

TWENTY- SIXTH ANNUAL REPORT
2010-2011



iQ infotech Ltd
technology first.....

Regd. Office

#134/A, 2nd Floor, 3rd Cross, 6th Main, 2nd Stage
Industrial Suburb, Yeshwanthpur
Bangalore - 560 022.
PH : 080 65906599/65634616
FAX : 080 28399882

BOARD OF DIRECTORS:

- | | |
|-----------------------------------|--------------------------------|
| 1. Dr. K. R. Srinivasan | Chairman and Managing Director |
| 2. Mr. S. Sudarshan | Director |
| 3. Mr. P. B. Santhanakrishnan | Director |
| 4. Mr. Sathyanarayanan Srinivasan | Director |

REGISTERED OFFICE & FACTORY:

134/A, 2nd Floor, 3rd Cross, 6th Main
2nd Stage, Industrial Suburb
Yeshwanthpur
Bangalore – 560 022

BANKERS:

Canara Bank.

STATUTORY AUDITORS:

M/s. PAL & SHANBHOGUE
Chartered Accountants
24, 4th Main, Malleswaram
Bangalore – 560 003

REGISTRAR AND SHARE TRANSFER AGENTS:

Cameo Corporate Services Ltd,
“Subramanian Building”
No.1, Club House Road,
Chennai – 600 002.

NOTICE

NOTICE is hereby given that the 26th Annual General Meeting of the Members of the Company will be held at 11.00 A. M. on Friday, the 30th September, 2011 at Hotel Airavatha Highway, Near R. V. College (PH:080-28605501), No.749/1, Mysore Road, Kengeri, Bangalore - 560 060.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2011 and Profit and Loss Account for the year ended on that date along with the Reports of Directors and Auditors thereon..
2. To appoint a Director in place of Mr. Sudarshan S. who retires by rotation and being eligible offers himself for appointment.
3. To consider and if thought fit, to pass, the following resolution with or without modification, as an Ordinary Resolution :

“RESOLVED THAT M/s Pal & Shanbhogue, Chartered Accountants, be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix the remuneration payable to the Auditors.”

SPECIAL BUSINESS:

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

“RESOLVED THAT Mr. P. B. Santhanakrishnan who was appointed as an Additional Director of the Company by the Board on 05th October, 2010 under Section 260 of the Companies Act, 1956 and who holds office upto the date of the forthcoming Annual General Meeting and being eligible, offers himself for the appointment and in respect of whom Notice has been received from a Member proposing his candidature pursuant to Section 257 of the Companies Act, 1956 be and is hereby appointed as Director of the Company whose place of office is subject to retirement by rotation.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take such steps as may be necessary to give effect to this resolution.”

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

“RESOLVED THAT Mr. S. Sathyanarayanan who was appointed as an Additional Director of the Company by the Board on 05th November, 2010 under Section 260 of the Companies Act, 1956 and who holds office upto the date of the forthcoming Annual General Meeting and being eligible, offers himself for the appointment and in respect of whom Notice has been received from a Member proposing his candidature pursuant to Section 257 of the Companies Act, 1956 be and is hereby appointed as Director of the Company whose place of office is subject to retirement by rotation.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take such steps as may be necessary to give effect to this resolution.”

By Order of the Board

**Dr. K R Srinivasan
Chairman and Managing Director.**

Place: Bangalore
Date: 03.09.2011

Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN HIS STEAD. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK PROXY FORM IS ENCLOSED. A PROXY IN ORDER TO BE EFFECTIVE SHOULD BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY, AT LEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. Members/proxy holders should bring in their attendance slips, duly filled in, for attending the meeting.
3. Members are requested to bring their copies of the Annual Report to the meeting.
4. The Register of Members and Share Transfer Registers shall remain closed from 23/09/2011 to 30/09/2011 (both days inclusive).
5. Members may send queries, if any, on the accounts and operations of the Company to the registered office of the Company, well in advance of the meeting, so that replies thereto could be provided during the meeting.
6. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item Nos.4 and 5 set out above are annexed hereto.

Place: Bangalore
Date: 03.09.2011

By Order of the Board
Dr. K R Srinivasan
Chairman and Managing Director.

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

ITEM No. 4 :

Mr. P. B. Santhanakrishnan aged 59 years is Chartered Accountant by profession and has over 30 years of experience in Finance, Accounts and Auditing.

Except Mr. P. B. Santhanakrishnan, none of the Directors of the Company is interested in this item of business.

The Board recommends the resolution for the approval by the members.

ITEM No. 5 :

Mr. S. Sathyanarayanan aged 65 years is an Engineer by profession and worked in various senior capacity in BHEL for more than 25 years and retired as Executive Director of BHEL. Presently, he is Consultant for number of Power generating companies.

Except Mr. S. Sathyanarayanan, none of the Directors of the Company is interested in this item of business.

The Board recommends the resolution for the approval by the members.

Place: Bangalore
Date: 03.09.2011

By Order of the Board
Dr. K R Srinivasan
Chairman and Managing Director.

DIRECTORS REPORT

Your Directors have pleasure in presenting herewith the 26th Annual Report on the activities of your Company during the year ended 31st March 2011.

FINANCIAL RESULTS

(Rs. in Lakhs)

PARTICULARS	Year Ended 31.03.2011	Year Ended 31.03.2010
TOTAL INCOME	<u>409.53</u>	<u>149.48</u>
Profit for the year before Dep. & Tax	99.85	-61.98
Less: Depreciation For the year	30.81	35.08
Profit / Loss (-) before Tax	69.04	-97.06

Performance

During the year under review, the total income of the Company was Rs.409.53 Lakhs as against Rs 149.48 Lakhs achieved during the previous year. The Company has earned a profit of Rs.69.04 Lakhs during the year.

The Company has good orders from the Defence Department which will be executed in the coming year. The Company has also received an order to the tune of Rs. 85.00 Lakhs from M/S. Mahindra Defence which will be executed during the current year.

Apart from this, orders of Mahindra Reva and Ashok Leyland will continue to come. Since Reva Electric Company has been taken over by the Mahindra's, we expect increased orders from them.

As approved in the earlier Annual General Meeting, the Company has relocated its activities in Industrial Suburb, at Yeshwanthpur in the Bangalore City limits. The new location of the Company with in the City limits has improved the operation efficiency of the Company and the Company is in a better position to attract talented Technicians and Engineers.

Dividend:

As the Company is still in the grip of carry over loss, your Directors could not propose any dividend for the year.

Prospects & Outlooks

- (a) The demand for the products that are being manufactured by your Company, are very good and hence the Company is confident that the turnover can be substantially increased during the current year.
- (b) Your Company will be completing the Defence orders on hand during the Current year and hence the Turn over will substantially increase during the current year. Your Company has also entered into full range of LED Lighting Systems for home, Industry and Commercial lightings applications. Your Company has already supplied good number of LED lightings to various Organizations and has received excellent response. Your Company hopes to exploit this particular area fruitfully as there is very good demand for LED lightings both in India and abroad .It may kindly be noted that all lightings will be converted in to LED Lightings in the course of next five years.
- (c) Your Company continues to work on development of higher version of LED products in the field of energy saving, safety and general use. Your Directors are confident that R&D efforts would result in developing

fast moving products.

Finance:

Your Company is turning around speedily and looks to be solving many of its earlier financial problems and it is hoped that the whole financial structure will be strengthened in the coming years. Your Directors are following up vigorously various options left to them for raising funds and since the discussions are in advanced stage, a positive development is in the coming years.

Public Deposit:

Your Company has not accepted any deposit from the Public during the year.

Human Resources & Industrial Relations:

Your Directors wish to place on record their appreciation for the dedicated services rendered by the employees at all levels.

Particulars of employees pursuant to Section 217(2A) of the Companies Act, 1956 are not applicable since none of the employees are in receipt of remuneration in excess of the limits prescribed therein.

Internal Control System & Their Adequacy:

Your Company remains committed to maintain high standards of Internal Control measures designed to provide adequate assurance of the efficiency of operations and security of its assets. The adequacy and effectiveness of the internal control across the various activities is well laid down and continuously monitored by the management of the Company.

The Audit Committee of the Board meets four times a year and actively reviews internal control system, financial disclosures and compliance with various applicable accounting standards.

Energy, Technology & Foreign Exchange :

A. Conservation of Energy

The Company makes evaluation on continuous basis to explore new technologies to make the infrastructure more energy efficient. Although the operations of the Company are not energy intensive, Company continues to upgrade all energy devises to the extend feasible to make the operations, save energy, where ever possible.

B. Research and Development

Research and Development is one of the thrust areas for the Company and constant endeavour is made to bring out innovative products for security and energy saving requirements, in the automobile, domestic and industrial sectors. R&D activities are carried out on a continuous basis.

Directors Responsibility statement:

As required under section 217(2AA) of the Companies Act, 1956, your Directors hereby confirm that -

- In preparation of these annual accounts, the applicable accounting standards have been followed and no material departure have been made from the same.
- They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company.
- They have taken sufficient care for the maintenance of adequate records as per the requirements of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing fraud and other irregularities.
- They have prepared annual accounts on a going concern basis.

Corporate Governance

A detailed Compliance Note on Corporate Governance, as required under the provisions in the listing agreements with the Stock Exchanges, together with the certificate of Statutory Auditors thereon, is attached as Annexure - B to this report.

Management discussion and analysis

Management discussions and analysis, as applicable, is included in this report, in order to avoid duplication and overlap of materials & matters, between Directors report and a separate report on management Discussion and Analysis.

Directors

At the ensuing Annual General Meeting, Mr. Sudarshan S will retire by rotation and being eligible offers himself for reappointment.

Auditors

M/s.Pal & Shanbhogue, Chartered Accountants, Statutory Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and being eligible offers for reappointment as Statutory Auditors.

M/s Swamy & Associates, Company Secretaries have been appointed as Secretarial Auditors of the Company for the year 2011-12.

Replies to Audit Remarks

(1). Observation No.4 of the Annexure to the Auditor's Report regarding the strengthening of Internal Control procedures have been taken care of by the appointment of internal audit assistants.

(2). The Audit observation No.9 a. of the Annexure to the Auditor's Report relating to not regular in depositing undisputed Statutory dues including Provident Fund, ESI, Sales Tax, Service Tax and Excise Duty would be taken care of in this fiscal year for the timely remittance.

Acknowledgements

Your Directors place on record their sincere gratitude to the continuing patronage of our valued customers, whose sustained support and encouragement has enabled the Company in achieving results.

Your Directors also place on record, their sincere appreciation for the dedication and commitment of staff at all levels.

Your Directors wish to register their acknowledgement and appreciation for the timely support and co-operation being extended by the Banks and all their executives.

Place: Bangalore
Date: 03.09.2011

For and on behalf of the Board
Dr. K R Srinivasan
Chairman and Managing Director.

ANNEXURE A

Details of employee with remuneration in excess of prescribed limits to be provided as per section 217 (2a) read with companies (particulars of employees) Rules 1978 and forming part of Directors Report for the year ended 31st March 2011 is as follows:

Name	Position	Salary & Allowance Rs.	Employer contribution to Provident Fund Rs.
NIL			

ANNEXURE B

Report on Corporate Governance

This Report on Corporate Governance forms part of the Directors Report. This section, besides being in compliance of the mandatory listing agreement requirement, gives an insight into the process of functioning of the Company.

1. Company's philosophy on Code of Governance

Since inception, your company has recognized the importance of high standards of Corporate Governance. The company envisages the attainment of highest level of transparency in all facets of its operations and in all its interactions with its shareholders, employees and the Government. The company is committed to best governance norms.

2. Board of Directors

- a) The present strength of the Board is four consisting of two Executive Directors and two non-Executive Directors. Dr K R Srinivasan, Chairman and Managing Director and Mr S Sudarshan Director are the two Executive Directors. Mr. Santhanakrishnan and Mr. Sathyanarayanan are the two non-Executive Independent Directors.
- b) The Board of Directors met Nine times during the Financial Year 2010-11.

Name of Director	Position	No of Meetings attended	AGM on 30.9.2010	No of outside directorship held	No of membership of Board sub committees
Dr. K. R. Srinivasan	Promoter Chairman and Managing Director -Executive	9	Yes	Nil	-
Mr. S. Sudarshan	Director – Executive	9	Yes	Nil	-
Mr. S. Sathyanarayanan	Independent Director – Non executive	9	Yes	Nil	1
Mr. P. B. Santhanakrishnan	Independent Director- Non-Executive	9	Yes	Nil	2

3. Audit Committee

The Audit Committee consists of Mr Santhanakrishnan and Mr S. Sathyanarayanan
The Committee met four times during the year.

Audit Committee's terms of reference:

- a) To oversee company's financial reporting to ensure that financial statements are correct, sufficient and credible and incorporate all applicable accounting standards.
- b) Reviewing the external and internal auditors, adequacy of internal control systems.
- c) Reviewing quarterly, half yearly and annually financial statements
- d) Reviewing the company's financial and risk management policies
- e) Discussing with the internal and external auditors any significant findings and follow up thereon

4. Remuneration of Directors

The details of remuneration paid to Executive Directors are as follows :

Dr K R Srinivasan, Chairman cum Managing Director	: Rs.11.66 Lakhs
Mr S Sudarshan, Director	: Rs.9.30 Lakhs

No sitting fee was paid to the Executive Directors

5. Shareholders/Investors Grievance Committee

- a) The committee looks into the redressal of shareholders and investors complaints. The committee consists of Mr. Sathyanarayanan and Mr. Santhanakrishnan, which is headed by Mr. Sathyanarayanan. Total complaints received and solved : NIL.
- b) Number of shares pending for transfer as on 31st March, 2011 : Nil

6. General Body Meetings:

The location and time of the last three AGM are as follows:

YEAR	DATE OF AGM	VENUE AND TIME
2007-2008	29/09/2008	Hotel Airavatha Highway, No.749/1, Mysore Road, Kengeri, Bangalore – 560 060 at 11.00 A.M.
2008-09	30-09-2009	Hotel Airavatha Highway, No.749/1, Mysore Road, Kengeri, Bangalore – 560 060 at 11 A.M.
2009-10	30-09-2010	Hotel Airavatha Highway, No.749/1, Mysore Road, Kengeri, Bangalore – 560 060 at 11 A.M.

No postal ballots were used in these AGMs. The special resolutions were passed by show of hands.

7. Disclosures

There were no transactions of the company of material nature with its promoters, the Directors or the management, their subsidiaries or their relatives etc. No penalties were imposed on the company by the stock exchange or SEBI or any statutory authority, on any matter related to capital market, during the last three years.

8. Means of communication

The unaudited quarterly and audited yearly financial results are sent to the Bangalore and Mumbai Stock Exchanges, where the shares of the company are listed.

Results are published in the newspapers as required by clause 41 of the listing agreement.

9. General Shareholders Information

Annual General Meeting

1. Date : 30th September, 2011
2. Venue : Hotel Airavata High Way, No.749/a, Mysore Road,
Kengeri, Bangalore-560 060, (near R.V. College.)
Phone No.080-28605501
3. Time : 11.00 A.M.
4. Year : 1st April, 2010 to 31st March, 2011.
5. Book Closure : 23.09.2011 to 30.09.2011.
6. Dividend : No Dividend
7. Listing : Bangalore Stock Exchange & Stock Exchange Mumbai.
8. Listing Fee : Paid for all the above stock exchanges as per the
listing Agreement
9. ISIN NO. : INE679B010111
10. Complaine officer : Mr. Shivaram
11. Financial Queries : Mr. Shivaram
12. Share holders queries : M/s Cameo Corporte Services Limited, Chennai.

10. CHANGE OF ADDRESS:

Members holding equity share in physical form are requested to notify the change of address, if any, to the company's share transfer agent, at the address mentioned elsewhere.

11. SHARE TRANSFER SYSTEM

Shares sent for physical transfer or dematerilisation requests are generally registered and returned within a period of 15 days from the date of receipt of completed and validly executed documents.

The share transfer committee generally meets every week, to approve the transfers and dematerialization requests.

12. DEMATERILIZATION OF EQUITY SHARES

Trading in equity shares of the Company became mandatory in dematerialized form with effect from 29th January, 2001 to facilitate trading in demat form. In India, there are two depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The Company has entered into agreement with both these depositories. Shareholders can open account with any of the Depository participants.

13. SHAREHOLDERS CORRESPONDENCE:

The Company has attended to all the investors grievances/queries/information requests.

We endeavor to reply all letters received from the shareholders within a week.

All correspondence may please be addressed to the Share Transfer Agents at the given Address. In case

any shareholder is not satisfied with the response or do not get any response within reasonable period, they shall approach the investor relation officer or the Compliance Officer at the address given above.

14. MARKET PRICE DATA

Monthly Share Price movement during 2010-11 on Bombay Stock Exchange as follows :

S No	Month	Highest (INR)	Lowest (INR)
1	April - 2010	2.20	1.71
2	May - 2010	2.24	1.81
3	June - 2010	2.01	1.45
4	July - 2010	2.11	1.55
5	Aug - 2010	2.12	1.76
6	Sep - 2010	3.64	1.85
7	Oct - 2010	4.64	2.69
8	Nov - 2010	2.85	1.82
9	Dec - 2010	2.45	1.71
10	Jan - 2011	2.52	1.76
11	Feb - 2010	2.04	1.60
12	Mar - 2010	2.28	1.71

15. SHARE HOLDING PATTERN AS OF 31/03/2011

Name of the Company : iQ INFOTECH LIMITED

Scrip Code:Quarter Ended : 31st March, 2011

Category code	Category of Shareholders	Number of Holders	Total No. of Shares	Shares in Demat	Total shareholding as a percentage of total number of Shares		Shares pledged or otherwise encumbered	
					As a % of (A+B) (VI)	As a % of (A+B+C) (VII)	No. of Shares (VIII)	As a % (VIII)/(IV) (VIII)
(I)	(II)	(III)	(IV)	(V)				
(A)	Shareholding of Promoters and Promoter Group							
(1)	INDIAN							
(a)	Individuals/ Hindu Undivided Family	2	614000	614000	5.8656	5.8656	0	0
(b)	Central Govt./ State Government(s)	0	0	0	0	0	0	0
(c)	Bodies Corporate	0	0	0	0	0	0	0
(d)	Financial Institutions/ Banks	0	0	0	0	0	0	0
(e)	Any Other (Directors and their Relatives)	0	0	0	0	0	0	0
	Sub-Total (A)(1)	2	614000	614000	5.8656	5.8656	0	0

(2)	FOREIGN							
(a)	Individuals (Non-Resident Individuals/ Foreign Individuals)	0	0	0	0	0	0	0
(b)	Bodies Corporate	0	0	0	0	0	0	0
(c)	Institutions	0	0	0	0	0	0	0
(d)	Any Other (specify)	0	0	0	0	0	0	0
	Sub-Total (A)(2)	0	0	0	0	0	0	0
	Total Shareholding of Promoters and Promoter Group (A) = (A)(1)+(A)(2)	2	614000	614000	5.8656	5.8656	0	0
(B)	PUBLIC SHAREHOLDING							
(1)	INSTITUTIONS							
(a)	Mutual Funds/ UTI	0	0	0	0	0	0	0
(b)	Financial Institutions/ Banks	0	0	0	0	0	0	0
(c)	Central Govt. / State Govt(s).	0	0	0	0	0	0	0
(d)	Venture Capital Funds	0	0	0	0	0	0	0
(e)	Insurance Companies	0	0	0	0	0	0	0
(f)	Foreign Institutional Investors	0	0	0	0	0	0	0
(g)	Foreign Venture Capital Investors	0	0	0	0	0	0	0
(h)	Any Other (specify)	0	0	0	0	0	0	0
	Sub-Total (B)(1)	0	0	0	0	0	0	0

(2)	NON-INSTITUTIONS							
(a)	Bodies Corporate	136	1255353	1227203	11.99	11.99	0	0
(b)	Individuals -	4786	4759030	4677811	45.47	45.47	0	0
	i. Individual shareholders holding nominal share capital up to Rs. 1 lakh.	99	2847243	2684943	27.20	27.20	0	0
	ii. Individual shareholders holding nominal share capital in excess of Rs.1 lakh.							
(c)	Any Other :							
	Clearing Members	2	3001	3001	0.03	0.03	0	0
	Foreign Nationals	1	10000	10000	0.10	0.10	0	0
	Hindu Undivided Families	118	359030	359030	3.43	3.43	0	0
	Non-resident Indians	26	620143	556443	5.92	5.92	0	0
	Sub-Total (B)(2)	5168	9853800	9518431	94.14	94.14	0	0
	Total Public Shareholding (B) = (B)(1)+(B)(2)	5168	9853800	9518431	94.14	94.14	0	0
	TOTAL (A)+(B)	5170	10467800	10132431	100.00	100.00	0	0
(C)	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0	0		
	GRAND TOTAL (A)+(B)+(C)	5170	10467800	10132431	100.00	100.00	0	0

For and on behalf of the Board

Dr. K R Srinivasan

Chairman and Managing Director.

Place: Bangalore

Date: 30th Sep 2011

ANNEXURE C

MANAGEMENT DISCUSSION & ANALYSIS REPORT

I. Industry Structure and Development

The company is now focusing into three main areas namely Defence Electronics, Industrial Electronics and LED Lightings/Digital Display Systems and other major areas.

All these three areas have got tremendous potential in terms of market schemes. Hence the company will focus in these areas in the next 2-3 years. Since the company was involved in Automotive Electronics for a long time the company is also looking out at newer potential areas in this segment.

II. Segment wise Performance :

The company is concentrating on Indian PSUs who are the blue chip companies of India to-day.

III. Industrial Segment :

With reference to the Industrial segment the company was in a position to bag good orders through tender process and the company is established as one of the reliable vendors in this sector.

LED Lighting is one of the fast growing sectors. Many lighting majors like WIPRO are sourcing LED Lights from your Company. Hence, the Company can expect very large orders. The Company will also continue to concentrate in Defence sector as this segment is being opened for private industries.

IV. Threats and concerns :

The areas in which the company is working have a number of competitors and the only way the company can bag orders is through their pricing structure and also quality of its products. Hence, the company is focusing on value engineering and also upgrading the technology to appraise these two threats and concerns.

V. Out look opportunities :

As mentioned above, there is tremendous opportunity in the area of Digital Display Systems as well as Automotive Electronics in which the company has the required expertise. The company hopes to strengthen its R & D activities and also modernize the company in these areas so that the company can bag large volume orders. The modernization will be in terms of upgrading existing facilities and also add more equipment in order to achieve the desired development and manufacturing activities.

INTERNAL CONTROL AND ITS ADEQUACY

The Management reporting system adopted by the company at different levels for different activities is considered adequate and enables to take corrective action by the management through regular review meetings. The company's systems and processes in all areas are regularly reviewed by the internal auditors. Management regularly reviews the internal audit reports and corrective actions are initiated to further strengthen the control.

FINANCIAL AND OPERATIONAL PERFORMANCE

Higher productivity, aggressive cost curtailment together with debt restructuring has been key areas to improve the operational performance. The sale prices are adjusted wherever required to match cost with the revenue.

HUMAN RESOURCES

The industrial relations have been harmonious.

Place: Bangalore

Date: 03rd September, 2011

By order of the Board of Directors

Dr. K R Srinivasan

Chairman and Managing Director

ANNEXURE - D

Conservation of Energy, Technology absorption, Foreign exchange Earning and outgo

Conservation of energy :

The Company has installed fuel efficient and energy saving devices with the help of professional consultants to reduce energy consumption.

Research and Development :

A team has been formed internally comprising of Engineers with experience in various functions. Few projects have been identified which will yield results in terms of new product development technological up gradation to improve manufacturing process and to try out different materials/ consumables to reduce product costs etc.

Technology absorption :

The Company has no outside technical collaboration.

Foreign exchange Earning and outgo :

- | | |
|------------------------------|----------------|
| a. Foreign Exchange utilized | Rs.18.53 Lakhs |
| b. Foreign Exchange earned | NIL |

AUDITORS' REPORT

We have audited the attached Balance Sheet of the “**iQ infotech Limited, #134/A, 2nd Floor, 3 rd cross, 6th main, Industrial Suburb, Yeshwanthpur, Bangalore – 560 022**, as at 31st March, 2011 and also the Profit and Loss Account and the Cash Flow Statement of the Company 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.

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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinion.

As required by the Companies [Auditor’s Report] Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section [4A] of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order to the extent applicable.

Further to our comments in the Annexure referred to in paragraph 3 above, we state that:

- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of 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, Profit and Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of accounts.
- d. In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in section 211[3C] of Companies Act, 1956.
- e. On the basis of the written representations received from the Directors, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2011 from being appointed as a Director in Terms of Clause [g] of sub-section [1] of section 274 of the Companies Act, 1956.
- f. In our opinion and according to the information and explanations given to us, the accounts read together with the notes and accounting policies thereto, give the information required by the companies Act 1956, in the manner so required and gives a true and fair view in conformity with the accounting principles generally accepted in India
 - a. In the case of Balance Sheet, of the state of affairs of the Company as on 31st March 2011.
 - b. In the case of the Profit and Loss Account of the Loss of the Company for the year ended on that date; and
 - c. In the case of the Cash Flow statement, of the cash flows for the year ended on that date.

For Pal and Shanbhogue.,
Chartered Accountants
(ICAI FRN 002528S)
K.R.SHANBHOGUE
Partner
Membership No: 018578

Place: Bangalore
Date : 3rd September 2011

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE AUDITORS'
REPORT TO THE MEMBERS OF THE IQ INFOTECH LIMITED FOR THE
YEAR ENDED 31ST MARCH 2011**

1.	a)	The Company has maintained records showing particulars including quantitative details and location of the fixed assets and the same is being updated.
	b)	There is a regular program of physical verification, which in our opinion is reasonable, having regard to the size of the Company and the nature of fixed assets. No materials discrepancies have been noticed by the management in respect of the assets physically verified during the period.
	c)	Company has not sold substantial part of fixed assets during the year. However, the company has sold the land and buildings belonging to it during the year and the same is reflected in the books of accounts.
2.	a.	Inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
	b.	The Procedures of physical verification of stocks followed by the management are adequate in relation to the size of the Company and the nature of its business.
	c.	The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material and have been properly dealt with in the books of account.
3.	a.	As informed to us, the Company has not granted loans, secured or unsecured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
	b.	As the Company has not granted any loans during the year to the parties covered in the register maintained under section 301 of the Companies Act, 1956 clause (b), (c) and (d) are not applicable
	c.	The Company has not taken unsecured loans during the period from parties covered in the register maintained under section 301 of the Companies Act, 1956 and hence provisions relating to terms conditions and repayment are not applicable.
4.		In our opinion, and according to the information and explanations given to us, there are internal control procedures with regard to purchase of raw materials, stores and spares, plant and machinery, equipment and other assets but it needs to be strengthened.
5.	a.	All the transactions with parties covered under section 301 of the Companies Act, 1956 have been properly entered, if and when transaction takes place, in the register maintained under section 301 of the Act.
	b.	In our opinion and according to the information and explanations given to us, the Company has not entered into transactions of sale or purchase of goods, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956.
6.		The Company has not accepted any deposits from the public during the year.
7.		The company has an internal audit system and it needs to be strengthened.
8.		Maintenance of cost records as per clause (d) of sub-section (1) of section 209 of the Companies Act is not applicable to the Company.

SECRETARIAL AUDIT REPORT

To

The Members
iQ Infotech Ltd.
Bangalore.

We have examined all secretarial records and the compliance of provisions of the Companies Act, 1956, the regulations, guidelines and the instructions issued by the Securities and Exchange Board of India (SEBI) and the relevant clauses of the Listing Agreement with Stock Exchanges where the shares of iQ Infotech Ltd.

(the company) are listed, the Depositories Act, 1996 and bye-laws framed there under from time to time, for the year ended 31st March, 2011 and we report that :

1. Maintenance of Statutory Records :

The Company is maintaining all statutory records and registers as required to be maintained under various provisions of the Companies Act, 1956 and the rules made there under and all the records and entries in the registers are upto date.

2. Filing of Statutory Returns :

The Company has timely filed all statutory returns with the Registrar of Companies as well as with other Statutory Authorities and has furnished the required documents / intimations to the Stock Exchanges regularly and within the scheduled time frame as required under various clauses of the Listing Agreement.

3. Composition of the Board :

The Board of Directors of the Company comprised of 4 Directors consisting of the Chairman (Executive Chairman), Director (Executive), three independent directors(Non-Executive) as on 31.03.2011. In terms of clause 49 of Listing Agreement, at least half of the Board should comprise of independent directors.

4. Board Meetings :

During the year, the Board of Directors of the Company met 9 (Nine) times - 30.04.2010, 31.07.2010, 28.08.2010, 05.10.2010, 18.10.2010, 30.10.2010, 05.11.2010, 31.01.2011 and 21.02.2011, in respect of which proper notices were given. The proceedings of the meetings including the resolution passed were properly recorded in the Minutes Book maintained by the Company and duly signed.

5. Registrar & Transfer Agent :

The Company has a Registrar & Transfer Agent located at M/s Cameo Corporate Services Ltd. Subramaniam Building, # 1, Club House Road, Chennai-600 002 and all the work related to shares in terms of both physical and electronic segments are being handled there.

6. Share Transfer Committee :

To ensure speedy and timely transfer/transmission of shares in physical segment, the Share Transfer

Committee constituted by the Board considered and approved all the share related issues besides taking note of beneficial owners position under demat mode. During the year ended 31st March, 2010, the Share Transfer Committee met 2 times.

7. Redressal of Investors Grievances :

All the complaints/grievances relating to share transfers, transmission, demat / remat of shares, issue of duplicate share certificates etc. were promptly attended to by the Company and they were resolved within a week's time of their receipt.

8. Insider Trading Regulations :

The Company has complied with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 with regard to disclosures and maintenance of records required under the regulations.

9. No Legal Notice :

The Company has not received any Show cause notice for any alleged offence/violation under the Companies Act, 1956 or under SEBI guidelines and non fine, penalty or other punishment has been imposed in the Company in this regard during the year under review.

10. Public Deposits :

No public Deposits were accepted by the Company under Companies (Acceptance of Deposits) Rules, 1975 during the year. The Company has neither issued any GDR/ADR nor any convertible instrument during the year under report.

Place : Bangalore
Date : 03.09.2011

P. Periaswamy
(Practicing Company Secretary)
CP No. 7319

IQ INFOTECH LIMITED

REGD. OFFICE : NO. 134/A, 2 nd Floor, 3 rd Cross, 6th Main, Industrial Suburb,
Yeshwanthpur, Bangalore-560022

BALANCE SHEET AS AT 31ST MARCH 2011

	SCH REF	AS AT 31ST MARCH 2011		AS AT 31ST MARCH 2010	
		AMOUNT Rs.	AMOUNT Rs.	AMOUNT Rs.	AMOUNT Rs.
I		<u>SOURCES OF FUNDS</u>			
1		<u>Share Holders' Funds</u>			
a)	1	Share Capital	105,125,500	105,125,500	
b)	2	Reserves & Surplus	63,428,987	63,428,987	168,554,487
2		<u>Loan Funds</u>			
a)	3	Secured Loans	24,498,615	23,335,687	
b)	4	Unsecured Loans	-	24,498,615	24,167,193
3		<u>Deferred Tax</u>			
		Deferred Tax Liability		-	3,375,750
		TOTAL		193,053,102	196,097,430
II		<u>APPLICATION OF FUNDS:-</u>			
1		<u>Fixed Assets</u>			
a)	5	Gross Block	107,716,190	111,858,539	
b)		Less :- Depreciation	68,136,122	66,897,570	
c)		Net Block		39,580,068	44,960,969
d)		Capital Work-in-Progress	56,069,323	56,069,323	
		Less; Provision (See Note 12)	56,069,323	-	56,069,323
2	6	Investments (Non-Trade-valued at cost)		-	5,119,716
3		<u>Current Assets, Loans & Advances</u>			
a)	7A	Inventories	13,708,082	16,229,761	
b)	7B	Cash & Bank Balances	2,148,867	549,817	
c)	7C	Sundry Debtors	18,738,318	17,190,162	
d)	7D	Loans & Advances	1,856,159	18,343,788	
e)	7E	Deposits	1,296,852	90,640	
			37,748,278	52,404,168	

	Less:- Current Liabilities & Provisions	8	20,047,206		16,166,833	
4	Net Current Assets			17,701,071		36,237,334
	Profit & loss Account (Debit Balance)			135,771,963		53,710,088
	TOTAL			193,053,102		196,097,430

NOTE : SCHEDULES 1 TO 16 AND NOTES TO THE ACCOUNTS (SCHEDULE 17) ANNEXED HERETO FORM AN INTEGRAL PART OF THIS BALANCE SHEET

THIS IS THE BALANCE SHEET REFERRED TO IN OUR REPORT OF EVEN DATE

**FOR PAL & SHANBHOGUE
CHARTERED ACCOUNTANTS**

FRN No 002528

Dr. K.R.Srinivasan **S. Sudarshan** **K.R.Shanbhogue**
Chairman and Managing Director **DIRECTOR** **PARTNER**

M NO : 018578

PLACE : BANGALORE

DATED : 3rd September 2011

IQ INFOTECH LIMITED

REGD. OFFICE : NO. 134/A, 2 nd Floor, 3 rd Cross, 6th Main, Industrial Suburb
Yeshwanthpur, Bangalore-560022

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

	SCH REF	YEAR ENDED 31.03.2011	YEAR ENDED 31.03.2010
INCOME			
Sales / Labour Charges	9	24,262,699	12,251,163
Other Income	10	20,563,422	70,023
Adjustment for Increase / (Decrease) in Stocks	10A	(3,872,680)	2,626,565
		40,953,441	14,947,751
EXPENDITURE:			
Operational Expenses	11	11,596,740	7,839,185
Administrative Expenses	12	14,479,625	8,872,288
Repairs and Maintenance	13	1,289,104	234,375
Selling Expenses	14	587,304	106,495
		27,952,774	17,052,343
Profit/(loss) before Finance Cost and Depreciation		13,000,667	(2,104,592)
Less: Finance Cost	15	3,015,538	4,093,432
(Loss)/Profit before depreciation		9,985,130	(6,198,024)
Less: Depreciation	5	3,081,017	3,507,988
(Loss) / Profit for the year before tax		6,904,112	(9,706,012)
Less : Tax Expense/(Gains)			
Prior Year Expenses/Provisions	16	92,341,738	669,061
Deffered Tax Adjustment (See Note 3)		(3,375,750)	1,051,303
(Loss) / Profit after Taxation		(82,061,875)	(11,426,376)
Add / Less : Previous years (loss)/Profit B/f		(53,710,088)	(42,283,712)
BALANCE C/FD TO BALANCE SHEET		(135,771,963)	(53,710,088)

NOTE : SCHEDULES 1 TO 16 AND NOTES TO THE ACCOUNTS (SCHEDULE 17) ANNEXED HERETO FORM AN INTEGRAL PART OF THIS BALANCE SHEET

THIS IS THE BALANCE SHEET REFERRED
TO IN OUR REPORT OF EVEN DATE

**FOR PAL & SHANBHOGUE
CHARTERED ACCOUNTANTS
FRN No 002528**

Dr. K.R.Srinivasan **S. Sudarshan** **K.R.Shanbhogue**
Chairman and Managing Director **DIRECTOR** **PARTNER**
M NO : 018578

PLACE : BANGALORE
DATED : 3rd September 2011

IQ INFOTECH LIMITED

REGD. OFFICE : NO. 134/A, 2 nd Floor, 3 rd Cross, 6th Main, Industrial Suburb
Yeshwanthpur, Bangalore-560022

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2011

PARTICULARS	AS AT 31ST MARCH 2011		AS AT 31ST MARCH 2010	
	AMOUNT Rs.	AMOUNT Rs.	AMOUNT Rs.	AMOUNT Rs.
SHARE HOLDERS FUNDS				
SCHEDULE - 1 - SHARE CAPITAL				
<u>AUTHORISED SHARE CAPITAL</u>				
1,10,00,000 Equity Shares of Rs. 10/- each (previous year 1,10,00,000 equity shares of Rs. 10/- each)		110,000,000		110,000,000
Issued, Subscribed, called up and Paid-up : 1,06,46,800 Equity shares of Rs.10/- each fully paid up (Previous Year - 1,06,46,800 Equity Shares of Rs. 10/- each)	106,468,000		106,468,000	
Less: Calls in arrears	1,342,500	105,125,500	1,342,500	105,125,500
		105,125,500		105,125,500
SCHEDULE-`2`: RESERVES AND SURPLUS				
A) Capital Reserve		726,687		726,687
B) Share Premium Account		62,702,300		62,702,300
		63,428,987		63,428,987
SCHEDULE - `3` : SECURED LOANS				
<u>From Banks</u>				
a) Term Loan	4,408,655		8,353,871	
b) Working Capital	20,089,960	24,498,615	14,981,816	23,335,687
		24,498,615		23,335,687
SCHEDULE `4` : UNSECURED LOANS				
<u>From Directors -</u>		-		831,506
		-		831,506

IQ INFOTECH LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2011
SCHEDULE - 5

	AS AT 01.04.2010	ADDITIONS 1st Half	ADDITIONS 2 nd Half	DELETIONS	AS AT 31.03.2011	AS AT 01.04.2010	FOR THE YEAR	RATE	ADJUST MENT	UPTO 31.03.2011	AS AT 31.03.2011	AS AT 31.03.2010
1 Land	274,130	-	-	274,130	-	-	-	-	-	-	-	274,130
2 Building	5,082,524	-	-	5,082,524	-	1,842,465	-	3.34	1,842,465	-	-	3,240,059
3 Plant, Machinery & Factory Equipments	55,758,194	61,634	60,125	-	55,879,953	14,742,450	2,652,870	4.75	-	17,395,320	38,484,633	41,015,744
4 Furniture and Fixtures	506,814	829,206	4,483	-	340,503	506,814	52,631	6.33	-	559,445	781,058	-
5 Office Equipments	322,971	-	630	-	323,601	320,772	15	4.75	-	320,787	2,814	2,199
6 Vehicles	3,720,306	-	28,519	-	3,748,825	3,291,469	354,784	9.50	-	3,646,253	102,572	428,837
7 Computers	-	25,913	203,795	-	229,708	-	20,718	16.21	-	20,718	208,990	-
8 Softwares	46,193,600	-	-	-	46,193,600	46,193,600	-	-	-	46,193,600	-	-
TOTAL	111,858,539	916,753	297,552	5,356,654	107,716,190	66,897,570	3,081,017	-	-	68,136,122	39,580,068	44,960,969
Previous Year	111,858,539	-	-	-	111,858,539	63,389,582	3,507,988	-	-	66,897,570	44,960,969	48,468,959

IQ INFOTECH LIMITED
SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE
YEAR ENDED 31ST MARCH 2011

PARTICULARS	AS AT 31.03.2011		AS AT 31.03.2010	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE - '6'				
INVESTMENTS (NON -TRADE)				
QUOTED				
Long Term Investments at Cost				
4,80,400 equity shares of Rs.1.29 each in SMR Universal Softex Limited	619,716		619,716	
4,50,000 equity shares of Rs.10 each in Suntrack Limited	4,500,000		4,500,000	
	5,119,716		5,119,716	
Less: Amount written off (See Note 14)	5,119,716			
		-		5,119,716
TOTAL		-		5,119,716
SCHEDULE - '7'				
CURRENT ASSETS, LOANS AND ADVANCES				
A) INVENTORIES :-				
(Valued at cost excluding excise duty being lower than net realisable value - as certified by the management)				
i) Raw Materials and Stores	6,303,432		4,952,431	
ii) Semi Finished Goods	6,585,200		8,801,130	
iii) Finished Goods	819,450	13,708,082	2,476,200	16,229,761
		13,708,082		16,229,761
B) CASH & BANK BALANCES				
Cash on Hand		127,801		89,241
<u>Balances with Scheduled Banks</u>				
- In current accounts		37,029		14,750
- In Deposit Account		1,984,037		445,826
		2,148,867		549,817

IQ INFOTECH LIMITED
SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE
YEAR ENDED 31ST MARCH 2011

PARTICULARS	AS AT 31.03.2011		AS AT 31.03.2010	
	Rs.	Rs.	Rs.	Rs.
C] <u>SUNDRY DEBTORS:-</u> (Unsecured, considered good)				
Debts outstanding for more than 6 months	414,557			16,925,380
Debts outstanding for less than 6 months	18,323,761	18,738,318		264,782
(Unsecured, Considered Doubtful)				
Debts outstanding for more than 6 months	11,805,093			
Less: Provision (See Note 13)	11,805,093	-		
		18,738,318		17,190,162
D] <u>LOANS AND ADVANCES:</u>				
Advances recoverable in cash or for value to be received (considered good)			16,954,222	
1) Advances for Materials	353,455		1,389,566	
2) Other Advances	1,502,704	1,856,159		18,343,788
Advances recoverable in cash or for value to be received (considered doubtful)				
1) Advances for Materials	16,737,008			
2) Other Advances	-			-
	16,737,008			
Less; Provision (See Note 13)	16,737,008	-		
		1,856,159		18,343,788
E] <u>DEPOSITS</u>				
		1,296,852		90,640
		1,296,852		90,640
SCHEDULE - ' 8 '				
CURRENT LIABILITIES AND PROVISIONS				
A] <u>CURRENT LIABILITIES -</u>				
Sundry Creditors		4,955,489		8,580,481
Advance from Customers		5,658,765		1,767,681
Other Liabilities		6,102,626		4,340,703
		16,716,880		14,688,865
B] <u>PROVISIONS -</u>				
Provision for Gratuity		2,177,797		1,477,968
Provision for Leave Encashment		1,152,529		-
		3,330,326		1,477,968
		20,047,206		16,166,833
SCHEDULE ' 9 '				
<u>SALES / LABOUR CHARGES</u>				
Sales				
Less : Excise Duty>Returns		24,262,699		12,251,163
TOTAL		24,262,699		12,251,163

IQ INFOTECH LIMITED
SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE
YEAR ENDED 31ST MARCH 2011

PARTICULARS	AS AT 31ST MARCH 2011		AS AT 31ST MARCH 2010	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE '10'				
<u>OTHER INCOME</u>				
Interest Received		67,696		60,471
Discount Received		-		259
Miscellaneous Income		9,915		9,293
Profit on Sale of Assets		20,485,811		-
TOTAL		20,563,422		70,023
SCHEDULE '10' A				
<u>ADJUSTMENT FOR INCREASE /</u>				
<u>DECREASE IN STOCKS</u>				
CLOSING INVENTORIES				
Semi-finished goods		6,585,200		8,801,130
Finished Goods		819,450		2,476,200
		7,404,650		11,277,330
LESS : OPENING INVENTORIES				
Semi-finished goods		8,801,130		8,650,765
Finished Goods		2,476,200		-
		11,277,330		8,650,765
ADJUSTMENT FOR INCREASE /				
(DECREASE) IN STOCKS		(3,872,680)		2,626,565
SCHEDULE '11'				
<u>OPERATIONAL EXPENSES</u>				
<u>Raw Material Consumed</u>				
Opening Stock	4,952,431		7,697,968	
Purchases made during the year	12,053,819		4,655,460	
Freight and Purchase Expenses	84,250		181,075.00	
	17,090,500		12,534,503	
	6,303,432	10,787,068	4,952,431	7,582,072
Labour Charges		223,215		43,835
Consumables		69,893		-
Water and Power Charges		152,173		120,772
Testing Charges		216,108		92,506
Packing Materials		148,283		-
		11,596,740		7,839,185

SCHEDULE - '12'**ADMINISTRATIVE EXPENSES**

Salaries Wages and Benefits	7,957,479	5,425,667
Directors Remuneration	2,575,633	1,322,976
Audit Fees	165,450	75,000
Bad Debts	70,000	-
Hire Charges	451,279	121,746
Insurance	24,960	101,486
Travelling and Conveyance	1,158,289	250,090
Miscellaneous Expenses	61,661	26,845
Office Maintenance	176,025	623,497
Postage and Telegrams	142,017	38,572
Printing and Stationery	145,486	55,026
Professional Fees	235,834	27,050
Rates, Fees and Taxes	659,240	558,244
Rent	520,000	-
Telephone and Communication Expenses	136,273	190,707
Preliminary Expenses written off	-	55,382
	14,479,625	8,872,288

IQ INFOTECH LIMITED
SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE
YEAR ENDED 31ST MARCH 2011

PARTICULARS	AS AT 31.03.2011		AS AT 31.03.2010	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE - ' 13 '				
<u>REPAIRS AND MAINTENANCE</u>				
Vehicle		512,414		187,685
Machinery		140,659		2,500
Building		636,031		44,190
		1,289,104		234,375
SCHEDULE - ' 14 '				
<u>SELLING EXPENSES</u>				
Advertisement		49,351		12,000
Service Charges		9,093		94,495
Discounts Allowed		355,616		-
Carriage Outward		96,846		-
Business Promotion		76,399		-
		587,304		106,495
SCHEDULE - ' 15 '				
<u>FINANCE COSTS</u>				
Interest Paid to Banks		2,406,299		3,801,132
Interest Paid to Others		106,400		82,237
Bank Charges, Commission and Discount		502,838		210,063
		3,015,538		4,093,432
SCHEDULE - ' 16 '				
<u>PRIOR YEAR EXPENSES/PROVISIONS</u>				
Prior Year Expenses/Provisions(See Note 16)				669,061
Prior Year Expenses (See Note 15)		865,282		-
Provison for doubtful debts (See Note 13)		11,805,093		-

Provison for doubtful Advances (See Note 13)		16,737,008		-
Provision for Capital Work in Progress (See Note 12)		56,069,323		-
Investments written off (See Note 14)		5,119,716		
Provision for Leave encashment (See Note 15)		1,177,707		
Provision for Gratuity (See Note 15)		567,609		
		92,341,738		669,061

NOTE : SCHEDULES 1 TO 16 AND NOTES TO THE ACCOUNTS ANNEXED HERETO (SCHEDULE 17) FORM AN INTEGRAL PART OF THIS BALANCE SHEET

THIS IS THE BALANCE SHEET REFERRED TO IN OUR REPORT OF EVEN DATE

**FOR PAL & SHANBHOGUE
CHARTERED ACCOUNTANTS**

FRN No 002528

Dr. K.R.Srinivasan

Chairman and Managing Director

S. Sudarsan

Director

K.R.Shanbhogue

PARTNER

M NO : 018578

PLACE : BANGALORE

DATED : 3rd September 2011

IQ INFOTECH LIMITED

SCHEDULE 17

Schedules to the Balance Sheet and Profit & Loss Account as at 31.03.2011.

Significant Accounting Policies and notes to Accounts:

A. Significant Accounting Policies:

1. BASIS OF PREPARATION:

The financial statements are prepared under the historical cost convention in accordance with Generally Accepted Accounting Principles (GAAP) and materially comply with the mandatory accounting standards notified by the Companies Accounting Standard Rules, 2006 and the Provisions of the Companies Act, 1956. All Income and expenditure, having a material bearing on the financial statements are recognized on the accrual basis.

2. REVENUE RECOGNITION:

- A) Revenue from Hardware sales is recognized upon delivery of goods. Sales value is Exclusive of Excise duty and Value Added Tax.
- B) Revenue from Software development services comprises income from time-and- Material and fixed price contract. Revenue with respect to time-and-material contracts is recognized as and when related services are performed. Sales value is exclusive of value Added tax or Service Tax as the case may be.
- C) Income for the services rendered is recognized as and when the services are completed and bills raised.

2.1 EXPENDITURE:

- a) Expenses are accounted on accrual basis and provision for known liability or losses incurred during the year, except Gratuity , which is accounted on cash basis.
- b) Excise Duty is accounted at the stage of removal of goods from manufacturing units.
- c) Customs Duty is accounted in the year the goods are cleared from customs bonded warehouse.

3. FIXED ASSETS:

- 1) Fixed assets are stated at cost of acquisition and any cost of bringing the assets to its working condition for the intended use.
- 2) Software development and capital work in process – Software development and capital work in progress is capitalized as and when the software and products are intended for a particular job is fully finished and brought to commercial use.
- 3) R & D Capital expenditure is capitalized and amortized after the completion of project and brought for commercial extraction.

4. DEPRECIATION:

- a) Depreciation on Fixed Assets is provided using straight-line method as per Schedule XIV to the Companies Act, 1956.
- b) Depreciation on assets are provided at normal S.L.M rates on assets, acquired and held before 30th Sep, and 50% of normal S.L.M rates on assets acquired held after 30th Sept.

5 FOREIGN CURRENCY TRANSACTIONS:

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Current assets and liabilities denominated in foreign currency are translated at the rate of exchange as at the Balance-Sheet date. All resulting gains or losses are recognized in the Profit and loss Account.

6 INVESTMENTS:

Long term Investments are stated at cost and short term investments are valued at lower of cost and net realizable value. Diminution in value is provided for where the management is of the opinion that the diminution is of permanent nature.

7 INVENTORIES:

Closing Stock of Raw Material is valued at cost inclusive of excise duty after deducting Cenvat credit from the cost of the materials.

Finished goods are valued at lower of cost or net realizable value.

Semi finished goods are valued at Raw Material cost plus proportionate share of production overheads. The Company follows last in first out method for valuation of inventory.

8. RETIREMENT BENEFITS

8.1 Provident Fund:

In accordance with Indian Law, employees receive benefits from a provident fund, which is a defined contribution plan. Both the employer and employee make monthly contributions to the plan equal to 12% of the covered employees' basic salary. The company has no further obligations under the plan beyond its monthly contributions.

8.2 Gratuity & Leave Encashment:

Gratuity and leave encashment is accounted on accrual basis by providing for actuarial valuation and leave credit at the end of the year. The Company has made a provision for Gratuity for the year to the extent required according to actuarial valuation.

9. RESEARCH AND DEVELOPMENT:

9.1: In-house Research and development are generally treated as revenue Expenditure. In the case of proto development, this has commercial realizable value, are taken as addition to fixed Assets. The cost of development of such proto types is depreciated as regular assets. The Research & Development which is not complete is taken as capital work in progress.

9.2: Software development purchased directly is capitalized on the basis of the Purchase cost.

9.3 Advances made for software development, which are un-finished, are treated as Capital work-in progress.

10. 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 recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

NOTES TO ACCOUNTS:**1. SEGMENT REPORTING**

In accordance with Accounting Standard – 17(AS-17) on segmental reporting issued By the Companies Accounting Standard Rules, 2006, the company operates in only one segment of manufacturing of Electronic goods and hence disclosure requirements are not applicable.

2. RELATED PARTY DISCLOSURES

Pursuant to Accounting Standard – 18 Related Party Disclosures “issued by The Companies Accounting Standard Rules, 2006”, the following parties are to be treated as Related Parties along with their relationships.

(Rs. In lakhs)

Sl. No.	Related Party	Relationship Between Parties	Nature of Transaction	For 31.03.2011	For (1.03.10)
1	Dr. K.R. Srinivasan	Managing Director	Remuneration	11.66	4.83
2	Mr. S. Sudarshan	Director	Remuneration	9.30	8.40
3	Mr. Madhusudhan	President	Remuneration	3.85	Nil
4	M/s Sales Dynamics	Partnership Firm	Sundry Debtors	Nil	37.36

The company has received during the year the entire dues (Rs.37.36 lakhs) as on 31.3.2010 from M/s. Sales Dynamics in cash.

3. DEFERRED TAX

In view of carry forward losses remaining to be set off available under the provisions of Income tax law, the accounting standard AS22 relating to deferred tax is not applicable to the company. Hence the provision made towards deferred tax liability in earlier years amounting Rs.33,75,750/- is reversed by crediting Profit and Loss account.

Year ended Year ended
31-03-11 31-03-10
Rs in lakhs Rs in lakhs

4. EARNINGS IN FOREIGN CURRENCY:	Nil	Nil
Exports sales (In FOB)		
5. EXPENDITURE IN FOREIGN CURRENCY:		
a) CIF Value of Imports	18.53	8.69
6. QUANTITATIVE PARTICULARS\		

RAW MATERIAL CONSUMED**FY 2010-11**

Qty in Nos

Group	Opening	Purchases	Consumption	Closing
Connectors	4,282	69,497	66,720	7,059
ICS	14,174	24,984	26,156	13,002
LED	84,719	158,222	102,797	140,144
PCB	22,006	26,810	26,827	21,989
Relays and Transformers	9,113	15,629	22,967	1,775
Resistors	592,281	392,024	387,161	597,144
Switches	859	8,000	5,067	3,792
Transistors	20,181	113,113	94,762	38,532

Value Rs. In Lakhs

FY 2010-11

Group	Opening	Purchases	Consumption	Closing
Connectors	1.71	5.09	3.57	3.23
ICS	13.50	30.06	25.31	18.25
LED	6.28	18.92	18.38	6.82
PCB	7.94	8.20	10.29	5.85
Relays and Transformers	3.37	2.24	5.34	0.27
Resistors	6.55	8.90	12.83	2.62
Switches	1.81	0.48	2.11	0.18
Transistors	1.04	1.61	2.08	0.57
Others	7.32	45.88	27.96	25.24
Grand Total	49.52	121.38	107.87	63.03

Qty in Nos

FY 2009-10

Group	Opening	Purchases	Consumption	Closing
Connectors	7,338	3,383	5,202	5,519
ICS	30,298	15,195	22,440	23,053
LED	103,583	9,121	33,497	79,207
PCB	14,778	20,376	16,581	18,573
Relays and Transformers	13,199	1,840	4,533	10,506
Resistors	722,854	79,378	206,350	595,882
Switches	1,938	2,629	3,411	1,156
Transistors	41,100	21,695	37,109	25,686
Others	20.78	12.31	25.77	7.32
Grand Total	76.98	46.55	74.01	49.52

Sale by Class of Goods**(Qty in Nos)****FY 2010-11**

Particulars	Opening Stock		Production		Sales		Closing Stock	
	Qty	Value Rs.	Qty	Value Rs.	Qty	Value Rs.	Qty	Value Rs
Buzzers	-	-	14,163	732,595	12,563	668,595	1,600	64,000
Controllers	-	-	81	865,323	81	865,323	-	-
LED Lantern	12	10,400	2,884	3,080,559	2,372	2,553,259	524	537,700
LED Light	45	24,500	1,725	2,281,641	1,735	2,230,141	35	76,000
Presettters	1	300,000	9	3,363,000	10	3,663,000	-	-
Relays	-	-	6,625	443,875	6,625	443,875	-	-
Simulators	1	200,000	17	5,534,818	18	5,734,818	-	-
Switches	-	-	34	21,150	34	21,150	-	-
General Electricals	260	1,458,500	520	1,888,951	530	3,333,701	250	13,750
EMS Assembly	142	482,800	1,156	4,394,037	1,258	4,748,837	40	128,000
Grand Total	461	2,476,200	27,214	22,605,949	25,226	24,262,699	2,449	819,450

Note: Figures for Previous year are not available.

Raw material Consumed

FY 2010-11

FY 2009-10

Particulars	Value Rs Lakhs	%	Value Rs Lakhs	%
Imported	18.53	17.18	8.69	11.74
Indigenous	89.34	82.82	65.32	88.26
Total	107.87	100.00	74.01	100.00

7. a. SECURED LOANS:

a.: Term Loans from Banks are secured by charge by way of hypothecation of stocks and receivables and personal assets and personal guarantee of the directors.

b. Working Capital Loan i.e. OCC account and Supply Bills account are secured by charge by way of hypothecation of stocks and receivables and personal assets and personal guarantee of the directors.

8. MANAGERIAL REMUNERATION AND OTHER BENIFITS

	Year ended 31 March 2011 (Rs. Lakhs)	Year ended 31 March 2010 (Rs. Lakhs)
Chairman and Managing Directors Remuneration	11.66	4.83
Director – S.Sudarshan Remuneration	9.30	8.40
Other Benefits / perquisites	Nil	Nil

9. AUDITORS REMUNERATION:

	Year ended 31 March 2011 (Rs. Lakhs)	Year ended 31 March 2010 (Rs. Lakhs)
Statutory Auditors Fee (including service tax)	1.10	0.55
Tax Audit	0.55	0.15

10. CONTINGENT LIABILITIES:

	Year ended 31 March 2011 (Rs. Lakhs)	Year ended 31 March 2010 (Rs. Lakhs)
Guarantees given by the company	70.57	8.78
Letter of Credit	9.22	4.69

11. No Provisions for Income Tax is made both under Income Tax Method a well as book Profit method in view of the carried forward losses & allowances of earlier Years.

12. CAPITAL WORK IN PROGRESS

R&D capital work in progress as on 31.3.2011 amounted to Rs.1,12,48,513/- not capitalized, since prototypes for R& D items still in progress as on the date of the Balance Sheet. Capital Work-in-progress other than R & D as on 31.3.2011 amounted to Rs. 4,48,20,810/- and the total Capital Work in Progress as on that date was Rs.5,60,69,323/- As these expenditure do not pass through the no impairment tests, the company has made provision for impairment to the full extent of Rs.5,60,69,323/- and accordingly debited the same in Profit and Loss Account under Schedule 16.

13 Balance of sundry debtors, , loans and advances, advance from customers and sundry Creditors are subject to confirmation, adjustments, and reconciliation if any. The company has identified doubtful debts and doubtful advances and accordingly made provision for the same to the extent of Rs.1,18,05,093/- and Rs.1,67,37,008/- for debtors and advances respectively.

14. Due to non availability of share certificates the company has written off the entire investments to the extent of Rs.51,19,716/-

15. Prior year expenses represent a sum of Rs.6,58,134/- paid towards interest for delayed payment of VAT and CST, Rs.59,608/- paid to BHEL towards liquidated damages and Bonus for Rs.1,47,540/-. The company has created provision in respect of past liability for gratuity and leave encashment by debiting Profit and Loss account to the extent of Rs.5,67,609/- (gratuity)

and Rs.11,77, 707 (leave encashment) in order to comply with Accounting Standard AS 15 and the said amounts are shown under the head “PRIOR PERIOD EXPENSES/PROVISIONS” in Schedule 16.

16. Earning per share (basic and diluted)

		As on 31-03-11	As on 31-03-10
a.	Net profit (loss) after tax as per profit and loss account Rs.in lakhs	(820.62)	(114.68)
b.	Number of equity shares	1,06,46,800	1,06,46,800
c.	Earning/(loss) per share (figures in Rupees)	(7.71)	(1.08)

17. The Company does not have any information regarding sundry creditors covered u n d e r Micro, Small and Medium Enterprises Development Act, 2006. Therefore, no provision for interest payable to such entities is made in the books of account

18. The details relating to Installed Capacity could not be given as the company manufactures variety of products according to specific customer requirements and it is not possible to define installed capacity for any one or standard group of products.

19. Previous years figures have been regrouped/ rearranged and reclassified wherever necessary to confirm to current years clarification.

For Pal and Shanbhogue
Chartered Accountants,
FRN No 002528

K.R.Shanbhogue
Partner
M No 018578

Place: BANGALORE

Date: 3rd September 2011

For iQ infotech Limited

Dr. K. R. Srinivasan
Chairman & Managing Director

S. Sudarshan
Director

IQ INFOTECH LIMITED

Cash Flow Statement for the year ended 31.3.2011

Particulars	2010-11		2009-10	
	Rs in Lakhs		Rs in Lakhs	
Profit/Loss before Taxation and prior period adjustment		69.04		(97.06)
Adjustment For				
Depreciation	30.81		35.08	
Amortisation of Preliminary and Public Issue	-		0.55	
Interest Expenditure	30.16		40.93	
Interest Income	(0.68)		(0.60)	
Profit on Sale of Land and Buildings	(204.85)		-	
Provision for Gratuity for earlier years	(5.68)			
Provision for Leave encashment for earlier years	(11.78)			
Prior Period Expenditure	(8.65)	(170.67)	(6.69)	69.27
Operating Profit Before working capital Changes		(101.63)		(27.79)
Movements in Working Capital				
Decrease / (Increase) in Inventory	25.21		1.19	
(Increase) / Decrease in sundry debtors	(133.53)		46.10	
(Increase) / Decrease in loans and advances	(2.49)		(0.12)	
(Increase) / Decrease in Deposits	(12.06)		-	
Increase / (Decrease) in current liabilities and provisions	38.80		14.57	
		(84.07)		61.74
Cash Generated from Operations		(185.70)		33.95
Taxes paid - Fringe Benefit Tax		-		(0.67)
A.Cash flow from Operating Activities		(185.70)		33.28
Investing activities				
Interest Receipts	0.68		0.60	
Purchase of Fixed Assets	(12.15)		-	
Purchase of Fixed Assets	240.00			0.60
Sale proceeds of Land and Buildings		228.53		0.60
B.Cash Flow from investing Activities				
Financing Activities				
Increase in Capital	-		-	
Increase in Reserve	-		5.53	
Increase in Reserve	3.32		-	
Borrowings	-		(40.93)	
Repayment	(30.16)			(35.40)
Interest paid				
C. Cash Flow from Financing Activities		(26.84)		(35.40)
Net Increase in Cash or Cash Equivalent (A+B+C)		15.99		(1.52)
Opening cash and cash equivalent		5.50		7.02
Closing cash and cash equivalent		21.49		5.50
Components of cash and cash equivalents		31-03-2011		31-03-2010
Cash on hand		1.28		0.89
Balances with Scheduled Banks				
- In current Account		0.37		0.15
- In deposit account		19.84		4.46
		21.49		5.50

For and on behalf of the Board of Directors of IQ INFOTECH LIMITED

As per our report of even date
FOR PAL & SHANBHOGUE
ACCOUNTANTS
FRN No 002528

DR. K.R.Srinivasan
Chairman & Managing Director
Place: Bangalore
Date: 3rd September 2011

Sudarshan
Director

K.R.Shanbhogue
PARTNER
M NO : 018578

IQ INFOTECH LIMITED

REGD. OFFICE : NO. 134/A, 2 nd Floor, 3 rd Cross, 6th Main, Industrial Suburb, Yeshwanthpur,
Bangalore-560022

BALANCE SHEET ABSTRACT AND GENERAL BUSINESS PROFILE

	Name of the Company		IQ Infotech Limited	
I	Registration Status			
	Registration No		State Code	8
	Balance Sheet Date	31.3.2011		
II	Capital Employed during the Year (Amount Rs. In thousands)			
	Public Issue	NIL	Rights Issue	NIL
	Bonus Issue	NIL	Private Placement	NIL
III	Position of Mobilisation and Deployment of Funds (Amount Rs. In Thousands)			
	Total Liabilities	193053	Total Assets	193053
	Source of Funds			
	Paid up Capital/Share Appln Money	105126	Reserves and Surplus	63429
	Secured Loans	24499	Unsecured Loans	0
	Others	0		
	Application of Funds			
	Net Fixed Assets	39580	Investments	0
	Net Current Assets	17701	Miscellaneous xpenditure	0
	Accumulated Losses	135772		
IV	Performance of Company (Amount Rs. In thousands)			
	Turnover	24263	Other Income	20563
	Total Expenditure	123015	Profit Before Tax	6904
			Profit after Tax	-82062
	Earnings per Share	-7.71	Dividend Rate	NIL
V	Generic names of three principal goods of the company			
	Item Code No		Product Description	Electronic Items

SIGNATORIES

Dr. K.R.Srinivasan S. Sudarshan
CMD Director
PLACE : BANGALORE
DATED : 3rd September 2011

iQ Infotech Ltd.

Regd. Office : #134/A, 2nd Floor, 3rd Cross, 6th Main, 2nd Stage, Industrial Suburb, Yeshwanthpur , Bangalore-560 022, India

PROXY FORM

Regd. Folio No./DP ID & Client ID _____ No. of shares held _____
I/We _____ of _____ being a member/s of the Company, hereby appoint the following as my/our Proxy to attend and vote on a poll for me/our behalf at the 26th Annual General Meeting of the Company, to be held on 30th Sept. 2011 at 11 a.m. and at any adjournment thereof.

1. Mr./Ms _____ Signature of Member (s)
2. Signed this ____ day of _____ 2011

- 1)
- 2)
- 3)

Notes : The Proxy must be returned so as to reach the Registered Office of the Company, #134A, 2nd Floor, 3rd Cross, 6th Main , 2nd Stage, Industrial Suburb, Yeshwanthpur, Bangalore – 560 022, India, not less than FORTY-EIGHT hours before the time for holding the aforesaid meeting.

iQ infotech Ltd.

Regd. Office : #134/A, 2nd Floor, 3rd Cross, 6th Main, 2nd Stage, Industrial Suburb, Yeshwanthpur , Bangalore-560 022, India

ATTENDANCE SLIP

Members attending the Meeting in person or by Proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.

I hereby record my presence at the Twenty-Six Annual General Meeting of the Company at 11 A.M. at Airavatha Highway # 749/1 , Mysore Road, Kengeri, (Near R.V.College) Bangalore 560 060, on Friday , 30h September 2011.

Full name of the Member (in block letters)

Signature

Address : _____

Folio No. _____

*DP ID NO. _____ Client ID No. _____

*Applicable for member holding shares in electronic form

Full name of the Proxy (in block letters)

Signature

- Note :
1. Only Members or their Proxies will be allowed to attend the meeting,
 2. Bodies corporate, whether a company or not, who are members, may attend through their authorized representatives appointed under Section 187 of the Companies Act, 1956. A copy of authorization should be deposited with the Company.
 3. In case of shares held in demat/electronic form, the signature of the Beneficial owner is liable for verification with the record furnished to the Company by NSDL/CDS. Beneficial owners are advised to bring relevant Identity card issued by the Depository Participant.

BOOK POST

If undelivered please return to :

iQ infotech Ltd

#134/A, 2nd Floor, 3rd Cross,6th Main,
2nd Stage, Industrial Suburb
Yeshwanthpur, BANGALORE -560 022
TEL : 080-65906599, 65634616