28 ANNUAL REPORT 2015-16

IO SYSTEM LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Arun Seth	(Director)
Mr.Ramesh Chandra Agarwal	(Non-Executive Independent Director)
Mr. Satish Kumar Gupta	(Non-Executive Independent Director)
Ms. Gunjan Arora	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, Royal Palace, IInd Floor,
Laxmi Nagar, Vikas Marg,
Delhi-110 092.

INTERNAL AUDITOR

RBAS & Associates,
Chartered Accountants
Office No. 49, II Floor,
A-215, Chawla Complex,
Shakarpur, Delhi-110 092.

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

Contents

Notice	01
Directors' Report	08
Report on Corporate Governance	21
Management Discussion And Analysis Report	31
Auditors' Report	36
Balance Sheet	41
Profit & Loss Account	42
Cash Flow Statement	43
Schedules / Notes	44
Proxy Form	51

IO System Limited

CIN : L65921UP1987PLC008764
Regd. Office : Global Knowledge Park, Plot No. 19A & 19B,
Sector-125, Noida, U. P. - 201301
Ph.: +91-120-3355131
Website: www.iosystem.co.in, E-mail : iosystemltd@gmail.com

NOTICE

Notice is hereby given that the Twenty Eighth Annual General Meeting of IO System Limited will be held on Friday, the 30th day of September, 2016 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 Statements of the Company including the Balance Sheet as at March 31, 2016, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date along with the Directors' Report and Auditors' Report thereon.
2. To consider and appoint Director in place of Mr. Arun Seth (DIN : 00007895), who retires by rotation and being eligible, offers himself for reappointment.
3. 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 section 139 and other applicable provisions, if any, of the Companies Act, 2013, as amended, read with Rule 3(7) of the Companies (Audit and Auditors) Rules, 2014, as amended, and further based on the recommendation of the Audit Committee and the Board of Directors, the Company hereby ratifies the appointment of M/s Gupta Garg & Agrawal, Chartered Accountants, Firm Registration No. 505762C as the Statutory Auditors of the Company to hold office from the conclusion of this annual general meeting until the conclusion of the annual general meeting of the Company to be held in the financial year 2017-18 on such remuneration and reimbursement of out of pocket expenses as may be mutually agreed between the Board and the statutory Auditors plus service tax and the Board be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary, relevant, usual and/ or expedient for implementing and giving effect to this resolution."

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:-
   "RESOLVED THAT in accordance with the provisions of Sections 196, 197, 198, 201, and other applicable provisions, if any, of the Companies Act, 2013 read with Schedule V of the said Act (including any modification(s) or re-enactment thereof, for the time being in force) and such other approvals including Central Government, if required, the consent of the Company be and is hereby accorded to appoint Ms. Gunjan Arora (DIN : 07134573) as a Whole Time Director of the Company for a period of 3 years with effect from 01st April, 2016 on such terms and conditions herein below mentioned:

	Basic Salary	Rs. 303,600/- Per annum
	HRA	Rs. 121,404/- Per annum
	Special Allowance	Rs. 119,796/- Per annum
	Conveyance	Rs. 19,200 /- Per annum
	Employer Provident Fund	NIL
	Sitting Fees	Ms. Gunjan Arora shall not be entitled for sitting fees for attending the Meetings of the Board or of any Committee thereof.
	Minimum Remuneration	In the event of inadequacy or absence of profit in any financial year during her tenure, Ms. Gunjan Arora will be entitled to remuneration along with the perquisites/benefits mentioned above by way of minimum remuneration in terms of Section II of part II of schedule V of the Companies Act, 2013.
	Medical Reimbursement	Rs. 15,000 /- Per annum
	Telephone	18000 Per annum
	LTA	10200 Per annum (Leave as per the rules of the Company

INFORMATION ABOUT THE APPOINTEE:

(1)	Background details	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.
(2)	Past remuneration	Ms. Gunjan Arora did not receive any remuneration from the Company till 31st March, 2016.
(3)	Recognition or awards	N.A
(4)	Job profile and her suitability	As per her qualification and experience, Ms. Gunjan Arora will be looking after the finance and accounts function of the Company.
(5)	Remuneration proposed	As per the details mentioned in the resolution
(6)	Comparative remuneration profile with respect to industry size of the company, profile of the position and person	The Board feels that the remuneration is commensurate with the industry standards and the profile and position of Ms. Gunjan Arora.
(7)	Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any	Ms. Gunjan Arora does not have any pecuniary relationship with any of the managerial personnel of the Company.

RESOLVED FURTHER THAT in case of loss or inadequacy of profits during any financial period, the Board of Directors of the Company, be and are hereby authorised to pay such remuneration / increased remuneration to Ms. Gunjan Arora as may be decided by the Board subject to the limits provided under Schedule V to the Companies Act, 2013.

RESOLVED FURTHER THAT any of the Director and/or Company Secretary of the Company be and are hereby jointly and severally authorized to take all actions as may be necessary in regard to the payment of remuneration to Ms. Gunjan Arora including but not restricted to seeking and / or availing requisite approvals / sanctions etc., as may be required, to sign and file the necessary return / intimation with the Registrar of Companies / Department of Company Affairs and to execute the necessary agreement, if any for and on behalf of the Company to this effect and also to do all such acts, deeds, matters and things as are necessary and are ancillary or incidental thereto."

5. To consider and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution :

"RESOLVED that pursuant to Section 180 (1) (c) and all other applicable provisions, if any, of the Companies Act, 2013 and the rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force) the consent of the Company be and is hereby accorded to the Board of Directors to borrow from Smart Entertainment Pvt. Ltd., the Holding Company, such sum or sums of money in any manner from time to time as may be required for the purpose of the business of the Company with or without security and upon such terms and conditions as it may deem fit, notwithstanding that money borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from Company's Bankers in the ordinary course of business) may exceed the aggregate of paid up capital of the Company and its free reserves that is to say reserves not set apart for any specific purpose, provided that total amount so borrowed by the Company and outstanding at any time shall not exceed the sum of Rs.50,00,00,000/- (Rupees Fifty Crores only)."

By Order of the Board
For IO SYSTEM LIMITED

Date : August 14, 2016
Place : NOIDA

ARUN SETH
DIRECTOR
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 Nos. 4 and 5 above is annexed hereto.
2. 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.
3. Corporate members intending to send their authorised representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the meeting.

4. Members desirous of getting any information related to accounts or operations of the Company are requested to send in their queries so as to reach the Company's registered office situated at Global Knowledge Park, Plot No. 19 A & 19B, Sector-125, NOIDA-201 301, at least 7 days in advance before the date of the meeting so as to enable the management to keep the information ready.
5. The relevant details of persons seeking appointment/reappointment relating to item nos. 2 and 4 of the Notice are also annexed.
6. 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.
7. The Register of Members and Share Transfer Books of the Company shall remain closed from September 25, 2016 to September 30, 2016 (both days inclusive).
8. Members are requested to bring their copy of the Annual Report and Attendance Slip with them at the Annual General Meeting.
9. 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.
10. 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.
11. 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.
12. 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.
13. 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.
14. Members may also note that the Annual Report for the Financial Year 2015-16 shall also be available on the Company's website www.iosystem.co.in and also at BSE website www.bseindia.com for their download.
15. In compliance with the provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies

    (Management and Administration) Rules, 2014, and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is pleased to provide members facility to exercise their right to vote at the 28th Annual General meeting (AGM) by electronic means (remote e-voting). 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.
16. The remote e-voting period begins on Tuesday, the 27th September, 2016 (at 9.00 a.m.) and ends on Thursday, the 29th September, 2016 (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, 2016 may cast their vote electronically. The remote e-voting module shall be disabled by NSDL for voting thereafter.
17. The Company shall also provide the facility for voting through polling paper which shall be available at the meeting and Members attending the meeting who have not already casted their vote by remote e-voting shall be able to exercise their rights to vote at the Meeting.
18. **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 :

Ms. Gunjan Arora was appointed as a non-executive woman Director on the Board of the Company and was liable to retire by rotation at this Annual General Meeting. However, considering the experience, qualifications and efforts Ms. Gunjan Arora has been putting up for the Company, your Directors felt it prudent to suitably remunerate her for the same. Accordingly, as recommended by the Nomination and Remuneration Committee in its meeting held on 1st April, 2016, your Directors at their meeting held on 30th Mary, 2016 resolved to pay a remuneration to Ms. Gunjan Arora w.e.f. 1st April, 2016 subject to the approval of shareholders at the Annual General Meeting and appoint her as a Whole Time Director of the Company.

Since payment of remuneration to the Whole Time Director requires approval of the shareholders by way of a Special Resolution in terms of the provisions of Schedule V of the Companies Act, 2013, therefore, the Board recommends this resolution to be passed as a Special resolution.

The terms of appointment given in the said resolution may be treated as an abstract of the terms and conditions of appointment of the said Whole Time Director u/s 196 of the Companies Act, 2013.

None of the Directors except Ms. Gunjan Arora is interested or concerned in the resolution. The

information as required under Schedule V to the Companies Act, 2013 is given hereunder:

I. GENERAL INFORMATION:

(1)	Nature of Industry	Office Automation equipments
(2)	Date or expected date of commencement of commercial production	The Company has stopped its commercial production since last few years owing the heavy losses.
(3)	In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:	N.A
(4)	Financial performance based on given indicators:	The financial performance is given separately in the notice convening AGM.
(5)	Export performance and net foreign exchange collaborations:	The company does not have any foreign exchange earning or outgo.
(6)	Foreign investments or collaborators, if any:	The company does not have any foreign investment or collaborators.

(Amount in Rs.)

Financial Parameters	**Year ended 31.03.2016**
Sales (Net of Excise Duty) and Other Income	32,442
Profit / (Loss) before Interest, Depreciation & Income Tax	(79,42,462)
Interest & Finance Charges	32,32,421
Depreciation	9,560
Profit/(Loss) for the year before Extra Ordinary Items & Provision for Tax	(79,52,022)
Provision for Tax	-
Deferred Tax assets/Liability	-
Income Tax (excess provision) paid earlier years	-
Profit/(Loss) after tax	(79,52,022)
Prior period expenses	2,500
Net Profit / (Loss) After tax	(79,54,522)
Balance B/F from previous years	(20,12,12,006)
Profit/(Loss) carried to Balance Sheet	(20,91,66,529)

II. OTHER INFORMATION:

(1)	Reasons of loss or inadequate profits:	Due to market recession, obsolescence of the products of the Company and various other factors, the Company has incurred huge losses over the past few years.
(2)	Steps taken or proposed to be taken for improvement:	Your Directors are considering to enter into business and exploring new options.
(3)	Expected increase in productivity and profits in measurable terms	It is not possible at present to give the expected increase since the losses are too much. But your Directors are hopeful that the Company may fare better in the years to come.

III. DISCLOSURE

1	Remuneration Package of Ms. Gunjan Arora	Detail of Proposed Remuneration Package is given in Item No. 4 of the Notice convening of Annual General Meeting. These be read as part and parcel of this Para.

ITEM NO. 5 :

Your Company has borrowed funds from its holding Company, viz., Smart Entertainment Private Limited, from time to time, depending upon the business needs of the Company. So keeping in mind the future plans for business, the Company may also borrow additional funds in future from the said Holding Company as per requirement and loan availability. Therefore, your Board proposes a borrowing limit of upto Rs.50 Crores.

Hence, your Directors recommend the above resolution for approval of the Shareholders as a Special Resolution.

None of the Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested in the proposed resolution.

By Order of the Board
For IO SYSTEM LIMITED

Date : August 14, 2016
Place : NOIDA

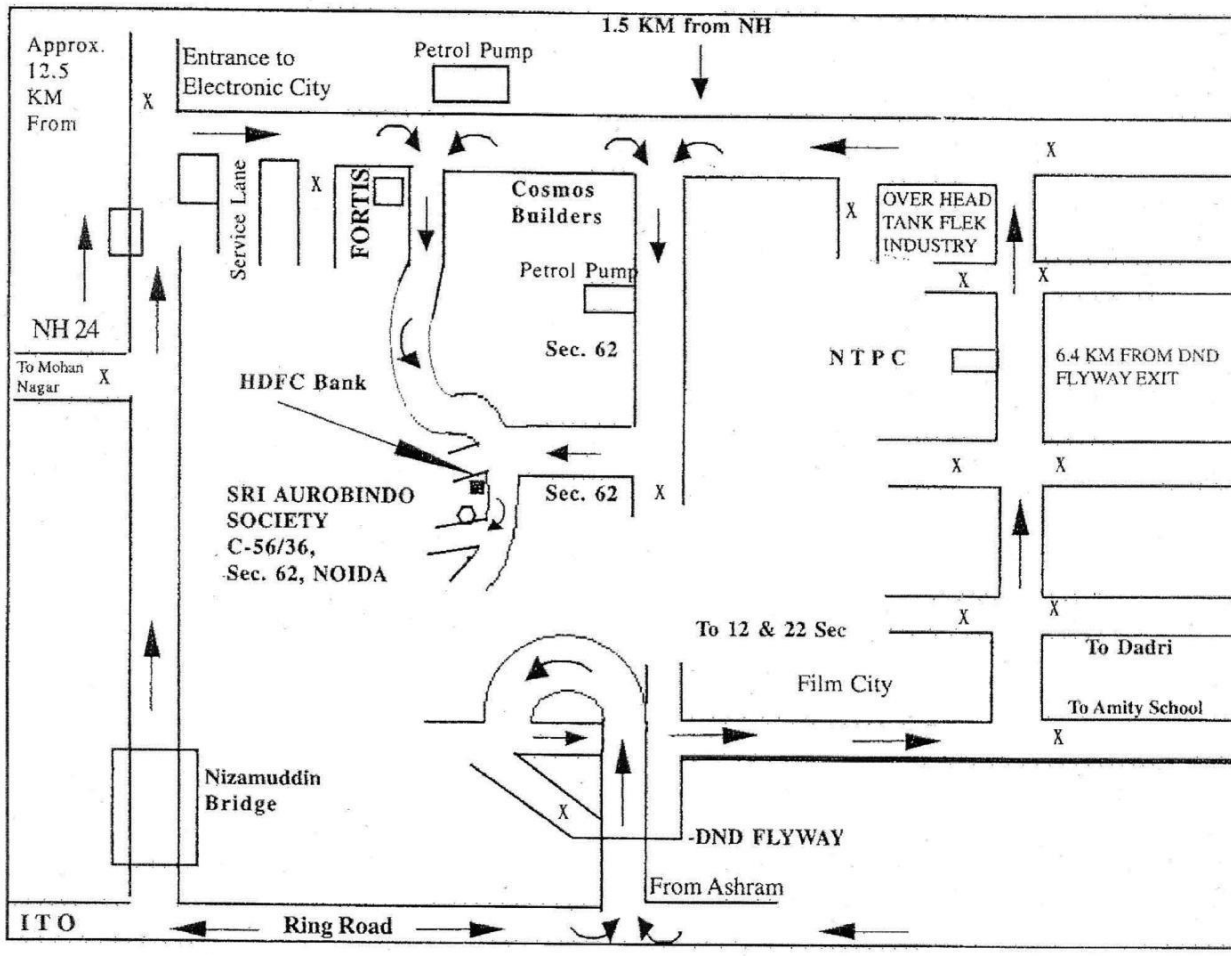
ARUN SETH
DIRECTOR
DIN : 00007895

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	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.
List of Companies in which directorship held	1) IO System Ltd. 2) First Choice Enterprises Private Limited 3) Bharat IT Services Limited 4) Peremex Computer Systems Pvt. Ltd. 5) Chelmsford Club Ltd.	1) IO System 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 8) MBM Limited 9) Saket City Medical Office Building Private Limited 10) Saket City Medical Assisted Living Centre Private Limited 11) Saket City Rehabilitation Centre 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	Nil
Number of Shares held in the Company	Nil	5 Shares

ROUTE MAP FOR VENUE OF AGM OF IO SYSTEM LIMITED TO BE HELD ON 30TH SEPTEMBER, 2016 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 28th Annual Report together with the Audited Statement of Accounts of **IO SYSTEM LIMITED** ("the Company") for the year ended March 31, 2016.

Financial Performance

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

(Amount in Rs.)

PARTICULARS	31.03.2016	31.03.2015
Total Income (Other Income)	32,442	23,877
Profit/(loss) before Interest, Depreciation & Tax (EBITDA)	(79,42,462)	(52,05,569)
Finance Charges	32,32,421	28,34,280
Depreciation	9,560	24,399
Net Profit/(Loss) After Tax	(79,54,522)	(52,29,968)
Profit/(Loss) brought forward from previous year	(20,12,12,006)	(19,59,82,038)
Profit/(Loss) carried to Balance Sheet	(20,91,66,529)	(20,12,12,006)

*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 Rs.32,442/- as compared to that of Rs23,877/- The Company incurred a loss of Rs.79.54 lacs during the year as compared to a loss of Rs.52.30 lacs during the previous year.

Business Review/State of the company's affairs

During the year under review also, the Company did not carry any business activity. The Company has been incurring losses for the past many years and is yet to overcome the same. The Company has stopped its commercial production owing to huge losses over the past few years.

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 Company

The Company does not have any subsidiary. 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.