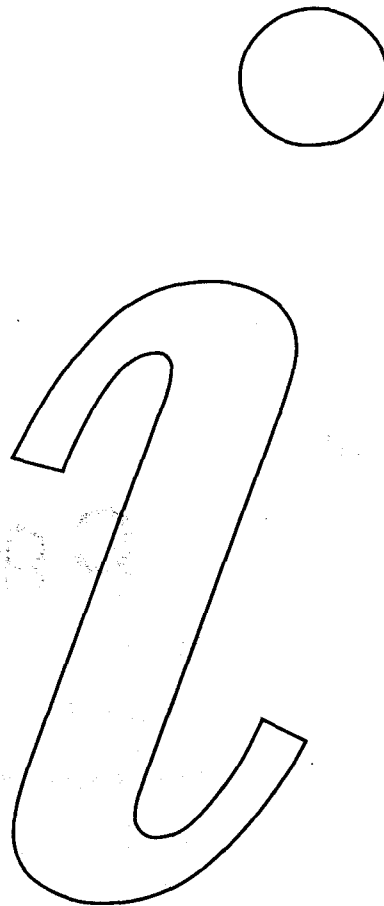


# IO SYSTEM LIMITED



ANNUAL REPORT 2009-10

## **BOARD OF DIRECTORS**

Mr. Arun Seth

Chairman & Manager

Mr. R.C. Agarwal

Mr. S.K. Gupta

## **COMPANY SECRETARY**

Mr. Dinkar Sharma

## **AUDITORS**

M/s Gupta Garg & Agrawal

Chartered Accountants

G - 55, Royal Palace, 2<sup>nd</sup> Floor,

Laxmi Nagar, Vikas Marg,

Delhi - 110092

Ph.No. : 011-22502455, 43016663

Fax No.: 011-22418599

## **REGISTRAR AND TRANSFER AGENT:**

M/s MAS Services Ltd.

T-34, 2nd Floor, Okhla Industrial Area,

Phase-II, New Delhi - 110020

Tel 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

# **C o n t e n t s**

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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 Second Annual General Meeting of IO System Limited will be held on Thursday, the 30th day of September, 2010 at 10:30 A.M. 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 at March 31, 2010 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. Arun Seth, 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.

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

**Place : Noida**

**Date : August 12, 2010**

**sd/-  
ARUN SETH  
CHAIRMAN**

**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 September 25, 2010 to September 30, 2010 (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, Okhla Industrial Area, Phase-II, New Delhi - 110 020, about changes, if any, in their address with PIN Code numbers.
7. Members are also requested to quote their Folio No. in all correspondence with the Company and/or its Registrars.

**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>	Arun Seth
<b>Date of Birth</b>	24th September, 1953
<b>Date of Appointment as Director</b>	30th September, 2002
<b>Qualification</b>	B.A., Diploma in Marketing Management
<b>Expertise in specific functional areas</b>	Marketing, Electronics and Information Technology
<b>List of Companies in which outside Directorship held as on the date of notice</b>	First Choice Enterprises Private Limited
<b>Chairman / Member of the Committees of the Board of the Companies on which he / she is a Director</b>	IO System Limited: Member - Audit Committee Member - Investor Grievance /Share Transfer Committee

## **DIRECTORS' REPORT**

**To,  
The Members  
IO System Limited**

**The Board of Directors of your Company have pleasure in placing before the Members the 22nd Annual Report together with the audited Statement of Accounts of the Company for the financial year ended on March 31, 2010.**

### **FINANCIAL RESULTS**

<b>Particulars</b>	<b>(Rs. In Lacs)</b>	
	<b>Year ended March 31, 2010</b>	<b>Year ended March 31, 2009</b>
Sales and other Income (Net of Excise Duty)	122.50	0.43
Profit / (Loss) before Depreciation & Interest	49.06	(18.66)
Less: Depreciation	0.72	1.40
Interest	35.21	14.96
Prior period Income/Expenses	0.28	0.00
Profit / (Loss) for the year before Taxation	13.41	(35.03)
Profit / (Loss) for the year after Taxation	13.41	(35.08)
Balance brought forward from previous year	(1753.52)	(1718.44)
<b>Profit / (Loss) at the end of the year</b>	<b>(1740.11)</b>	<b>(1753.52)</b>

### **OPERATING RESULTS**

During the year under review, the total turnover (sales and other income) of the Company was Rs.122.50 lacs as against Rs. 0.43 lacs during the previous financial year and the Company recorded a net profit of Rs. 13.41 lacs as against a net loss of 35.08 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. The other income mainly included profit on sale of land and capital gains on sale of investments.

### **DIVIDEND**

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

### **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**

Pursuant to Section 255 & 256 of the Companies Act, 1956, the term of Mr. Arun Seth, as a Director of the Company, is going to expire at the ensuing Annual General Meeting due to retirement by rotation. Board recommends his re-appointment. There was no other change in the Directorship of the Company during the year under review.

### **SUBSIDIARIES**

The Company does not have any subsidiary company(ies).

### **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 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, 2010, 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, 2010 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 Bankers 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 : August 12, 2010**

**sd/-  
(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, ADOPTION AND INNOVATION****1. Efforts, in brief, made towards technology absorption, adaptation & 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. had been the one of the top runners in the field of Office Automation, providing state of the art products from leading sources across the world. However, due to inflation and other factors like easy availability of products from other International markets viz., China, Korea, Taiwan etc. the margins in this business have reduced considerably making it difficult for the companies like us to survive. We have managed to survive all through these years and are hoping that the market gets settled soon and stability is assured.

### **Outlook/Projections for 2010 :**

We plan to introduce the latest range of products from best companies operating 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. The company is also looking forward to initiate the process of revival by endeavoring to some new line of business.

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

During the period under review, Company had an internal control system in place and the same was periodically reviewed for its 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 statements within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed in the statement(s). 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.



## REPORT ON CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY

The Company's philosophy on Corporate Governance is to 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 2009-2010.

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

A total of five (5) Board Meetings were held during the period 01st April, 2009 to 31st March, 2010 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. 29th April, 2009
2. 03rd June, 2009
3. 22nd July, 2009
4. 27th October 2009
5. 15th January 2010

The composition of the Board and position held by Directors on the Board/Committee of other Public Limited Companies, as on 31st March, 2010, 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 2009 to 31 <sup>st</sup> March 2010	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 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, 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**

Name of Director	Sitting Fees
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 vis-à-vis 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 1st April, 2009 to 31st March, 2010 on the following dates:

1. 29th April, 2009
2. 03rd June, 2009
3. 22nd July, 2009
4. 27th October, 2009
5. 15th January, 2010

The composition of Audit Committee as on 31st March 2010 and attendance at the meetings held during the period from 01st April, 2009 to 31st March, 2010 is as follows:

Name of Director	Designation	Category	Attendance at the meetings held during the period from 01 <sup>st</sup> April 2009 to 31 <sup>st</sup> March 2010
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 30th September 2009.

#### **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 five (5) times during the year. During the period the Company has received only one (1) complaint from the shareholders, which was properly attended and resolved to the satisfaction of the shareholder under intimation to Stock Exchange. 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: -

<b>Year</b>	<b>Location</b>	<b>Date</b>	<b>Time</b>
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.
2008-09	Club 26, Sector -26, Noida - 201 301, U.P.	September 30, 2009	10.00 a.m.

#### **5. SUBSIDIARY**

The Company does not have a subsidiary company(ies).

#### **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 31st March, 2010 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 : 30th day of September 2010
- ☐ Time : 10:30 A.M.
- ☐ Venue : C-56/36, Sector-62, Noida, UP - 201 301
- (c) Financial Calendar** : 1st April, 2009 to 31st March, 2010
- (d) Book closure date** : September 25, 2010 to September 30, 2010  
(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	2492	-	-
The Bombay Stock Exchange Limited	Physical	523752	IO SYSTEM	IO SYSTEM
The Delhi Stock Exchange Association Ltd.	Physical	13153	-	-

**(h) Stock Market Data**

Share price performance for the period 01st April, 2009 to 31st March 2010, 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
4-Feb-10	26.25	26.25	26.25	26.25	5000	5	131250	N/a	N/a
5-Feb-10	24.95	24.95	24.95	24.95	1800	3	44910	0	0

\*Spread

H - L - > High - Low

C - O - > Close - Open

**(i) Registrar and Transfer Agent:**

M/s MAS Services Ltd.  
T-34, 2nd 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, 2010**

Spice Enfortainment Limited	96.275%
(Previously Spicecorp Entertainment Limited)	
Others (Friends & relatives)	0.175%
Public	3.550%

**(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 August 12, 2010 obtained from the auditors, M/s. Gupta Garg & Agrawal, 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 31st March, 2010, 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 : 12th August, 2010

Sd/-  
**(B. B. Gupta)**  
Partner

## **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 31st March, 2010.
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 / or 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 have evaluated the effectiveness of the Internal Control Systems of the Company.
6. I have disclosed, based on 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.

Sd/-  
**Arun Seth**  
Chairman & Manager

Place : Noida  
Date : August 12, 2010

## **AUDITORS' REPORT**

To the Shareholders,  
IO SYSTEM LIMITED  
(Formerly known as Spice Systems Limited)

1. We have audited the attached Balance Sheet of IO SYSTEM LIMITED (formerly known as Spice Systems Limited), as at 31st March 2010, 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, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 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 31st March 2010;
    - 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) There is one computer in the company which has been physically verified by the management.
    - (c) During the year under report, the company has disposed off all its fixed assets except one computer.
  - (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 valuation of old and damaged stocks 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 loan or unsecured loan from a company/firm or any other concern covered in the register maintained under section 301 of the Companies Act, 1956 as such the sub clause (f) & (g) of Companies (Auditors Report) Order 2003 ( as amended) are not applicable.
- (c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions are not prima-facie prejudicial to the interest of the company.
- (d) As per the terms of the agreement, the company has been regular in payment of principal and interest.
- (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 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 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'.
- 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. 17.40 Crores as on 31st March 2010. The company has earned a cash profit of Rs. 14.13 Lacs in the financial year ended on 31.03.2010 as against cash loss of Rs. 33.67 Lacs suffered 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

Place : Noida  
Date : 14.05.2010

Sd/-  
**(B. B. Gupta)**  
Partner  
M. No. : 012399  
Firm Regn. No. 505762C

## Annexure - A

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

S. No.	Name of the Statute	Assessment Year	Nature of Dues	Amount of Demand	Forum where dispute is pending
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.	U.P.(Central/Local)	1999-00	Sales Tax	(134,756)	JT Commissioner of Trade Tax Noida
4.	U.P.(Central/Local)	2001-02	Sales Tax	6,649,578	Tribuna of Trade Tax Noida (Remanded back to STO)
5.	U.P.(Central/Local)	2002-03	Sales Tax	5,899,895	Tribuna of Trade Tax Noida (Remanded back to STO)
6.	U P.Sales Tax	2003-04	Sales Tax	466,992	JT Commissioner of Trade Tax Noida
7.	Delhi Sales Tax	2000-01	Sales Tax	71,789	Asstt. Comm. IX, Delhi Slaes Tax
8.	Delhi Sales Tax	2001-02	Sales Tax	2,572,528	Addl. Comm. II, Delhi Sales Tax
9.	Delhi Sales Tax	2003-04	Sales Tax	1,865,674	Addl. Comm. II, Delhi Sales Tax
10.	Delhi Sales Tax	2004-05	Sales Tax	230,073	STO Delhi sales Tax
11.	T.N. Sales Tax	2000-01	Sales Tax	184,849	CT III, T. N.S.Tax Appeal Asstt. Comm.
12.	T.N. Sales Tax	2002-03	Sales Tax	140,111	CT III, T. N.S.Tax Appeal Asstt. Comm.
13.	West Bengal Sales Tax	1999-2000	Sales Tax	288,098	Asstt. Comm. South circle, Directorate of Commercial, West Bengal
14.	West Bengal Sales Tax	2000-01	Sales Tax	90,650	Asstt. Comm. South circle, Directorate of Commercial, West Bengal
15.	West Bengal Sales Tax	2002-03	Sales Tax	1,011,106	Asstt. Comm. South circle, Directorate of Commercial, West Bengal
	<b>TOTAL</b>			<b>19,498,377</b>	
16.	Central Excise Act	1992-00	Penalty and demand	2,387,850	CEGAT New Delhi
17.	Central Excise Act	1999-01	Interest and penalty	69,969	CEGAT New Delhi
18.	Central Excise Act	2002-03	Interest and penalty	19,427	CEGAT New Delhi
19.	Central Excise Act	valuation case	Excise Duty	1,509,876	CEGAT New Delhi
	<b>TOTAL</b>			<b>3,987,122</b>	
20.	Income Tax Act 1961	2001-02	Penalty	2,570,000	ITAT Delhi
21.	Income Tax Act 1961	2002-03	Penalty	1,700,000	Commissioner of Income Tax (Appeals) Ghaziabad
22.	Income Tax Act 1961	2004-05	Penalty	475,000	Commissioner of Income Tax (Appeals) Ghaziabad
	<b>TOTAL</b>			<b>4,745,000</b>	

**IO SYSTEM LIMITED**  
**(FORMERLY SPICE SYSTEMS LIMITED)**  
**BALANCE SHEET AS AT MARCH 31, 2010**

Particulars	Schedules	As at 31-Mar-10 (Rs.)	As at 31-Mar-09 (Rs.)
<b>I. SOURCES OF FUNDS</b>			
1. Shareholders' Funds			
Share Capital	1	<u>169,000,000</u>	<u>169,000,000</u>
		<u>169,000,000</u>	<u>169,000,000</u>
2. Loan Funds			
Unsecured loans	2	<u>9,100,000</u>	<u>13,800,000</u>
		<u>9,100,000</u>	<u>13,800,000</u>
<b>TOTAL</b>		<u><u>178,100,000</u></u>	<u><u>182,800,000</u></u>
<b>II. APPLICATION OF FUNDS</b>			
1. Fixed Assets	3		
Gross block		<u>2,652,520</u>	<u>5,470,201</u>
Less : Depreciation		<u>2,641,140</u>	<u>4,589,526</u>
Net block		<u>11,380</u>	<u>880,675</u>
2. Investment	4	-	300,750
3. Current Assets, Loans and Advances			
(a) Inventories	5	<u>225,000</u>	<u>3,809,543</u>
(b) Sundry debtors	6	-	-
(c) Cash and bank balances	7	<u>492,826</u>	<u>721,718</u>
(d) Loans and advances	8	<u>4,586,816</u>	<u>5,902,529</u>
		<u>5,304,642</u>	<u>10,433,790</u>
<b>Less : Current Liabilities &amp; Provisions</b>			
(a) Current Liabilities	9	<u>1,216,645</u>	<u>4,127,475</u>
(b) Provisions	10	<u>10,420</u>	<u>39,960</u>
		<u>1,227,065</u>	<u>4,167,435</u>
<b>Net Current Assets</b>		<u>4,077,577</u>	<u>6,266,355</u>
4. Profit & Loss Account		<u>174,011,043</u>	<u>175,352,220</u>
<b>TOTAL</b>		<u><u>178,100,000</u></u>	<u><u>182,800,000</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

M.No. 012399

Place : Noida

Date : 14.05.2010

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

**Arun Seth**

Manager & Chairman

**S.K.Gupta**

Director

**R.C.Agarwal**

Director

**Dinkar Sharma**

Company Secretary

**IO SYSTEM LIMITED**  
**(FORMERLY SPICE SYSTEMS LIMITED)**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE PERIOD ENDED ON MARCH 31, 2010**

Particulars	Schedules	For the year ended on 31-Mar-10 (Rs.)	For the year ended on 31-Mar-09 (Rs.)
<b>I. INCOME</b>			
Turnover (Gross)	11	-	1,625
Less: Excise duty		-	-
Turnover (Net)		-	1,625
Other income	12	12,250,473	41,401
<b>TOTAL</b>		<b>12,250,473</b>	<b>43,026</b>
<b>II. EXPENDITURE</b>			
Purchase of service goods		-	-
Personnel expenses	13	557,070	571,352
Operating and other expenses	14	3,202,377	1,336,751
(Increase)/decrease in value of inventory	15	3,584,543	1,625
Depreciation	3	71,670	140,264
Financial expenses	16	3,521,371	1,496,438
<b>TOTAL</b>		<b>10,937,031</b>	<b>3,546,430</b>
<b>Profit/(Loss) from continuing operations before tax, extraordinary and prior period items</b>		<b>1,313,442</b>	<b>(3,503,404)</b>
Prior Period Expenses		(27,735)	-
<b>Profit before Tax</b>		<b>1,341,177</b>	<b>(3,503,404)</b>
FBT		-	4,214
<b>Profit/(Loss) from continuing operations after tax and extraordinary and prior period items</b>		<b>1,341,177</b>	<b>(3,507,618)</b>
<b>Net profit/(Loss)</b>		<b>1,341,177</b>	<b>(3,507,618)</b>
<b>Balance brought forward from previous year</b>		<b>(175,352,220)</b>	<b>(171,844,602)</b>
<b>Surplus/(Deficit) carried to Balance Sheet</b>		<b>174,011,043</b>	<b>(175,352,220)</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>0.08</b>	<b>(0.21)</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

M.No. 012399

Place : Noida

Date : 14.05.2010

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

**Arun Seth**

Manager & Chairman

**S.K.Gupta**

Director

**R.C.Agarwal**

Director

**Dinkar Sharma**

Company Secretary

## IO SYSTEM LIMITED

(FORMERLY SPICE SYSTEMS LIMITED)

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED ON MARCH 31, 2010

Particulars	For the year ended on 31-Mar-10 (Rs.)	For the year ended on 31-Mar-09 (Rs.)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) before taxation	1,341,177	(3,503,404)
Adjustment for:		
Depreciation	71,670	140,264
Interest Expenditure	1,583,326	1,493,259
Interest Income	-	(21,401)
(Profit)/Loss on sale of fixed assets - net	(1,802,375)	-
Operating Profit/(Loss) before working capital changes	<u>1,193,798</u>	<u>(1,891,282)</u>
Adjustment for changes in :		
Inventories	3,584,543	1,251,942
Trade Receivables	-	310,533
Loans and advances	1,315,713	(3,121)
Current liabilities	(2,940,370)	(1,991,135)
Cash generated by operating activities	<u>3,153,684</u>	<u>(2,323,063)</u>
Less: Tax Paid	-	4,214
<b>NET CASH FLOW (USED IN )/FROM OPERATING ACTIVITIES</b>	<u>3,153,684</u>	<u>(2,327,277)</u>
(A)		
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	-	-
Sale of fixed assets	2,600,000	-
Sale of Investment	300,750	-
Interest received	-	16,730
<b>NET CASH FLOW (USED IN)/FROM INVESTING ACTIVITIES</b>	<u>2,900,750</u>	<u>16,730</u>
(B)		
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from short term loans - unsecured	(4,700,000)	3,300,000
Repayment of short term loans - secured	-	-
Interest paid	(1,583,326)	(1,148,082)
<b>NET CASH FLOW (USED IN) FINANCING ACTIVITIES</b>	<u>(6,283,326)</u>	<u>2,151,918</u>
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>	<u>(228,892)</u>	<u>(158,629)</u>
(C)		
(A+B+C)		
<b>CASH &amp; CASH EQUIVALENTS AS AT 1st APRIL'09</b>		
Cash and current account balances with banks (excluding unpaid dividend account)	721,718	650,393
<b>CASH &amp; CASH EQUIVALENTS AS AT 31st March 2010</b>		
Cash and current account balances with banks	<u>492,826</u>	<u>721,718</u>

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

M.No. 012399

Place : Noida

Date : 14.05.2010

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

Manager &amp; Chairman

**R.C.Agarwal**

Director

**S.K.Gupta**

Director

**Dinkar Sharma**

Company Secretary

**IO SYSTEM LIMITED**  
**(FORMERLY SPICE SYSTEMS LIMITED)**  
**SCHDULE ATTACHED TO AND FORMING PART OF ACCOUNTS**

Particulars	As At 31-Mar-10 (Rs.)	As At 31-Mar-09 (Rs.)
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised</b>		
20,000,000 equity shares of Rs.10/- each	<u>200,000,000</u>	<u>200,000,000</u>
500,000 preference shares of Rs.100/- each	<u>50,000,000</u>	<u>50,000,000</u>
<b>Issued, Subscribed and Paid up</b>		
16,900,000 equity shares of Rs.10/- each fully paid-up	<u>169,000,000</u>	<u>169,000,000</u>
	<u>169,000,000</u>	<u>169,000,000</u>
<b>Schedule 2: Unsecured Loans</b>		
From other bodies corporate		
Inter Corporate Loans from Holding Company	<u>9,100,000</u>	<u>13,800,000</u>
	<u>9,100,000</u>	<u>13,800,000</u>

**SCHEDULE 3: Fixed Assets as on 31.03.2010**

(Figures in Rs.)

Particulars	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	As at 31.03.09	Additions during the year	Adjustments/ Sales during the year	As at 31.03.10	Upto 01.04.09	Provided for the year	Adjustments during the year	Upto 31.03.10	As at 31.03.10	As at 31.03.09
Furniture & Fittings	423,302		423,302	-	285,682	11,729	297,411	-	-	137,620
Office Equipments	2,394,379		2,394,379	-	1,665,784	56,861	1,722,645	-	-	728,595
Computers	1,365,214	-		1,365,214	1,350,754	3,080		1,353,834	11,380	14,460
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>2,817,681</b>	<b>2,652,520</b>	<b>4,589,526</b>	<b>71,670</b>	<b>2,020,056</b>	<b>2,641,140</b>	<b>11,380</b>	<b>880,675</b>
PREVIOUS YEAR	5,470,201	-	-	5,470,201	4,449,262	140,264	-	4,589,526	880,675	1,020,939

**IO SYSTEM LIMITED**  
**(FORMERLY SPICE SYSTEMS LIMITED)**

Particulars	AS AT 31-Mar-10 (Rs.)	AS AT 31-Mar-09 (Rs.)
<b>SCHEDULE 4 : INVESTMENT</b>		
Longterm investments in subsidiary company (Bharat IT Services Ltd. )		
Shares (unquoted)		
10,04,699 equity share of Rs.10/-each. (Since Sold)	-	300,750
	<u>                    </u>	<u>                    </u>
<b>SCHEDULE 5: INVENTORIES</b>		
Service components and spares	50,000	1,239,280
Finished and trading goods	175,000	2,570,263
	<u>225,000</u>	<u>3,809,543</u>
	<u>                    </u>	<u>                    </u>
<b>SCHEDULE 6: SUNDRY DEBTORS</b>		
Un-Secured		
A. Debts outstanding for a period exceeding six Months		
Considered good	-	-
Considered doubtful	11,976,421	12,065,264
Less : Provision for doubtful debts	11,976,421	12,065,264
	<u>                    </u>	<u>                    </u>
	-	-
B. Other Debts	-	-
	<u>                    </u>	<u>                    </u>
	-	-
	<u>                    </u>	<u>                    </u>
<b>SCHEDULE 7: CASH AND BANK BALANCES</b>		
Cash in hand	12,777	8,677
Balances with scheduled banks :		
On current accounts	113,164	346,156
On margin money	366,885	366,885
	<u>492,826</u>	<u>721,718</u>
	<u>                    </u>	<u>                    </u>

**IO SYSTEM LIMITED**  
**(FORMERLY SPICE SYSTEMS LIMITED)**

Particulars	AS AT 31-Mar-10 (Rs.)	AS AT 31-Mar-09 (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	5,134,946	6,445,377
Balance with excise and custom authorities	441,396	441,407
Tax deducted at source	-	4,849
Security and other deposits	2,114,611	2,114,611
	7,690,953	9,006,244
Less : Provision for doubtful advances	3,104,137	3,103,715
	4,586,816	5,902,529

**SCHEDULE 9: CURRENT LIABILITIES**

Sundry Creditors for Goods and Expenses

i) Due to Small Scale Industries *	-	-
ii) Due to others	2,636,216	2,838,089
Advances from customers	22,01,315	
Less: Provision for Advances from Customers	13,80,491	
Other liabilities	71,902	468,562
	3,528,942	4,127,475
Less : Outstanding Liabilities no longer payable	2,312,297	-
	1,216,645	4,127,475

\* As certified by the management

**SCHEDULE 10: PROVISIONS**

Provision for leave encashment	10,420	39,960
	10,420	39,960



**IO SYSTEM LIMITED**  
**(FORMERLY SPICE SYSTEMS LIMITED)**

Particulars	For the year ended on 31-Mar-10 (Rs.)	For the year ended on 31-Mar-09 (Rs.)
<b>SCHEDULE 11: TURNOVER</b>		
Sales of trading goods		1,625
	-	1,625
<b>SCHEDULE 12: OTHER INCOME</b>		
Interest on bank deposits (Tax deducted at source Rs. NIL/- Previous year Rs. 2688/-)	-	21,401
Compensation Received for Land Acquisition by MDA	349,388	-
Profit on Sale of Land	2,400,000	-
Long Term Capital Gain on sale of Shares	7,083,788	-
Credit balances no longer payable written back	2,312,297	-
Bad Debts Recovered	105,000	20,000
	<b>12,250,473</b>	<b>41,401</b>
<b>SCHEDULE 13: PERSONNEL EXPENSES</b>		
Salaries, wages and bonus	509,592	43,456
Contribution to provident fund	46,049	525,112
Workmen and staff welfare expenses	1,429	2,784
	<b>557,070</b>	<b>571,352</b>

**IO SYSTEM LIMITED**  
(FORMERLY SPICE SYSTEMS LIMITED)

Particulars	For the year ended on 31-Mar-10 (Rs.)	For the year ended on 31-Mar-09 (Rs.)
<b>SCHEDULE 14: OPERATING AND OTHER EXPENSES</b>		
Travel and conveyance	61,972	44,264
Notices & Compliance Expenses	42,658	41,630
Communication costs	49,748	12,434
Printing & Stationary	82,189	90,973
Filing Fee	2,530	57,180
Annual General Meeting Expenses	13,060	11,360
Auditors' remuneration		
- Audit fee	44,120	44,120
- Other Services	114,878	54,545
Directors' sitting fee	75,000	75,000
Legal and professional expenses	255,699	265,381
Rates and taxes	34,389	637,593
Old advances not recoverable written off	865,957	-
Sales Tax Paid	693,969	-
Loss on Sale of Fixed Assets	597,625	-
Miscellaneous expenses	268,584	2,271
	<u>3,202,377</u>	<u>1,336,751</u>
<b>SCHEDULE 15: (INCREASE)/DECREASE IN INVENTORIES</b>		
Inventories as at April 1, 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>
Less: Inventories as at March 31, 2010		
Finished and trading goods	175,000	2,570,263
Service components and spares	50,000	1,239,280
	<u>225,000</u>	<u>3,809,543</u>
	<u>3,584,543</u>	<u>1,625</u>
<b>SCHEDULE 16: FINANCIAL EXPENSES</b>		
Interest on Unsecured loan	1,583,326	1,493,259
Interest others	1,928,285	-
Bank charges	9,760	3,179
	<u>3,521,371</u>	<u>1,496,438</u>

# IO SYSTEM LIMITED

## SCHEDULE 17

## (FORMERLY SPICE SYSTEMS LIMITED)

### 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 19th June, 1988 for manufacturing and selling office Automotion products. The JV was terminated with mutual consent between the parties on 31st March, 2002 and almost entire 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 a result of which, there have been no business activities in the company during the financial year 2009-10

##### 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 nil operational activities in the company, the management is in the process of liquidating the current assets such as inventories, loans and advances and settling the current liabilities. The total fixed assets have since been sold and now only one computer is left in the company.

##### 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.

**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.

**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.

	2009-10	2008-09
Profit After Tax	1,341,177	(3,507,618)
No of Equity Shares	16,900,000	16,900,000
Nominal Value of Ordinary Shares	10	10
Basic/Diluted Earning per share	0.08	( 0.21 )

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

The company continues to be subsidiary of Spice Entertainment Ltd. (formerly known as Spice Corp. Ltd.)

**2. SUBSIDIARY COMPANY**

The company ceased to be holding company of Bharat IT Services Ltd. (Formerly Spice Net Ltd.) w.e.f. 12.05.2009

3. The Company is a non small and medium enterprises sized company as defined in the general instructions in respect of Accounting Standards notified under the Company's Act, 1956. Accordingly, all the applicable accounting standards have been complied with.
4. The Company has been carrying obsolete and damaged inventory for quite some time, which it could not dispose off due to non availability of suitable marketing personnel in the company and sluggish market conditions. At the instance of the Board, the inventories were got valued from registered valuer who had declared them as scrap and valued at Rs. 2.25 lacs. Accordingly, the carrying value has been taken at Rs. 2.25 lacs in the present financials.
5. During the year, the company has taxable losses after adjusting capital gains, therefore, no provision has been made on account of Income tax.
6. The Company owned Land and Building at Modipuram, Distt. Meerut, which had been sold to Bougainvillea Multiplex & entertainment Pvt. Ltd. (BMEC) in terms of MOU dated 04.09.2006 for Rs. 86 lacs. As per terms of MOU, the Company was under an obligation to BMEC for transfer of properties by executing requisite sale deed within a period of 90 days. *Due to certain unavoidable reasons, the transfer deed of properties could not be executed. During the current year, BMEC has written to the company to refund its money of Rs. 86 lacs alongwith interest @8% p.a.. Thereafter, a Memorandum of Termination has been executed between the parties on 16.06.2009. The amount of Rs. 86 lacs alongwith interest @8% of Rs. 19.29 lacs has been refunded to BMEC. The same land & building has been sold for Rs. 110 lacs subsequently to a third party. The resultant profit has been duly accounted for in the books of account of the company.*

**7. 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 31st March, 2010, has Deferred Tax Assets (DTA) of Rs. 155.78 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.0.10/-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.

8. 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.
9. 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.
10. No provision has been made in the accounts against the liability in respect of future payment of gratuity to the employees as lone employee has not put in the qualifying period of service for entitlement to the said benefit under the Provisions of 'Payment of Gratuity Act, 1972'.
11. The liability on account of Leave Encashment in respect of lone employee has been duly provided for on the basis of leave accrued and accumulated to the each employee.

**12. RELATED PARTY TRANSACTIONS**

During the year, the Company entered into transactions with related parties. Those transactions along with related balances as at March 31, 2010 and March 31, 2009 are given in the following table:

# IO SYSTEM LIMITED

## (FORMERLY SPICE SYSTEMS LIMITED)

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

Name of the Related Party	Relation
i) Spice Entertainment Limited (Formerly Spice Corp. Ltd.)	Holding Company
ii) Bharat IT Services Limited (formerly Spice Net Limited) ceased w.e.f 12.05.2009	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'10	-		-		-
	Mar'09	-		-	-	-
Sale of finished goods, consumables and Fixed Assets	Mar'10	-		-		-
	Mar'09	-	1,828	-		1,828
Purchase of Bharat IT Services Shares	Mar'10	-		-		-
	Mar'09	-		-	-	-
Loan taken during the year	Mar'10	13,100,000		-		13,100,000
	Mar'09	2,500,000		-		2,500,000
Loan repaid during the year	Mar'10	17,800,000		-		17,800,000
	Mar'09			-		-
Interest Paid / Payable	Mar'10	1,583,326		-		1,583,326
	Mar'09	1,493,259		-		1,493,259
<b>Outstanding balance at the year end</b>						
Payables	Mar'10		820,824	31,100	-	851,924
	Mar'09		820,824	1,100	-	821,924
Loan payable (including accrued interest)	Mar'10	9,329,421		-	-	9,329,421
	Mar'09	14,114,275		-	-	14,114,275

**13. 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.

**14. 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. 39,87,122/- (2009 - Rs. 39,87,122/-)
  - Sales Tax matters (including demands in respect of non-submission of statutory sales tax declaration forms) - Rs.1,94,98,377.- (2009 - Rs. 2,03,20,094/-)
  - Other cases against the company - Rs. 1,246,664/- (2009 - Rs. 1,246,664/-)
- (b) Counter Guarantees issued Rs 6,82,700/- (2009 - Rs. 6,82,700/-).
- (c) To income tax department for Rs. 4745000/- towards penalties imposed against which company is in appeal.

## 15. PAYMENTS TO AUDITORS

	2009-10	2008-09
For services as auditors	44,120	44,120
For other services	114,878	54,545

## 16. 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, 2010				31 <sup>st</sup> March, 2009			
	*Sales		Purchases/ Production		*Sales		Purchases/ Production	
	Qty (Nos)	Value (Rs.)	Qty (Nos)	Value (Rs.)	Qty (Nos)	Value (Rs.)	Qty (Nos)	Value (Rs.)
i) <b>Manufactured</b> Binding, laminating & shredding machines	-	-	-	-	-	-	-	-
ii) <b>Trading</b> Binding, Laminating, Shredding, Franking and Other machines	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Others (spares & consumables)	-	-	-	-	-	1,625	-	-
	-	-	-	-	-	1,625	-	-

## b) Particulars of opening and closing stocks

Particulars	31 <sup>st</sup> March, 2010				31 <sup>st</sup> March, 2009			
	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>Manufactured</b> Binding, laminating & shredding machines	1	2,362			1	2,362	1	2,362
ii) <b>Trading</b> Binding, Laminating, Shredding, Franking and Other machines	106	3,807,182			106	3,808,807	106	3,807,182
	107	3,809,544	-	-	107	3,811,169	107	3,809,544
Others (spares & consumables)	-	-	-	-	-	-	-	-
	107	3,809,544	-	225,000	107	3,811,169	107	3,809,544

17. 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

M.No. 012399

Place : Noida

Date : 14.05.2010

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

**Arun Seth**

Manager & Chairman

**S.K.Gupta**

Director

**R.C.Agarwal**

Director

**Dinkar Sharma**

Company Secretary

**IO SYSTEM LIMITED**  
**(FORMERLY SPICE SYSTEMS LIMITED)**  
**BALANCE SHEET ABSTRACT AND COMPANY'S**  
**GENERAL BUSINESS PROFILE**

	As at 31.03.10	As at 31.03.09
<b>A. Registration details -</b>		
Registration No.	20-08764	20-08764
State code	20	20
Date of balance sheet	March 31, 2010	March 31, 2009
<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	178,100	182,800
Total assets	178,100	182,800
<b>Sources of funds</b>		
Paid-up capital.	169,000	169,000
Reserves and surplus	-	-
Secured loans	-	-
Unsecured loan	9,100	13,800
	<u>178,100</u>	<u>182,800</u>
<b>Application of funds</b>		
Net fixed assets	11	881
Investments	-	301
Net current assets	4,078	6,266
Accumulated losses	174,011	175,352
	<u>178,100</u>	<u>182,800</u>
<b>D. Performance of Company (Amount in Rs. Thousands)</b>		
Turnover (including other income)	12,250	43
Total expenditure	10,937	3,546
Profit / (Loss) before tax	1,313	(3,503)
Net Profit / (Loss) after tax	1,313	(3,508)
Earning per share (in Rs.)	0.08	(0.21)
Dividend rate (%)	-	-
<b>E. Generic names of three principal products/services of company</b> (as per monetary terms)		
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 : 14.05.10

**S.K.Gupta**  
Director

**Dinkar Sharma**  
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 Thursday 30<sup>th</sup> September, 2010 at 10:30 A.M. or at any adjournment thereof.

Signed this \_\_\_\_\_ Day of \_\_\_\_\_ 2010

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 C-56/36, Sector-62, Noida – 201 301,  
(U.P.) on Thursday, 30<sup>th</sup> September, 2010 at 10:30 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**