27th ANNUAL REPORT 2014-15

IO SYSTEM LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Arun Seth	(Non-Executive Director)
Mr.Ramesh Chandra Agarwal	(Non-Executive Independent Director)
Mr. Satish Kumar Gupta	(Non-Executive Independent Director)
Ms. Gunjan Arora	(Non-Executive Director)

KEY MANAGERIAL PERSONNEL

Mr. Gopal Singh Negi	(Chief Executive Officer)
Mr. Rakesh Kumar Bhatnagar	(Chief Financial Officer)
Mr. Dinkar Sharma	(Company Secretary and Compliance Officer)

STATUTORY AUDITORS

Gupta Garg & Agrawal — Chartered Accountants
G-55, 2nd Floor, Laxmi Nagar,
Vikas Marg, Delhi - 110092

INTERNAL AUDITOR

RBAS & Associates — Chartered Accountants
Office No. 49, IInd Floor, A-215,
Chawla Complex, Shakarpur,
Delhi - 110092

SECRETARIAL AUDITOR

S.K.Batra & Associates,
Company Secretaries,
#3393, 1st Floor, South Patel Nagar
Adjacent Jaypee Siddharth Hotel
New Delhi-110008

SHARE TRANSFER AGENT

MAS Services Limited
T-34, 2ndFloor,Okhla Industrial Area,
Phase - II, New Delhi - 110 020
Ph: 26387281/82/83, Fax: 26387384
email: info@masserv.com
Website: www.masserv.com

BANKERS

Indusind Bank,
N-1011, Sector-18,
Noida-201401, Uttar Pradesh

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IO System Limited

CIN : L65921UP1987PLC008764
Global Knowledge Park, Plot No. 19A & 19B,
Sector-125, Noida, U. P. - 201301
Ph.: +91-120-3355131
Website: www.iosystem.co.in

NOTICE

Notice is hereby given that the Twenty Seventh Annual General Meeting of IO System Limited will be held on Wednesday, the 30th day of September, 2015 at 11:00 A.M. at Sri Aurobindo Bhawan, C-56/36, Sector-62, NOIDA - 201 307, (U.P.) to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Financial Statement of the Company for the year ended on March 31, 2015 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.

SPECIAL BUSINESS

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

   "RESOLVED THAT pursuant to the provisions of Sections 149, 161 and other applicable provisions, if any, of the Companies Act, 2013 and rules made thereunder, the Companies (Appointment and Qualification of Directors) Rules, 2014 and Clause 49 (II) of the Listing Agreement, Mrs. Gunjan Arora (DIN 07134573), woman director on the Board of Directors of the Company who was appointed as an additional director, such appointment being effective 25th March, 2015, and who holds office up to the date of this annual general meeting, and in respect of whom, pursuant to Section 160 of the Act, the Company has received a notice in writing proposing her candidature for the office of Director, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of directors by rotation."

By Order of the Board
For IO SYSTEM LIMITED

Place : Noida
Date : 14th August, 2014

Arun Seth
Chairman
DIN:00007895

NOTES :

1. The relative Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 with respect to the Special Business set out in Item No. 4 above is annexed hereto.
2. The relevant details as required under Clause 49 of the Listing Agreement with the Stock Exchanges of persons seeking appointment/reappointment relating to item nos. 2 and 4 of the Notice are also annexed.
3. ANY MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXY(IES) TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY(S) NEED NOT BE A MEMBER OF THE COMPANY. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company. In case a proxy is proposed to be appointed by a member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy of any other member.

4. The instrument of proxy, in order to be effective should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the meeting. Proxies submitted on behalf of limited companies, societies etc. must be supported by appropriate resolutions/ authority, as applicable.
5. The Register of Members and Share Transfer Books of the Company shall remain closed from September 25, 2015 to September 30, 2015 (both days inclusive).
6. Members are requested to bring their copy of the Annual Report and Attendance Slip with them at the Annual General Meeting.
7. Members holding shares in electronic form are hereby informed that the bank particulars registered against their respective depository accounts will be used by the Company for the payment of dividend. The company or its Registrars cannot act on any request received directly from the members holding shares in electronic form for any change in address, change of bank particulars or bank mandates. Such changes are to be advised only to the Depository participant of the Members.
8. Members holding shares in physical form are requested to advise any change of address, bank details etc. immediately to the Company's Registrar and Share Transfer Agents, M/s MAS Services Ltd. – T-34, Okhla Industrial Area, Phase-II, New Delhi – 110 020.
9. Electronic copy of the Annual Report is being sent to all the members whose e-mail IDs are registered with the Company/ Depository Participant(s) unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report is being sent in the permitted mode.
10. To promote green initiative, members are requested to register their e-mail addresses through their Depository Participants for sending the future communications by e-mail. Members holding the shares in physical form may register their e-mail addresses through the RTA, giving reference of their Folio Number.
11. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their Demat Accounts. Members holding shares in physical form shall submit their PAN details to the Company at its Registered Office or to the Registrar and Share Transfer Agents M/s MAS Services Ltd. – T-34, Okhla Industrial Area, Phase-II, New Delhi – 110 020.
12. Members may also note that the Annual Report for the Financial Year 2014-15 shall also be available on the Company's website www.iosystem.co.in for their download.
13. Pursuant to Clause 35B of the Listing Agreement and the provisions of Section 108 of the Companies Act, 2013, read with the Companies (Management and Administration) Rules, 2014, the business may be transacted through electronic voting system and the Company is pleased to provide the facility for remote e-voting by electronic means ("remote e-voting") to its members. The Company has engaged the services of National Securities Depository Limited ("NSDL") to provide remote e-voting facilities and for security and enabling the members to cast their vote in a secure manner.
14. The remote e-voting period begins on Sunday, the 27th September, 2015 (at 9.00 a.m.) and ends on Tuesday, the 29th September, 2014 (at 5.00 p.m.). During this period, shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 23rd September, 2015 may cast their vote electronically. The remote e-voting module shall be disabled by NSDL for voting thereafter.
15. **Instructions for remote e- voting: Please read the instructions as mentioned at the back of the attendance slip.**

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 :

ITEM NO. 4:

As per Section 149 of the Companies Act, 2013 read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014, and Clause 49(II)(A)(1) of the Listing Agreement, a listed company is required to appoint a Woman Director.

Accordingly in terms of Sections 149, 152, 161 of the Companies Act, 2013 and the rules made thereunder, Ms. Gunjan Arora was appointed as an Additional Director w.e.f. 25th March 2015, to hold office till the conclusion of this Annual General Meeting. Her term of office shall be liable to determination by retirement of directors by rotation.

Ms. Gunjan Arora specializes in Finance and has over 5 years of experience in various fields covering Business Advisory, Direct and Indirect Taxation etc. and is on the Board of several Indian Companies.

The Board feels that presence of Ms. Gunjan Arora on the Board is desirable and would be beneficial to the Company and hence recommend resolution No. 4 for adoption.

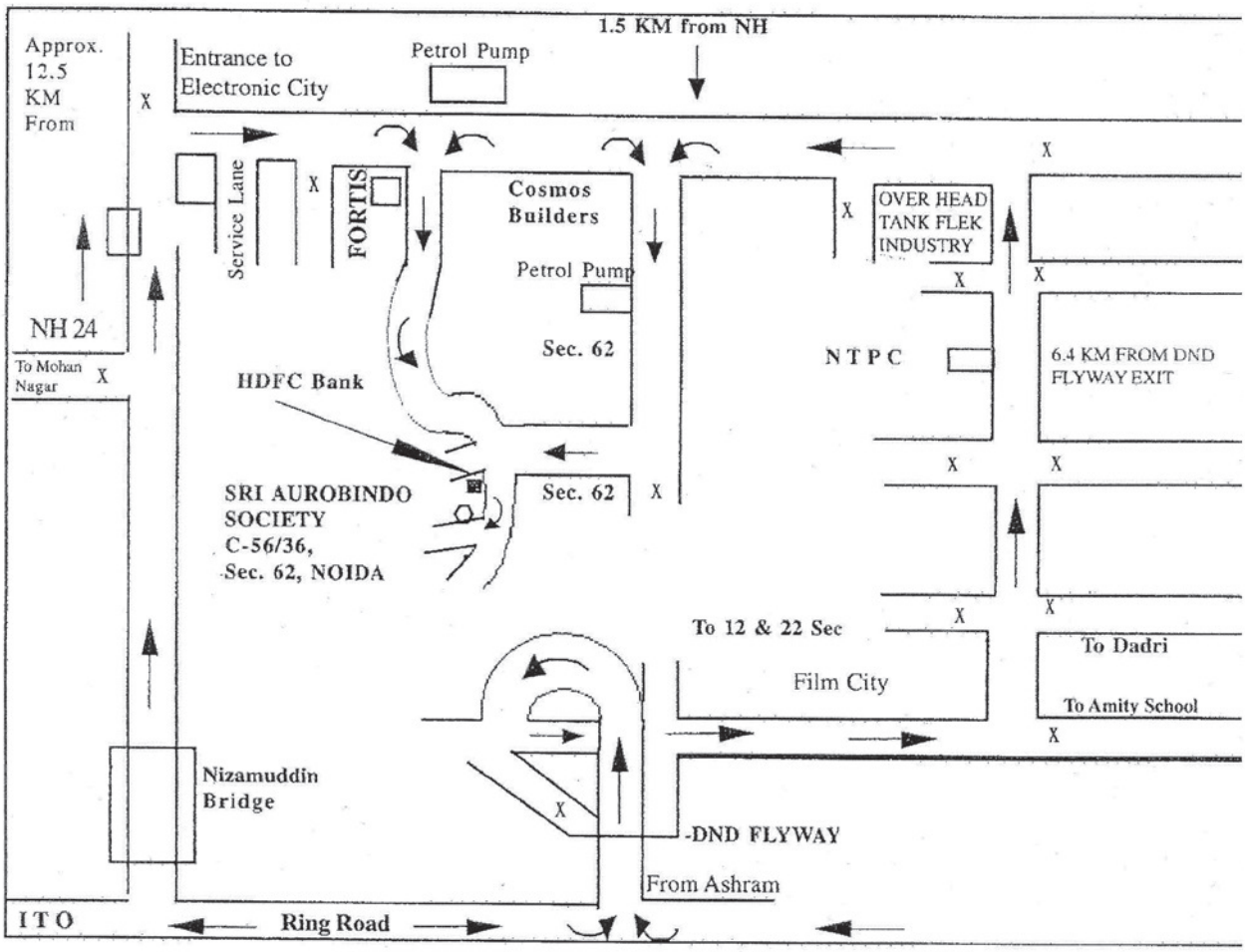
None of the Directors except Ms. Gunjan Arora, Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution except and to the extent they are members of the Company.

ANNEXURE-A

Details of Directors seeking Appointment / Reappointment in forthcoming Annual General Meeting
(In pursuance of Clause 49(VIII)(E) of the Listing Agreement)

Name of Director	**Arun Seth**	**Ms. Gunjan Arora**
Date of Birth	24th September, 1953	6th September 1988
Date of Appointment as Director	29th September, 2014	25th March 2015
Qualification	B.A., Diploma in Marketing Management	Post Graduation diploma in banking operations and M.Com
Expertise in specific functional areas	Marketing, Electronics and Information Technology	Specializes in Finance and has over 5 years of experience in various fields covering Business Advisory, Direct and Indirect Taxation etc and is on the Board of several Indian Companies.
List of Companies in which directorship held	First Choice Enterprises Private Limited Bharat IT Services Limited Peremex Computer Systems Pvt. Ltd.	1) MBM Limited 2) Avon Mercantile Limited 3) Spicebulls Investments Limited 4) Spice Solar Technology Rajasthan Private Limited 5) Spice Solar Technology Private Limited 6) Spice Stock Broking Private Limited 7) Protective Investments Private Limited
Chairman / Member of the Committees of the Board of the Companies on which he/she is a Director	**IO System Limited :** Member - Audit Committee Member – Stakeholders Relationship Committee Member- Risk Management Committee **Bharat IT Services Limited** Chairman - Corporate Social Responsibilities Committee	Nil
Number of Shares held in the Company	Nil	5 Shares
Terms and conditions of reappointment and remuneration	As per the nomination and remuneration policy of the company	As per the nomination and remuneration policy of the company
Relationship with other Directors, KMP	Nil	Nil
Number of Board meeting attended during the year	4	0* (Appointed w.e.f. 25.3.15)

ROUTE MAP FOR VENUE OF AGM OF IO SYSTEM LIMITED TO BE HELD ON 30TH SEPTEMBER, 2015 AT 11:00AM AT SRI AUROBINDO BHAWAN, C-56/36, SECTOR-62, NOIDA - 201 307, (U.P.)



DIRECTORS' REPORT

Dear Members,

On behalf of the Board of Directors, it is our pleasure to present the 27th Annual Report together with the Audited Statement of Accounts of IO SYSTEM LIMITED ("the Company") for the year ended March 31, 2015.

Financial Performance

The summarized results of your Company are given in the table below.

(Amount in Rs.)

PARTICULARS	31.03.2015	31.03.2014
Total Income	23,877	5,847
Profit/(loss) before Interest, Depreciation & Tax (EBITDA)	(52,05,511)	(52,53,969)
Finance Charges	28,34,280	30,11,956
Depreciation	24,399	9,551
Net Profit/(Loss) After Tax	(52,29,910)	(52,63,520)
Profit/(Loss) brought forward from previous year	(19,59,82,038)	(19,07,18,518)
Profit/(Loss) carried to Balance Sheet	(20,12,11,948)	(19,59,82,038)

*previous year figures have been regrouped/rearranged wherever necessary.

Summary of Operations

During the year under review, your company only earned through other income which stood at 23,877/- as compared to that of Rs.5,847/-. The Company incurred a loss of Rs.52.30 lacs during the year as compared to a loss of Rs.52.63 lacs during the the previous year.

Business Review/State of the company's affairs

During the year under review, the Company did not carry on any business. This was mainly due to the fact that the Company has been incurring losses for the past many years and is yet to overcome the same.

However, considering the opportunities now available in the industry your company has been operating, viz., office automation industry, your Directors are optimistic that the Company is expected to do better in the years to come.

Dividend

In view of the losses incurred during the year and also in view of the losses incurred in previous years, your Directors do not recommend any dividend.

Subsidiary(ies), Associate(s), Joint Venture(s)

The Company does not have any subsidiary(ies), associate(s), joint venture(s). However, the Company continues to be the subsidiary of Smart Entertainment Private Limited.

Directors' Responsibility Statement

Pursuant to the provisions of sub-section (5) of Section 134 of the Companies Act, 2013, the Board of Directors, to the best of their knowledge and ability, confirm that:

(a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(b) the directors had 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 at the end of the financial year and of the profit and loss of the company for that period;

(c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(d) the directors had prepared the annual accounts on a going concern basis; and

(e) the directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

(f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Capital/ Finance

During the year under review, there was no enhancement or reduction in capital of the Company. As on 31st March, 2015, the capital break up of the Company is as under :

1. Authorised Capital : Rs. 25,00,00,000/-, divided into 2,00,00,000 Equity Shares of Rs.10/- each and 5,00,000 Preference Shares of Rs.100/- each.
2. Issued, subscribed and fully paid up share capital : Rs. 16,90,00,000/-, divided into 1,69,00,000 Equity shares of Rs.10/- each.

Directors and Key Managerial Personnel

Pursuant to the provisions of Section 149 of the Companies Act, 2013, which came into effect from April 1, 2014, Mr. Ramesh Chandra Agarwal and Mr. Satish Kumar Gupta, were appointed as independent directors at the annual general meeting of the Company held on September 29, 2014. The terms and conditions of appointment of independent directors are as per Schedule IV of the Act. They have submitted a declaration that each of them meets the criteria of independence as provided in Section 149(6) of the Act and there has been no change in the circumstances which may affect their status as independent director during the year.

Also pursuant to the provisions of Section 149(1) of the Act, Ms. Gunjan Arora was appointed as a non-executive woman Director of the Company. The resolutions seeking approval of the Members for the appointment of Ms. Gunjan Arora have been incorporated in the notice of the forthcoming annual general meeting of the Company along with brief details about her. The Company has received a notice under Section 160 of the Act along with requisite deposit proposing the appointment of Ms. Gunjan Arora.

Mr. Arun Seth continues to be on Board as a Non-Independent Director and is liable to retire by rotation at this Annual General Meeting and being eligible offers himself for re-appointment.

Mr. Dinkar Sharma continues to be the Company Secretary and compliance officer of the company.

Pursuant to the provisions of Section 203 of the Companies Act, 2013, Mr. Gopal Singh Negi was appointed as Chief Executive Officer (CEO) of the Company with effect from 1st June, 2015. Mr. Rakesh Kumar Bhatnagar was appointed as Chief Financial Officer (CFO) of the Company with effect from 1st March, 2015.

During the year Mr. Ravi Garg and Mr. Munish Garg were appointed as CEO and CFO of the Company, respectively, with effect from 14th August, 2014. However, Mr. Munish Garg resigned from the Office of CFO with effect from 29th September, 2014 and Mr. Ravi Garg resigned from the office of CEO with effect from 15th December, 2014.

Number of Meetings of the Board

Four meetings of the Board were held during the year. For details of the meetings of the Board, please refer to the corporate governance report, which forms part of this report.

Board Evaluation

The board of directors has carried out an annual evaluation of its own performance, Board committees and individual directors pursuant to the provisions of the Act and the corporate governance requirements as prescribed by Securities and Exchange Board of India (“SEBI”) under Clause 49 of the Listing Agreements (“Clause 49”).

The performance of the Board was evaluated by the Board after seeking inputs from all the directors on the basis of the criteria such as the Board composition and structure, effectiveness of board processes, information and functioning, etc.

The performance of the committees was evaluated by the board after seeking inputs from the committee members on the basis of the criteria such as the composition of committees, effectiveness of committee meetings, etc.

The Board and the Nomination and Remuneration Committee (“NRC”) reviewed the performance of the individual directors on the basis of the criteria such as the contribution of the individual director to the Board and committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc.

In a separate meeting of independent Directors, held on 31st March, 2015, performance of non-independent directors, performance of the board as a whole was evaluated, taking into account the views of all the directors. The same was discussed in the board meeting that followed the meeting of the independent Directors, at which the performance of the Board, its committees and individual directors was also discussed.

Policy on Directors’ appointment and remuneration and other details

The Company’s policy on directors’ appointment and remuneration and other matters provided in Section 178(3) of the Act has been disclosed in the corporate governance report, which forms part of the directors’ report.

Internal Financial Control Systems and their adequacy

The details in respect of internal financial control and their adequacy are included in the Management Discussion and Analysis which forms part of this report.

Audit Committee

The details pertaining to composition of audit committee are included in the Corporate Governance Report, which forms part of this report.

Statutory Auditors

The current Statutory Auditors of the Company, M/s Gupta Garg & Agrawal, Chartered Accountants, retire at the ensuing Annual General Meeting of the Company and being eligible offer themselves for re-appointment. The audit committee has recommended their appointment.

Internal Auditors

The Company had appointed M/s. RBAS & Associates,Chartered Accountants, Delhi, as Internal Auditors of the Company for the financial year 2014-15.

Secretarial Auditors

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and rules made thereunder, the Company has appointed M/s S K Batra & Associates, Company Secretaries, New Delhi, to conduct the Secretarial Audit of the Company for the financial year 2014-15. The Secretarial Audit Report is annexed to this report.

Material Change

There is no material change or commitments after the closure of the financial year.

Auditors' Report and Secretarial Auditors' Report

The Auditors' Report and Secretarial Auditors' Report (which form part of this annual report) are self explanatory and do not contain any qualifications, reservations or adverse remarks. However, as observed by the Statutory Auditors and Secretarial Auditors, the company has incurred losses over the last few years and as a result the entire capital of the company has been eroded. Also, the company incurred cash loss of Rs. 52.06 lacs during the year as against cahs loss of Rs. 52.54 lacs during the previous year. Presently the company is not carrying on any business activity since last few years due to recession and other factors and your Director are exploring the opportunities to revive the company.

Risk Management

The Board of the Company has formed a risk management committee to frame, implement and monitor the risk management plan for the Company. The committee is responsible for reviewing the risk management plan and ensuring its effectiveness. The audit committee has additional oversight in the area of financial risks and controls. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis. The development and implementation of risk management policy has been covered in the management discussion and analysis, which forms part of this report.

Particulars of loans, guarantees and investments

The particulars of loans, guarantees and investments have been disclosed in the financial statements.

Transactions with related parties

None of the transactions with related parties falls under the scope of Section 188(1) of the Act. Information on transactions with related parties pursuant to Section 134(3)(h) of the Act read with rule 8(2) of the Companies (Accounts) Rules, 2014 are given in **Annexure I** in Form AOC-2 and the same forms part of this report.

Corporate Social Responsibility (CSR) Policy

The provisions regarding formation / constitution of CSR Committee prescribed under Section 135 of the Companies Act, 2013 are not applicable to the Company and once the said provisions become applicable to the Company, the Board of Directors of the Company shall accordingly constitute / form a CSR Committee

Extract of Annual Return

As provided under Section 92(3) of the Act, the extract of annual return is given in **Annexure II** in the prescribed Form MGT-9, which forms part of this report.

Cash Flow Statment

In conformity with the provisions of Clause 32 of the listing agreement cash flow statement for the year ended 31st March, 2015 is attached.

Particulars of employees

The information required under Section 197 of the Act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given below:

A. No employee was paid remuneration in excess of Rs.5 Lacs per month or Rs.60 lacs per annum during 2014-15