



# **City Online**

**Services Limited**

**Internet Services with world class technology**

## **ANNUAL REPORT 2015 - 2016**

City Online Services Limited

CIN: L72200TG1999PLC032114

## **Annual Report 2015-16**

### **Board of Directors**

Mr. S. Raghava Rao	: Chairman and Managing Director
Mr. Ch. Harinath	: Executive Director
Mr. R. Krishna Mohan	: Director (Finance & Administration)
Mr V.Satyanarayana	: Independent Director
Mr. Thomos P. Nicodemus	: Independent Director
Mr. M. Nageswara Rao	: Independent Director
Mr. K. Arun Prasad	: Independent Director (Vacated Office w.e.f. 13.08.2016)
Mrs. S. Naga Durga	: Women Director

Company Secretary	
Compliance Officer	: Ms. Sampada K Joshi(Resigned w.e.f. 29.07.2016)
	: Mr. R. Krishna Mohan

Registered Office	: 701, 7th Floor, Aditya Trade Center, Ameerpet, Hyderabad –500 038
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Website	: <a href="http://www.cityonlines.com">www.cityonlines.com</a>
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CIN	: L72200TG1999PLC032114
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Statutory Auditors	M/s. Seshachalam & Co Chartered Accountants Secunderabad
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Internal Auditors	M/s.D Rambabu & Co. Chartered Accountants Hyderabad
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Secretarial Auditors	M/s. VCSR & Associates Company Secretaries Hyderabad
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Bankers	Oriental Bank of Commerce, Hyderabad ICICI Bank, Hyderabad State Bank of India, Vijayawada
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Registrars and Share Transfer Agents	XL Softech Systems Ltd 3, Sagar Society, Road No.3, Banjara Hills, Hyderabad – 500 034.
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## NOTICE

Notice is hereby given that the 17th Annual General Meeting of the Company will be held on Thursday the 29th September 2016 at 11.00 A.M. at the Registered Office of the Company situated at 701, 7th Floor, Aditya Trade Centre, Ameerpet, Hyderabad – 500038 to transact the following business:

### ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2016 and Balance Sheet as at that date together with Directors Report and Auditors Report thereon.
- 2) To appoint a director in place of Smt. S Naga Durga who retires by rotation and being eligible offers herself for re-appointment.
- 3) To appoint a director in place of Shri Ch. Harinath who retires by rotation and being eligible offers himself for re-appointment.
- 4) Ratification of appointment of Auditors

To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

**"RESOLVED THAT** pursuant to the provisions of Section 139 and all other applicable provisions, if any, of the Companies Act, 2013 ("Act") and the Companies (Audit and Auditors) Rules, 2015 as amended from time to time, the Company hereby ratifies the appointment of M/s. Seshachalam & Co, Chartered Accountants, Secunderabad as Auditors of the Company to hold office from the conclusion of this Annual General Meeting (AGM) till the conclusion of the next AGM to be held in 2017 to examine and audit the accounts of the Company for the financial year 2016-17 at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Auditors."

### SPECIAL BUSINESS:

- 5) Re-appointment of Mr. Raghava Rao Suryadevara (DIN 01441612), as Chairman and Managing Director of the Company. Consider and if thought fit, to pass with or without modification, the following resolution as SPECIAL RESOLUTION:

RESOLVED THAT pursuant to the provisions of Sections 196, 197, 198, 203 and other applicable provisions of the Companies Act, 2013 and the rules made there under (including any statutory modification or re-enactment thereof) read with Schedule- V of the Companies Act, 2013 and Articles of Association of the Company, approval of the members of the Company be and is hereby accorded to the re-appointment of Mr. Raghava Rao Suryadevara, as Chairman and Managing Director of the Company with effect from 1st September, 2016 to 31st August, 2019, as well as the payment of salary, commission and perquisites (hereinafter referred to as "remuneration"), upon the terms and conditions upon which is hereby approved and sanctioned with authority to the Board of Directors to alter and vary the terms and conditions of the said re-appointment and / or agreement in such manner as may be agreed to between the Board of Directors and Mr. Raghava Rao Suryadevara.

RESOLVED FURTHER THAT the remuneration payable to Mr. Raghava Rao Suryadevara, shall not exceed the overall ceiling of the total managerial remuneration as provided under Section 197 of the Companies Act, 2013 or such other limits as may be prescribed from time to time.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any Committee of Directors or Director(s) to give effect to the aforesaid resolution.

- 6) Re-appointment of Mr. Ch. Harinath (DIN 01441704), as Executive Director of the Company. Consider and if thought fit, to pass with or without modification, the following resolution as SPECIAL RESOLUTION:

RESOLVED THAT pursuant to the provisions of Sections 196, 197, 198, 203 and other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification or re-enactment thereof) read with Schedule- V of the Companies Act, 2013 and Articles of Association of the Company, approval of the members of the Company be and is hereby accorded to the re-appointment of Mr. Ch. Harinath, as Executive Director of the Company with effect from 1st September, 2016 to 31st August, 2019, as well as the payment of salary, commission and perquisites (hereinafter referred to as "remuneration"), upon the terms and conditions upon which is hereby approved and sanctioned with authority to the Board of Directors to alter and vary the terms and conditions of the said re-appointment and / or agreement in such manner as may be agreed to between the Board of Directors and Mr. Ch. Harinath.

RESOLVED FURTHER THAT the remuneration payable to Mr. Ch. Harinath, shall not exceed the overall ceiling of the total managerial remuneration as provided under Section 197 of the Companies Act, 2013 or such other limits as may be prescribed from time to time.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any Committee of Directors or Director(s) to give effect to the aforesaid resolution.

- 7) Re-appointment of Mr. Krishna Mohan Ramineni (DIN 01678152), as Director (Finance & Administration) and Chief Financial Officer of the Company. Consider and if thought fit, to pass with or without modification, the following resolution as Special Resolution:

RESOLVED THAT pursuant to the provisions of Sections 196, 197, 198, 203 and other applicable provisions of the Companies Act, 2013 and the rules made there under (including any statutory modification or re-enactment thereof) read with Schedule- V of the Companies Act, 2013 and Articles of Association of the Company, approval of the members of the Company be and is hereby accorded to the re-appointment of Mr. Krishna Mohan Ramineni, as Director (Finance & Administration) and Chief Financial Officer of the Company with effect from 1st September, 2016 to 31st August, 2019, as well as the payment of salary, commission and perquisites (hereinafter referred to as "remuneration"), upon the terms and conditions upon which is hereby approved and sanctioned with authority to the Board of Directors to alter and vary the terms and conditions

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of the said re-appointment and / or agreement in such manner as may be agreed to between the Board of Directors and Mr. Krishna Mohan Ramineni.

RESOLVED FURTHER THAT the remuneration payable to Mr. Krishna Mohan Ramineni, shall not exceed the overall ceiling of the total managerial remuneration as provided under Section 197 of the Companies Act, 2013 or such other limits as may be prescribed from time to time.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any Committee of Directors or Director(s) to give effect to the aforesaid resolution.

By Order of the Board of Directors

Place: Hyderabad

Date: 13.08.2016

S. Raghava Rao  
Chairman & Managing Director  
(DIN - 01441612)

## NOTES

1. The Register of Members and the Share Transfer Books of the Company will remain closed from Monday, the 23rd September 2016 to Thursday the 29th September 2016 (both days inclusive) for the purpose of Annual General Meeting.
2. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, which sets out details relating to Special Business at the meeting, is annexed hereto.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy/ proxies to attend and vote instead of him/herself. Such a proxy/ proxies need not be a member of the company.

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. A Proxy form is sent herewith. Proxies submitted on behalf of the companies, societies etc., must be supported by an appropriate resolution/authority, as applicable.

4. To prevent fraudulent transactions, members are advised to exercise due diligence and notify the Company of any change in address or demise of any member as soon as possible. Members are also advised not to leave their demat account(s) dormant for long. Periodic statement of holdings should be obtained from the concerned Depository Participant and holdings should be verified. Shareholders intending to require information about Accounts to be explained in the Meeting are requested to inform the Company at least 7 days in advance of the Annual General Meeting.
5. 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 can submit their PAN details to the Company.
6. Details under Clause 49 of the Listing Agreement with the Stock Exchange in respect of the Directors seeking appointment/re-appointment at the Annual General Meeting, forms integral part of the notice. The Directors have furnished the requisite declarations for their Appointment/reappointment.
7. Electronic copy of the Annual Report for 2016 is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes 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 for 2015-16 is being sent in the permitted mode. Copies of the annual report will not be available for distribution to shareholders at the hall.
8. Electronic copy of the Notice of the 17th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes 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 Notice

of the 17th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.

9. Members may also note that the Notice of the 17th Annual General Meeting and the Annual Report for the year 2015-16 will also be available on the Company's website for their download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office in for inspection during normal business hours on working days. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post free of cost. For any communication, the shareholders may also send requests to the Company's investor email id.

10. Voting through electronic means:

Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014, and Clause 35 B of the Listing Agreement executed by the company with the BSE Limited and the National Stock Exchange of India Limited, the company is pleased to provide members the facility to exercise their right to vote at the Annual General Meeting (AGM) by electronic means and the business may be transacted through e-voting services provided by Central Depository Services Ltd (CDSL).

A member may exercise his votes at any General Meeting by electronic means and company may pass any resolution by electronic voting system in accordance with the Rule 20 of the Companies (Management and Administration) Rules, 2014.

During the e-voting period, members of the company holding shares either in physical form or dematerialized form, as on the cutoff date i.e., 22nd September, 2016 may cast their votes electronically.

The e-voting period commences at 9.00 am on 26th September, 2016 and ends at 6.00 pm on 28th September, 2016. The e-voting module shall be disabled by CDSL for voting thereafter.

Once the vote on a resolution is cast by a shareholder, the shareholder shall not be allowed to change it subsequently.

A copy of this notice has been placed on the website of the Company and the website of CDSL.

Mr. Ch. Veeranjanyulu, Practicing Company Secretary (FCS: 6121 CP: 6392), Partner of M/s. VCSR & Associates, Company Secretaries has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman.

The Results declared along with the Scrutinizer's Report shall be placed on the Company's website [www.cityonlines.com](http://www.cityonlines.com) and on the website of CDSL within two (2) days of passing of the resolution at the AGM of the Company and communicated to the Bombay Stock Exchange.

You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).

11. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (9.00 am to 5.00 pm) on all working days except Saturdays, up to and including the date of the Annual General Meeting of the Company.

**The process and instructions for e-voting are as under:**

(i) Log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com) during the voting period

(ii) Click on “Shareholders” tab.

(iii) Now, select “Name of company i.e. City Online Services Limited” from the drop down menu and click on “SUBMIT”

(iv) Now Enter your User ID

a. For CDSL: 16 digits beneficiary ID,

b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,

c. Members holding shares in Physical Form should enter Folio Number registered with the Company.

d. Next enter the Image Verification Code / Captcha Code as displayed and Click on Login.

e. If you are holding shares in Demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and casted your vote earlier for EVSN of any company/entity, then your existing password is to be used.

If you are a first time user follow the steps given below

PAN*	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (in Capital) (Applicable for both demat shareholders as well as physical shareholders) Members who have not updated their PAN with the Company /Depository Participant are requested to use the first two letters of their name and the last 8 digits of the demat account/folio number in the PAN field. In case the folio number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with folio number 100 then enter RA00000100 in the PAN field.
DOB#	Enter the Date of Birth as recorded in your demat account or in the Bank records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details#	Enter the Dividend Bank Details as recorded in your demat account or in the Bank records for the said demat account or folio. # Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the number of shares held by you as on the cut off date in the Dividend Bank details field.



- (v) Now, fill up the following details in the appropriate boxes:
- (vi) After entering these details appropriately, click on "SUBMIT" tab.
- (vii) Members holding shares in physical form will then reach directly the EVSN selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (viii) For Members holding shares in physical form, the details can be used only for e-voting on the resolution contained in this Notice.
- (ix) Click on the relevant EVSN of Name of company on which you choose to vote.
- (x) On the voting page, you will see Resolution Description and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xi) Click on the "Resolutions File Link" if you wish to view the entire Resolutions.
- (xii) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xiii) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xiv) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xv) If Demat account holder has forgotten the changed password then enter the User ID and image verification code / Captcha Code and click on Forgot Password & enter the details as prompted by the system.
- (xvi) A. Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.co.in> and register themselves as Corporates.
- B. They should submit a scanned copy of the Registration Form bearing the stamp and sign of the entity to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
- C. After receiving the login details they have to create a user who would be able to link the account(s) which they wish to vote on.
- D. The list of accounts should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
- E. They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.
- In case of members receiving the physical copy:
- I. Please follow all steps from sl.no. (i) to sl.no. (xvi) above to cast vote.
- II. In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at [www.evotingindia.co.in](http://www.evotingindia.co.in) under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).

By Order of the Board of Directors

Place: Hyderabad

Date: 13.08.2016

S. Raghava Rao  
Chairman & Managing Director  
(DIN - 01441612)

**Explanatory Statement  
(Pursuant to Section 102 of the Companies Act, 2013)**

As required by Section 102 of the Companies Act, 2013 ("Act"), the following explanatory statement sets out all material facts relating to the business mentioned under Item Nos. 5 to 7 of the accompanying Notice:

**Item No.5**

The Tenure of Mr. S. Raghava Rao, Chairman cum Managing Director has expired on 31st August 2016. Keeping in view the Contribution to the growth and development of the Company and on the recommendations of the Remuneration Committee, the Board of Directors at their meeting held on 13th August 2016 have re-appointed Mr. S. Raghava Rao, Chairman cum Managing Director for a further period of 3 Years w.e.f. 01.09.2016 on the terms and conditions mentioned above.

The terms as set out in the resolution and explanatory statement may be treated may be treated as an abstract of the terms and conditions governing the appointment and remuneration and memorandum of interest pursuant to the provisions of the Companies Act, 2013.

The board recommends passing of the proposed resolution.

None of the other Directors of the Company except Mr. S. Raghava Rao and Mrs. S. Naga Durga is in any way concerned or interested in this resolution.

**Item No.6**

The Tenure of Mr. Ch. Harinath, Executive Director has expired on 31st August 2016. Keeping in view the Contribution to the growth and development of the Company and on the recommendations of the Remuneration Committee, the Board of Directors at their meeting held on 13th August 2016 have re-appointed Mr. Ch. Harinath, Executive Director for a further period of 3 Years w.e.f. 01.09.2016 on the terms and conditions mentioned above.

The terms as set out in the resolution and explanatory statement may be treated may be treated as an abstract of the terms and conditions governing the appointment and remuneration and memorandum of interest pursuant to the provisions of the Companies Act, 2013.

The board recommends passing of the proposed resolution.

None of the other Directors of the Company except Mr. Ch. Harinath is in any way concerned or interested in this resolution.

**Item No.7**

The Tenure of Mr. R. Krishna Mohan, Director (Finance & Administration) has expired on 31st August 2016. Keeping in view the Contribution to the growth and development of the Company and on the recommendations of the Remuneration Committee, the Board of Directors at their meeting held on 13th August, 2016 have re-appointed Mr. R. Krishna Mohan, Director (Finance & Administration) and as Chief Financial Officer for a further period of 3 Years w.e.f. 01.09.2016 on the terms and conditions mentioned above.

The terms as set out in the resolution and explanatory statement may be treated may be treated as an abstract of the terms and conditions governing the appointment and remuneration and memorandum of interest pursuant to the provisions of the Companies Act, 2013.

The board recommends passing of the proposed resolution.

None of the other Directors of the Company except Mr. R. Krishna Mohan is in any way concerned or interested in this resolution.



**ANNEXURE TO ITEMS 2, 3 AND 5 to 7 OF THE NOTICE**

Details of Directors seeking re-appointment at the forthcoming Annual General Meeting (in pursuance of Clause 49 of the Listing Agreement)

<b>Name of the Director</b>	<b>SURYADEVARA NAGADURGA</b>	<b>CHAVA HARINATH</b>	<b>S RAGHAVA RAO</b>	<b>R KRISHNA MOHAN</b>
Director Identification Number (DIN)	06697556	01441704	01441612	01678152
Date of Birth	01/02/1964	13/01/1965	11/04/1959	14/11/1959
Nationality	INDIAN	INDIAN	INDIAN	INDIAN
Date of appointment on Board	29/09/2014	16/07/1999	20/07/1999	01/09/2001
Qualification	Intermediate	M.Tech	B.Tech	B.Tech
Shareholding in the company	40,000	201750	6,84,500	2,70,600
List of Directorships held in other Companies (excluding foreign, private and Section 8 Companies)	ANU DIGITAL ARTS PRIVATE LIMITED	Krishi Mech Engineers Private Limited  Pranav Tower Fabrications (India) Private Limited  City Online Media Private Limited  City Online Digital Private Limited	1.M/s. Anu Digital Arts Private Limited  2.M/s. City Auto Parts Private Limited  3.M/S. City Online Digital Private Limited  4.M/s. City Online Media Private Limited	1.M/s. Andhra Lakshmi Industrial Co Ltd  2.M/S. City Online Digital Private Limited  3.M/s. City Online Media Private Limited
Memberships / Chairmanships of Audit and Stakeholders' Relationship Committees across Public Companies	Internal Compliance Committee	Internal Compliance Committee	No	Audit Committee, Remuneration Committee and Stakeholder's Relationship Committee

There are no inter-se relationships between the Board Members.

## **DIRECTORS' REPORT**

To

The Members,

Your Directors have pleasure in presenting their 17<sup>th</sup> Annual Report on the business and operations of the Company and the accounts for the Financial Year ended March 31, 2016.

### **1. Financial summary or highlights/Performance of the Company (Standalone)**

The Board's Report shall be prepared based on the stand alone financial statements of the company. ( IN LAKHS)

<b>Particulars</b>	<b>2015-2016</b>	<b>2014-15</b>
Gross Income	<b>1319.94</b>	1434.01
Profit Before Interest and Depreciation	<b>46.76</b>	(118.97)
Finance Charges	<b>17.81</b>	14.30
Gross Profit	<b>28.95</b>	(113.27)
Provision for Depreciation	<b>52.56</b>	144.85
Net Profit / (Loss) Before Tax	<b>(23.62)</b>	(133.27)
Provision for Tax	<b>(28.69)</b>	(25.14)
Net Profit After Tax (Loss)	<b>(52.31)</b>	(108.13)
Balance of Profit / brought forward (loss)	<b>(52.31)</b>	(108.13)
Balance available for appropriation	<b>0.00</b>	0.00
Proposed Dividend on Equity Shares	<b>0.00</b>	0.00
Tax on proposed Dividend	<b>0.00</b>	0.00
Transfer to General Reserve	<b>0.00</b>	0.00
Surplus(loss) carried to Balance Sheet	<b>(52.31)</b>	(108.13)

### **2. Performance:**

Your company has extended its presence in the entire state of Andhra Pradesh, Telangana and in about 20 towns of Karnataka and is in the processes of entering in more small places in these states which has resulted in increase of revenue by the end of 2016-2017 your company will have total presence in these states . Your company has entered into providing of triple play services in gated communities as of now your company has successfully implemented this service in twenty one gated communities the revenue from this sector is very encouraging , hence your company is targeting another ten complexes in this finical year i.e 10000 households. All this factors have helped your company to increase its turnover and the Board of Directors is confident that your company will show more than 100% growth in finical year 2016-2017.

### **3. Dividend**

The company has not declared any Dividend during the Financial Year.

### **4. Reserves**

Since, the company has not declared the dividend during the financial year transfer of amount from profits to reserves does not arise.

### **5. Directors and Key Managerial Personnel**

Mrs. S. Naga Durga and Mr. Ch. Harinath Directors retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

- a) In accordance with the provisions of Companies Act, 2013, Mr S. Raghava Rao, Chairman cum Managing Director of the Company is hereby reappointed as Chairman cum Managing Director of the company for a period of three years w.e.f. 01st September, 2016.
- b) In accordance with the provisions of Companies Act, 2013, Mr. R. Krishna Mohan, Director (Finance and Administration) of the Company be and is hereby appointed as Chief Financial officer of the Company for a period of three years w.e.f. 01st September, 2016.
- c) In accordance with the provisions of Companies Act, 2013, Mr. Ch. Harinath, Executive Director of the Company would retire by rotation and, being eligible, offer himself for re-appointment.

**6. Particulars of Employees**

Pursuant to the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, statement of particulars of employees is annexed as **Annexure I**.

**7. Meetings**

A calendar of Meetings is prepared and circulated in advance to the Directors. During the year Five Board Meetings and Five Audit Committee Meetings were convened and held. The details of which are given in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

**8. Board Evaluation**

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of its Audit, Nomination & Remuneration and Compliance Committees. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report.

**9. Declaration by an Independent Director(s) and re- appointment, if any**

Declaration by independent directors The Company has received necessary declaration from each independent director under Section 149(7) of the Companies Act, 2013, that he / she meets the criteria of independence laid down in Section 149(6) of the Companies Act, 2013 and Regulation 25 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

An independent director shall hold office for a term up to five consecutive years on the Board of a Company, but shall be eligible for reappointment for next five years on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.

**10. Remuneration Policy**

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration. The Remuneration Policy is stated in the Corporate Governance Report.

**11. Details of Subsidiary/Joint Ventures/Associate Companies**

Pursuant to sub-section (3) of section 129 of the Act, the statement containing the salient feature of the financial statement of a company's subsidiary or subsidiaries, associate company or companies and joint venture or ventures is given as **Annexure-II**

Further, the Annual Accounts and related documents of the subsidiary company shall be kept

open for inspection at the Registered & Corporate Office of the Company. The Company will also make available copy thereof upon specific request by any Member of the Company interested in obtaining the same. Further, pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company in this Annual Report include the financial information of its subsidiary.

**12. Auditors**

The Auditors, M/s. Seshachalam & Co, Chartered Accountants, Secunderabad retire at the ensuing Annual General Meeting and, being eligible; offer themselves for reappointment from the conclusion of this Annual General Meeting [AGM] until the conclusion of Third Annual General Meeting to be held after this meeting.

**13. Auditors' Report**

The Auditors' Report does not contain any qualification. Notes to Accounts and Auditors remarks in their report are self-explanatory and do not call for any further comments.

**14. Secretarial Audit Report**

In terms of Section 204 of the Act and Rules made there under, M/s. VCSR & Associates, Company Secretaries have been appointed Secretarial Auditors of the Company. The report of the Secretarial Auditors is enclosed as Annexure III to this report. The report is self-explanatory and do not call for any further comments.

**15. Internal Audit & Controls**

The Company continues to engage M/s. D Rambabu & Co., Chartered Accountants Hyderabad as its Internal Auditors. During the year, the Company continued to implement their suggestions and recommendations to improve the control environment. His scope of work includes review of processes for safeguarding the assets of the Company, review of operational efficiency, effectiveness of systems and processes, and assessing the internal control strengths in all areas. Internal Auditor findings are discussed with the process owners and suitable corrective actions taken as per the directions of Audit Committee on an ongoing basis to improve efficiency in operations.

**16. Vigil Mechanism**

In pursuant to the provisions of section 177(9) & (10) of the Companies Act, 2013, a Vigil Mechanism for directors and employees to report genuine concerns has been established. The Vigil Mechanism Policy has been uploaded on the website of the Company at [www.cityonlines.com](http://www.cityonlines.com) under investors/policy documents/Vigil Mechanism Policy link.

**17. Risk management policy**

A statement indicating development and implementation of a risk management policy for the Company including identification therein of elements of risk, if any, this in the opinion of the Board may threaten the existence of the company.

**18. Extract Of Annual Return**

As required pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2015, an extract of annual return in MGT 9 as a part of this Annual Report as ANNEXURE IV.

**19. Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report**

Material changes occurred subsequent to the close of the financial year of the Company to which the balance sheet relates and the date of the report like settlement of tax liabilities, operation of patent rights, depression in market value of investments, institution of cases by or against the company, sale or purchase of capital assets or destruction of any assets etc.

**20. Details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future**

There are no significant and material orders passed by the Regulators or Courts or Tribunals which would impact the going concern status and the Company's future operations.

**21. Details in respect of adequacy of internal financial controls with reference to the Financial Statements.**

The Company has in place adequate internal financial control commensurate with the size, scale and complexity of its operations. During the year, such controls were tested and no reportable material weakness in the design or operations were observed. The Company has policies and procedures in place for ensuring proper and efficient conduct of its business, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information.

The Company has adopted accounting policies which are in line with the Accounting Standards and the Act. These are in accordance with generally accepted accounting principles in India. The Company has a robust financial closure, certification mechanism for certifying adherence to various accounting policies, accuracy of provisions and other estimates.

**22. Particulars of contracts or arrangements with related parties**

The particulars of every contract or arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto shall be disclosed in Form No. AOC-2. As Annexure V (Format enclosed).

**23. Deposits**

The Company has not accepted any Fixed Deposits covered under Chapter V of the Act.

**24. Corporate Governance Certificate**

The Compliance certificate from the auditors or practicing company secretaries regarding compliance of conditions of corporate governance as stipulated in Clause 49 of the Listing agreement shall be annexed with the report.

**25. Particulars of loans, guarantees or investments under section 186**

**Details of Loans:**

SL No	Date of making loan	Details of Borrower	Amount	Purpose for which the loan is to be utilized by the recipient	Time period for which it is given	Date of BR	Date of SR (if reqd)	Rate of Interest	Security
1.	28.01.2015	City Online Digital Pvt Ltd	23,46,714	Business Need	On demand	14.11.2015	NA	Nil	Nil

**Details of Investments:-**

SL No	Date of investment	Details of Investee	Amount	Purpose for which the proceeds from investment is proposed to be utilized by the recipient	Date of BR	Date of SR (if reqd)	Expected rate of return
1	18.09.2015	M/S.City Online Digital Private Limited	100000	Business	18.09.2015	NA	NA
2	18.09.2015	M/s.City Online Media Private Limited	100000	Business	18.09.2015	NA	NA

During the year the Company has not made any investments.

**Details of Guarantee / Security Provided: Not Applicable**

**26. Management Discussion And Analysis Report**

The Management Discussion and Analysis Report forms part of this Annual Report for the year ended 31st March 2016.

**27. Obligation of company under the sexual harassment of women at workplace (prevention, prohibition and redressal) act, 2013**

In order to prevent sexual harassment of women at work place a new act The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 has been notified on 9th December, 2013. Under the said Act every company is required to set up an Internal Complaints Committee to look into complaints relating to sexual harassment at work place of any women employee.

Company has adopted a policy for prevention of Sexual Harassment of Women at workplace and has set up Committee for implementation of said policy. During the year Company has not received any complaint of harassment.

**28. Conservation of energy, technology absorption and foreign exchange earnings and outgo**

The details of conservation of energy, technology absorption, foreign exchange earnings and outgo are as follows:

**a) Conservation of energy**

- (i) the steps taken or impact on conservation of energy
- (ii) the steps taken by the company for utilizing alternate sources of energy
- (iii) the capital investment on energy conservation equipment's

**a) Conservation of energy**

(i)	the steps taken or impact on conservation of energy	
(ii)	the steps taken by the company for utilizing alternate sources of energy	
(iii)	the capital investment on energy conservation equipment's	

**b) Technology absorption**

(i)	the efforts made towards technology absorption	
(ii)	the benefits derived like product improvement, cost reduction, product development or import substitution	
(iii)	in case of imported technology (imported during the last three years reckoned from the beginning of the financial year)-	
	(a) the details of technology imported	
	(b) the year of import;	
	(c) whether the technology been fully absorbed	
	(d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof	
(iv)	the expenditure incurred on Research and Development	

**(c) Foreign exchange earnings and Outgo**

During the year, the total foreign exchange used was Rs. 6,06,260 and the total foreign exchange earned was NIL

**29. Human Resources**

Your Company treats its "human resources" as one of its most important assets.

Your Company continuously invest in attraction, retention and development of talent on an ongoing basis. A number of programs that provide focused people attention are currently underway. Your Company thrust is on the promotion of talent internally through job rotation and job enlargement.



### **30. Directors' Responsibility Statement**

The Directors' Responsibility Statement referred to in clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013, shall state 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, in the case of a listed company, 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.

### **31. Listing with stock exchanges:**

The Company confirms that it has paid the Annual Listing Fees for the year 2015-2016 to BSE where the Company's Shares are listed.

### **32. Acknowledgements**

An acknowledgement to all with whose help, cooperation and hard work the Company is able to achieve the results.

For and on behalf of the Board of Directors

Place: Hyderabad  
Date: 13.08.2016

S. Raghava Rao  
Chairman & Managing Director  
(DIN - 01441612)



## **ANNEXURE INDEX**

<b><u>ANNEXURE</u></b>	<b>Content</b>
<b>i.</b>	<b>Particulars of Employee</b>
<b>ii.</b>	<b>Details of subsidiary</b>
<b>iii.</b>	<b>MR-3 Secretarial Audit Report</b>
<b>iv.</b>	<b>Annual Return Extracts in MGT 9</b>
<b>v.</b>	<b>AOC 2 – Related Party Transactions disclosure</b>

## **ANNEXURE - 1**

### **Statement of Particulars of employees pursuant to the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

<b>Sl. No .</b>	<b>N a m e</b>	<b>Designati on/ Nature of Duties</b>	<b>Remunera tion Received [Rs.]</b>	<b>Qualificat ion</b>	<b>Experien ce in years</b>	<b>Age in year s</b>	<b>Date of commencem ent of employment</b>	<b>Last employment held</b>
1	2	3	4	5	6	7	8	9
1	S. Raghava Rao	Chairman & Managing Director	Rs 1,55,000 P.M	B.Tech	31 Years	56	20/07/1999	Managing Director in City Auto Parts Pvt Ltd
2	Ch. Harinath	Executive Director	Rs 1,50,000 P.M	M.Tech	27 years	52	16/07/1999	Self Employed
3	R. Krishna Mohan	Executive Director	Rs 1,50,000 P.M	B.Tech	31 Years	55	01/09/2001	Self Employed

#### **Notes:**

- ❖ All appointments are / were non-contractual
- ❖ Remuneration as shown above comprises of Salary, Leave Salary, Bonus, Gratuity where paid, Leave Travel Assistan ce, Medical Benefit, House Rent Allowance, Perquisites and Company's Contribution to Provident Fund and Superannuation Fund. Remuneration on Cash basis
- ❖ None of the above employees is related to any Director of the Company employed for part of the financial year.

## **ANNEXURE - II**

**REPORT ON THE PERFORMANCE AND FINANCIAL POSITION OF THE SUBSIDIARY**  
**(Pursuant to Rule 8 of Companies (Accounts) Rules, 2014)**

(In Rupees)

<b>Name of Subsidiary Company</b>	<b>CITY ONLINE DIGITAL PRIVATE LIMITED</b>	<b>CITY ONLINE MEDIA PRIVATE LIMITED</b>
Issued & Subscribed Capital	100000	100000
Reserves	93,706	(53,252)
Total Assets	84.68,194	74,514
Total Liabilities	84,64,194	74,514
Investments	0	0
Turnover	51,34,834	0
Profit/(Loss)before Tax	(6,537)	(29,447)
Provision for Tax	0	0
Profit/(Loss) After Tax	(6,537)	(29,447)
Proposed Dividend	0	0

**Annexure-III**  
**Form No. MR-3**  
**SECRETARIAL AUDIT REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31.03.2016**

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies  
(Appointment and Remuneration Personnel) Rules, 2014]

To  
The Members,  
CITY ONLINE SERVICES LIMITED,

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by CITY ONLINE SERVICES LIMITED (hereinafter called the company). Secretarial Audit was conducted in a manner that provided me/us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my/our verification of the CITY ONLINE SERVICES LIMITED books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in my/our opinion, the company has, during the audit period covering the financial year ended on 31st March, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by CITY ONLINE SERVICES LIMITED ("the Company") for the financial year ended on 31st March, 2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

City Online Services Limited

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(g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and  
(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;  
We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Listing Agreements entered into by the Company with Bombay Stock Exchange(s), if applicable;

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

**We further report that**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

**We further report that** there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

For VCSR & Associates  
Company secretaries

(Ch.Veeranjaneyulu)  
Partner  
CP No.:6392

Place: Hyderabad  
Date: 13.08.2016

\*This report is to be read with our letter of even date which is annexed as' Annexure A' and forms an integral part of this report.

## **Annexure - A**

To  
The Members,  
CITY ONLINE SERVICES LIMITED  
701, 7th Floor, Aditya Trade,  
Ameerpet, Hyderabad,  
Telangana.

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

For VCSR & Associates  
Company secretaries

(Ch.Veeranjaneyulu)  
Partner  
C P No.:6392

Place: Hyderabad  
Date: 13.08.2016

## Annexure - IV

### FORM NO. MGT 9 EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2016

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014

#### I. REGISTRATION & OTHER DETAILS:

1.	CIN	L72200TG1999PLC032114
2.	Registration Date	16-07-1999
3.	Name of the Company	<b>City Online Services Limited</b>
4.	Category/Sub-category of the Company	COMPANY LIMITED BY SHARES
5.	Address of the Registered office & contact details	701, 7 <sup>th</sup> Floor, Aditya Trade, Ameerpet, Hyderabad - 500038.
6.	Whether listed company	YES
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	M/s X L Softech Systems Limited Road No. 2, Sagar Society, Banjara Hills Hyderabad- 500034 Tel- 040-23553214 Fax -040-23553214

#### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY (All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

S. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	TELECOM SERVICES	99842909	100
2			

#### III PARTICULARS OF HOLDING , SUBSIDIARY & ASSOCIATE COMPANIES

SI No	Name & Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% Of Shares Held	Applicable Section
1	CITY ONLINE DIGITAL PRIVATE LIMITED	U72400TG2014PTC096254	SUBSIDIARY	100	Section 2(87)
2	CITY ONLINE Media PRIVATE LIMITED	U72200TG2014PTC096281	SUBSIDIARY	100	Section 2(87)

**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percent age of Total Equity)**

## Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year[As on 31-March-2015]				No. of Shares held at the end of the year[As on 31-March-2016]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(1) Indian									
a) Individual/HUF	732200	29500	761700	14.75	732200	29500	761700	14.75	0.00
b) Central Govt									
c) State Govt(s)									
d) Bodies Corp.									
e) Banks / FI									
f) Any other									
<b>Total shareholding of Promoter (A)</b>	732200	29500	761700	14.75	732200	29500	761700	14.75	0.00
<b>B. Public Shareholding</b>									
1. Institutions									
a) Mutual Funds	200000	0	200000	3.87	200000	0	200000	3.87	0.00
b) Banks / FI									
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIIs									

## City Online Services Limited

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h) Foreign Venture Capital Funds									
i) Others (specify)									
<b>Sub-total (B)(1):-</b>	200000	0	200000	3.87	200000	0	200000	3.87	0.00
<b>2. Non-Institutions</b>									
a) Bodies Corp.	244700	34000	278700	5.40	221414	34000	255414	4.95	0.45
i) Indian									
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital up to Rs. 1 lakh	398050	1147650	1545700	29.93	398050	1147650	1545700	29.93	0.00
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	168630	681000	2367300	45.84	1686300	681000	2367300	45.84	0.00
c) Others (specify)									
Non Resident Indians	1300	10000	11300	0.22	1300	10000	11300	0.22	0.00
Overseas Corporate Bodies									
Foreign Nationals									
Clearing Members									
Trusts									
Foreign Bodies - D R									



## City Online Services Limited

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<b>Sub-total (B)(2):-</b>	<b>233 035 0</b>	187265 0	<b>4203 000</b>	81.38	<b>23303 50</b>	187265 0	<b>4203 000</b>	81.38	0.00
Total Public Sharehold ing (B)=(B)(1)+ (B)(2)	<b>253 035 0</b>	187265 0	<b>4403 000</b>	85.25	<b>25303 50</b>	187265 0	<b>4403 000</b>	85.25	0.00
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
<b>Grand Total (A+B+C)</b>	<b>326 255 0</b>	190215 0	<b>5164 700</b>	100	<b>32625 50</b>	190215 0	<b>5164 700</b>	100	0.00

## B) Shareholding of Promoter-

S. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Suryadevara Raghava Rao	6,84,500	13.25	0.00	6,84,500	13.25	0.00	0.00
2	Jonnalgadda Gram	47,700	0.92	0.00	47,700	0.92	0.00	0.00
3	Gopala Krishnaiah Chava	6,500	0.13	0.00	6,500	0.13	0.00	0.00
4	Gopala Krishnaiah Chava	4,500	0.09	0.00	4,500	0.09	0.00	0.00
5	Gopala Krishnaiah Chava	4500	0.09	0.00	4,500	0.09	0.00	0.00
6	Gopala Krishnaiah Chava	4,000	0.08	0.00	4,000	0.08	0.00	0.00
7	Ch Gopala Krishnaiah	2500	0.05	0.00	2500	0.05	0.00	0.00
8	Gopala Krishnaiah Chava	2500	0.05	0.00	2500	0.05	0.00	0.00
9	Venkateswara Rao Ramineni	2500	0.05	0.00	2500	0.05	0.00	0.00
10	Gopala Krishnaiah Chava	2500	0.05	0.00	2500	0.05	0.00	0.00

**C) Change in Promoters' Shareholding (please specify, if there is no change): NA**

SN	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	761700	14.75	761700	14.75
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/ sweat equity etc.):	0	0	0	0
	At the end of the year	761700	14.75	0	14.75

**D) Shareholding Pattern of top ten Shareholders:**

(Other than Directors, Promoters and Holders of GDRs and ADRs):

SN	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	876499	16.97	876499	16.97
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	0	0	0	0
	At the end of the year	876499	16.97	876499	16.97

**E) Shareholding of Directors and Key Managerial Personnel:**

SN	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	1156850	22.39	1156850	22.39
	Date wise Increase / Decrease in	0	0	0	0

**City Online Services Limited**

CIN: L72200TG1999PLC032114

	Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):				
	At the end of the year	1156850	22.39	1156850	22.39

**F) INDEBTEDNESS** -Indebtedness of the Company including interest outstanding/accrued but not due for payment.

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	1,85,73,043	NIL	NIL	1,85,73,043
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	NIL	NIL	NIL
<b>Total (i+ii+iii)</b>	1,85,73,043	NIL	NIL	1,85,73,043
Change in Indebtedness during the financial year				
* Addition	NIL	NIL	NIL	NIL
* Reduction	NIL	NIL	NIL	NIL
Net Change	NIL	NIL	NIL	NIL
Indebtedness at the end of the financial year				
i) Principal Amount	1,85,73,043	NIL	NIL	1,85,73,043
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	NIL	NIL	NIL
<b>Total (i+ii+iii)</b>	1,85,73,043	NIL	NIL	1,85,73,043

**XI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL-**
**A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

SN.	Particulars of Remuneration	Name of MD/WTD/ Manager			Total Amount
		CHAVA HARINATH	KRISHNA MOHAN RAMINENI	RAGHAVA RAO SURYADEVARA	
1	Gross salary	Rs. 1,50,000 P.M	Rs. 1,50,000 P.M	Rs. 1,55,000 P.M	Rs. 4,55,000 P.M
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	Rs. 1,50,000 P.M	Rs.1,50,000 P.M	Rs. 1,55,000 P.M	Rs. 4,55,000 P.M
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0	0	0	0
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	0	0	0	0
2	Stock Option	0	0	0	0
3	Sweat Equity	0	0	0	0

4	Commission - as % of profit - others, specify...	0	0	0	0
5	Others, please specify	00	0	0	0
	Total (A)	1,50,000 P.M	1,50,000 P.M	Rs 1,55,000	455000 P.M
	Ceiling as per the Act				

## B. Remuneration to other directors

SN.	Particulars of Remuneration	Name of Directors				Total Amount
		Naga Durga	Satyanarayana Vasireddy	Nicodemus Pradhan Thomas	Nageswara Rao Mandavilli	
1	Independent Directors	0	0	0	0	0
	Fee for attending board, committee meetings	0	2000	2000	2000	6000
	Commission	0	0	0	0	0
	Others, please specify	0	0	0	0	0
	Total (1)	0	2000	2000	2000	6000
2	Other Non-Executive Directors	0	0	0	0	0
	Fee for attending board, committee meetings	2000	0	0	0	0
	Commission	0	0	0	0	0
	Others, please specify	0	0	0	0	0
	Total (2)	2000	0	0	0	2000
	Total (B)=(1+2)	2000	2000	2000	2000	8000
	Total Managerial Remuneration	2000	2000	2000	2000	8000
	Overall Ceiling as per the Act					

## C. Remuneration to key managerial personnel other than MD/MANAGER/WTD

SN	Particulars of Remuneration	Key Managerial Personnel			
		CEO	CS	CFO	Total
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961		15000	0	15000
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		0	0	0
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961		0	0	00
2	Stock Option		0	0	0
3	Sweat Equity		0	0	0
4	Commission		0	0	0

	- as % of profit		0	0	0
	others, specify...		0	0	0
5	Others, please specify		0	0	0
	Total		15000	0	15000

**XII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
<b>A. COMPANY</b>					
Penalty					
Punishment					
Compounding					
<b>B. DIRECTORS</b>					
Penalty					
Punishment					
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty					
Punishment					
Compounding					

**Annexure - V**

**FORM NO. AOC -2**

**(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)**

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arms length transaction under third proviso thereto.

1. Details of contracts or arrangements or transactions not at Arm's length basis: NIL

SL. No.	Particulars	Details
a)	Name (s) of the related party & nature of relationship	
b)	Nature of contracts/arrangements/transaction	
c)	Duration of the contracts/arrangements/transaction	
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	
e)	Justification for entering into such contracts or arrangements or transactions'	
f)	Date of approval by the Board	
g)	Amount paid as advances, if any	
h)	Date on which the special resolution was passed in General meeting as required under first proviso to section 188	

2. Details of contracts or arrangements or transactions at Arm's length basis: NIL

SL. No.	Particulars	Details
a)	Name (s) of the related party & nature of relationship	
b)	Nature of contracts/arrangements/transaction	
c)	Duration of the contracts/arrangements/transaction	
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	
e)	Date of approval by the Board	
f)	Amount paid as advances, if any	

**Corporate Governance Report for the year ended on 31<sup>st</sup> March 2016**

**1 Company Philosophy:**

We continue to believe that good corporate Governance is essential to achieve long-term corporate goals and to enhance stockholders value. Company is a listed company on the Bombay Stock Exchange. The Company has complied with in all material respect with the features of corporate governance as specified in the Listing Agreement. The securities are being regularly traded at Stock Exchange, Bombay.

**2 Board of Directors:**

Category	No. of directors
<b>Non-Executive &amp; Independent Directors including the Chairman</b>	4
<b>Other Non-Executive Directors</b>	1
<b>Executive Director (CEO &amp; Managing Director)</b>	3
<b>Total</b>	8

The Chairman of the Board is an Executive Director.

As required under Section 149(3) of the Companies Act, 2013, & Clause 49 of Listing Agreement, Mrs S. Naga Durga, a lady Director, has been appointed as a Director on the Board.

Other Relevant details of Directors:

Name of Director	Date of Appointment	Category	No. of Directorship(s) held in Indian public & private Limited Companies (Including Eduworth)
S. Raghava Rao	20/07/1999	Promoter and Managing Director	1.M/s. Anu Digital Arts Private Limited 2.M/s. City Auto Parts Private Limited 3.M/S. City Online Digital Private Limited 4.M/s. City Online Media Private Limited
Ch. Harinath	16/07/1999	Promoter and Whole Time Director(Executive)	1.M/s. Pranav Tower Fabrications (I) Pvt Ltd 2.M/sKrishi Engineers Private Limited 3.M/S. City Online Digital Private Limited 4.M/s. City Online Media Private Limited
R. Krishna Mohan	01/09/2001	Whole Time Director ( Finance and Administration)	1.M/s. Andhra Lakshmi Industrial Co Ltd 2.M/S. City Online Digital Private Limited 3.M/s. City Online Media Private Limited
S. Naga Durga	29/09/2015	Non-Executive Director	1.M/s. Anu Digital Arts Private Limited
M. Nageswara Rao	27/05/2002	Non-Executive & Independent Director	NIL

Thomos P. Nicodemus	05/10/2001	Non-Executive & Independent Director	M/s. Venturetech India Private Limited M/s. Krishi Mech Engineers Private Limited
V Satyanarayana	31/05/2005	Non-Executive & Independent Director	NIL
Arun Prasad Kanuri	14/08/2013	Non-Executive & Independent Director	M/s. Lakshmi Finance and Industrial corporation Limited

Board Meetings held during the year;

Dates on which the Board Meetings were held	Total Strength of the Board	No. of Directors Present
29/05/2015	8	7
15/07/2015	8	7
14/08/2015	8	7
14/11/2015	8	7
12/02/2016	8	7

Name of Director	Attendance at the Board Meetings held on					Attendance at the AGM held on 28 <sup>th</sup> Sep'15
	29/05/2015	15/07/2015	14/08/2015	14/11/2015	12/02/2016	
S. Raghava Rao	Present	Present	Present	Present	Present	Present
Ch. Harinath	Present	Present	Present	Present	Present	Present
R. Krishna Mohan	Present	Present	Present	Present	Present	Present
S. Naga Durga	Present	Present	Present	Present	Present	Present
M. Nageswara Rao	Present	Present	Present	Present	Present	Present
Thomos P. Nicodemus	Present	Present	Present	Present	Present	No
V Satyanarayana	Present	Present	Present	Present	Present	No
Arun Prasad Kanuri	Absent	Absent	Absent	Absent	Absent	No

### 3 COMMITTEES OF THE BOARD

#### (a) Audit Committee (mandatory committee)

The Audit Committee continued working under Chairmanship of Mr. M. Nageswara Rao with Mr. Thomos P. Nicodemus and Mr. R. Krishna Mohan as co-members. During the year, the sub-committee met on five occasions with full attendance of all the members.

The composition of the Audit Committee as at March 31, 2016 and details of the Members participation at the Meetings of the Committee are as under:



Name of Director	Category	Attendance at the Board Meetings held on				
		29/05/2015	15/07/2015	14/08/2015	14/11/2015	12/02/2016
M. Nageswara Rao	Chairman NE(I)D	Present	Present	Present	Present	Present
Thomos P. Nicodemus	Member NE(I)D	Present	Present	Present	Present	Present
R. Krishna Mohan	Member ED	Present	Present	Present	Present	Present

\*NE(I)D – Non Executive and Independent Director

\*ED – Executive Director

The Committee is governed by a Charter which is in line with the regulatory requirements mandated by the Companies Act, 2013 and Clause 49 of the Listing Agreement. Some of the important functions performed by the Committee are:

#### Financial Reporting and Related Processes

- Oversight of the Company's financial reporting process and financial information submitted to the Stock Exchanges, regulatory authorities or the public.
- Reviewing with the Management the quarterly unaudited financial statements and the Auditors' Limited Review Report thereon/audited annual financial statements and Auditors' Report thereon before submission to the Board for approval. This would, inter alia, include reviewing changes in the accounting policies and reasons for the same, major accounting estimates based on exercise of judgement by the Management, significant adjustments made in the financial statements and / or recommendation, if any, made by the Statutory Auditors in this regard.
- Review the Management Discussion & Analysis of financial and operational performance.
- Discuss with the Statutory Auditors its judgement about the quality and appropriateness of the Company's accounting principles with reference to the Generally Accepted Accounting Principles in India (IGAAP).
- Review the investments made by the Company.

All the Members on the Audit Committee have the requisite qualification for appointment on the Committee and possess sound knowledge of finance, accounting practices and internal controls.

During the year under review, the Audit Committee held a separate meeting with the Statutory Auditors and the Chief Internal Auditor to get their inputs on significant matters relating to their areas of audit.

#### (b) Nomination and Remuneration Committee

In compliance with Section 178 of the Companies Act, 2013, the Board has renamed the existing "Compensation Committee" as the "Nomination and Remuneration Committee".

The terms of reference of the Committee inter alia, include the following:

- Succession planning of the Board of Directors and Senior Management Employees;
- Identifying and selection of candidates for appointment as Directors / Independent Directors based on certain laid down criteria;
- Identifying potential individuals for appointment as Key Managerial Personnel and to other Senior Management positions;
- Formulate and review from time to time the policy for selection and appointment of Directors, Key Managerial Personnel and senior management employees and their remuneration;
- Review the performance of the Board of Directors and Senior Management Employees based on certain criteria as approved by the Board.

Name of Director	Category	Attendance at the Board Meetings held on				
		29/05/2015	15/07/2015	14/08/2015	14/11/2015	12/02/2016
Thomos P. Nicodemus	Chairman NE(I)D	Present	Present	Present	Present	Present
M. Nageswara Rao	Member NE(I)D	Present	Present	Present	Present	Present
S. Naga Durga	Member NED	Present	Present	Present	Present	Present

### c) Risk Management Committee

Business Risk Evaluation and Management is an on-going process within the Organization. The Company has a robust risk management framework to identify, monitor and minimize risks as also identify business opportunities.

The objectives and scope of the Risk Management Committee broadly comprises:

- Oversight of risk management performed by the executive management;
- Reviewing the BRM policy and framework in line with local legal requirements and SEBI guidelines;
- Reviewing risks and evaluate treatment including initiating mitigation actions and ownership as per a pre-defined cycle;
- Defining framework for identification, assessment, monitoring, mitigation and reporting of risks.

The composition of the Risk Management Committee as at March 31, 2016 and details of the Members participation at the Meetings of the Committee are as under:

Name of Director	Category	Attendance at the Board Meetings held on				
		29/05/2015	15/07/2015	14/08/2015	14/11/2015	12/02/2016
M. Nageswara Rao	Chairman NE(I)D	Present	Present	Present	Present	Present
Thomos P. Nicodemus	Member NE(I)D	Present	Present	Present	Present	Present

R. Krishna Mohan	Member ED	Present	Present	Present	Present	Present
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**(d) Stakeholders' Relationship Committee (mandatory committee)**

In compliance with the provisions of Section 178 of the Companies Act, 2013 and the Listing Agreement, the Board has renamed the existing "Shareholders'/Investors' Grievance Committee" as the "Stakeholders' Relationship Committee".

The terms of reference of the Committee are:

- transfer/transmission of shares/debentures and such other securities as may be issued by the Company from time to time;
- issue of duplicate share certificates for shares/debentures and other securities reported lost, defaced or destroyed, as per the laid down procedure;
- issue new certificates against subdivision of shares, renewal, split or consolidation of share certificates / certificates relating to other securities;
- issue and allot right shares / bonus shares pursuant to a Rights Issue / Bonus Issue made by the Company, subject to such approvals as may be required;
- to grant Employee Stock Options pursuant to approved Employees' Stock Option Scheme(s), if any, and to allot shares pursuant to options exercised;
- to issue and allot debentures, bonds and other securities, subject to such approvals as may be required;
- to approve and monitor dematerialization of shares / debentures / other securities and all matters incidental or related thereto;
- to authorize the Company Secretary and Head Compliance / other Officers of the Share Department to attend to matters relating to non-receipt of annual reports, notices, non-receipt of declared dividend / interest, change of address for correspondence etc. and to monitor action taken;
- monitoring expeditious redressal of investors / stakeholders grievances;
- all other matters incidental or related to shares, debenture

The composition of the Stakeholders' Relationship Committee as at March 31, 2016 and details of the Members participation at the Meetings of the Committee are as under:

Name of Director	Category	Attendance at the Board Meetings held on				
		29/05/2015	15/07/2015	14/08/2015	14/11/2015	12/02/2016
M. Nageswara Rao	Chairman NE(I)D	Present	Present	Present	Present	Present
Thomos P. Nicodemus	Member NE(I)D	Present	Present	Present	Present	Present

R. Krishna Mohan	Member ED	Present	Present	Present	Present	Present
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During the year, only one complaint were received from shareholders, such one complaint have been attended/resolved.

#### **Internal Complaints Committee:**

The company has formed an Internal Complaint Committee as envisaged under Section 4 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 for receiving complaint of sexual harassment. The Committee consisting of the following members:

Name	Designation	Category
S. Naga Gurga	Chairman	NED
Ch Harinath	Member	WTD
M. Nageswara Rao	Member	NED (I)

#### **Independent Directors' Meeting**

During the year under review, the Independent Directors met on March 29, 2016, inter alia, to discuss:

1. Reviewed the performance of Executive Management of the Company and the Board as a whole.
2. Reviewed the performance of the Non Executive and Non Independent Directors of the Company.
3. Assessed the quality, quantity and timelines of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonable perform their duties.

Mr. Arun Prasad Kanuri was absent for the meeting and the remaining directors were present at the Meeting

#### **PERFORMANCE EVALUATION**

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out the annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Audit, Nomination and Remuneration and Compliance Committees. A structured questionnaire was prepared after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance.

A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on parameters such as level of engagement and contribution, independence of judgement safeguarding the interest of the Company and its minority shareholders etc. The performance evaluation of the Independent Directors was carried out by the entire Board. The performance evaluation of the Chairman and the Non Independent Directors was carried out by the Independent Directors who also reviewed the performance of the Secretarial Department. The Directors expressed their satisfaction with the evaluation process.

#### 4 Disclosures:

(a) Materially Significant related party transactions

There was no transaction of material nature with any of the related party, which is in conflict with the interest of the company.

(b) Details of non compliance by the company, penalties, strictures imposed on the company by the Stock Exchange or SEBI or any authority on any matter related to capital markets during last 3 years.

There was no instance of levy of any penalties during the last three years.

#### Internal Controls

The Company has a formal system of internal control testing which examines both the design effectiveness and operational effectiveness to ensure reliability of financial and operational information and all statutory / regulatory compliances. The Company's business processes are on SAP-ERP and SAP-HR platforms and have a strong monitoring and reporting process resulting in financial discipline and accountability.

#### CEO & MD / CFO Certification

The CEO & MD and the CFO have issued certificate pursuant to the provisions of Clause 49 of the Listing Agreement certifying that the financial statements do not contain any untrue statement and these statements represent a true and fair view of the Company's affairs. The said certificate is annexed and forms part of the Annual Report.

#### CODE OF CONDUCT

The Board of Directors has approved a Code of Business Conduct which is applicable to the Members of the Board and all employees. The Company believes in "Zero Tolerance" to bribery and corruption in any form and the Board has laid down the "Anti-Bribery & Corruption Directive" which forms an Appendix to the Code. The Code has been posted on the Company's website [www.abcdomain.com](http://www.abcdomain.com).

#### PREVENTION OF INSIDER TRADING

The Company has adopted a Code of Conduct for Prevention of Insider Trading with a view to regulate trading in securities by the Directors and designated employees of the Company. The Code requires pre-clearance for dealing in the Company's shares and prohibits the purchase or sale of Company shares by the Directors and the designated employees while in possession of unpublished price sensitive information in relation to the Company and during the period when the Trading Window is closed. The Company Secretary & Head Compliance is responsible for implementation of the Code.

All Board Directors and the designated employees have confirmed compliance with the Code.

#### 5 Means of Communication

i. Half yearly report sent to each shareholders registered address	No
ii. In which newspapers quarterly results were normally published	BSE Official Website
iii. Any Website where results or official news are displayed	No

No presentation made to institutional investors or to the analysts. Management Discussion & Analysis are not a part of Annual Report.

## 6 General Shareholder Information

### Market Information

#### Listing on Stock Exchanges

The Company's shares are listed on the following Stock Exchanges and the Listing Fees have been paid to the Exchanges:

Name & Address of the Stock Exchanges	Stock Code/Script Code	ISIN Number for NSDL/CDSL (Dematerialised share)
BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400001	538674, CITYON#	INE158C01014
The National Stock Exchange of India Limited Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai 400051		

#### Share Price on BSE vis-à-vis BSE Sensex April 2015 - March 2016

Month	BSE Sensex Close	Share Price			No. of shares traded during the month	Turnover
		High	Low	Close		
April	13.30	13.30	10.95	10.95	270	3,237
May	10.41	10.41	9.40	9.40	1,710	16,728
June	9.86	9.86	9.37	9.37	1,165	11,407
July	9.83	10.10	8.98	9.42	3,971	36,290
Aug	9.89	10.89	9.89	10.89	67	716
Sep	11.43	11.43	10.86	10.86	55	600
Oct	10.32	10.32	8.84	8.84	95	883
Nov	9.25	9.25	8.36	8.36	860	7,922
Dec	8.00	8.00	7.60	7.85	71	561
Jan	8.00	8.00	7.60	7.85	71	561
Feb	8.00	8.00	8.00	8.00	50	400
Mar	8.16	8.16	8.16	8.16	100	816

## SHARE TRANSFER SYSTEM / DIVIDEND AND OTHER RELATED MATTERS

### Share transfers

Share transfers in physical form are processed and the share certificates are generally returned to the transferees within a period of fifteen days from the date of receipt of transfer provided the transfer documents lodged with the Company are complete in all respects.

### Nomination facility for shareholding

As per the provisions of the Companies Act, 2013, facility for making nomination is available for Members in respect of shares held by them. Members holding shares in physical form may obtain nomination form, from the Share Department of the Company or download the same from the Company's website. Members holding shares in dematerialized form should contact their Depository Participants (DP) in this regard.

### Permanent Account Number (PAN)

Members who hold shares in physical form are advised that SEBI has made it mandatory that a copy of the PAN card of the transferee/s, members, surviving joint holders / legal heirs be furnished to the Company while obtaining the services of transfer, transposition, transmission and issue of duplicate share certificates.

### Pending Investors' Grievances

Any Member / Investor, whose grievance has not been resolved satisfactorily, may kindly write to the Company Secretary and Head Compliance at the Registered Office with a copy of the earlier correspondence.

S. No	Nature of Queries/Compliant	Pending as on April 1, 2015	Received during the year	Redressed during the year	Pending as on March 31, 2016
1	Transfer/Transmission of Duplicate Share Certificate	0	0	0	0
2	Non-receipt of Dividend	0	0	0	0
3	Dematerialisation/ Rematerialisation of Shares	0	0	0	0
4	Complaints received from:	0	0	0	0
	SEBI	0	0	0	0
	Stock Exchanges/NSDL/CDSL	0	0	0	0
	ROC/MCA/Others	0	0	0	0
	Advocates	0	0	0	0
	Consumer Forum/Court Case	0	0	0	0
5	Others	0	0	0	0
	Grand Total	0	0	0	0

### Reconciliation of Share Capital Audit

As required by the Securities & Exchange Board of India (SEBI) quarterly audit of the Company's share capital is being carried out by an independent external auditor with a view to reconcile the total share capital admitted with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and held in physical form, with the issued and listed capital. The Auditors' Certificate in regard to the same is submitted to BSE Limited and the National Stock Exchange of India Limited and is also placed before Stakeholders' Relationship Committee and the Board of Directors



### Dematerialisation of Shares and Liquidity

The break-up of equity shares held in Physical and Dematerialised form as on March 31, 2016, is given below:

Particulars	No. of Shares	Percentage
Physical Segment	18,27,150	35.37
Demat Segment		
NSDL	27,30,120	52.86
CDSL	6,07,430	11.77
Total	51,64,700	100

Shareholding Pattern of the company as on March 31, 2016 in detail is presented in MGT -9 enclosed to the Boards report as annexed to the report.

### Distribution of Shareholding as on March 31, 2016

Particulars	Shareholders		Shareholding	
	Number	%	Value	%
Upto 5,000	124	19.34	176100	0.34
5,001 - 10,000	20	3.12	174000	0.34
10,001 - 20,000	23	3.59	400380	0.78
20,001 - 30,000	222	34.63	5656130	10.95
30,001 - 40,000	79	12.32	3045480	5.90
40,001 - 50,000	73	11.39	3494010	6.77
50,001 - 1,00,000	39	6.08	3381000	6.55
1,00,001 & above	61	9.52	35319900	68.39
Total	641	100.00	51647000	100.00

### Statement showing Shareholding of more than 1% of the Capital as on March 31, 2016

Sr. No.	Name of the shareholders	No. of Shares	Percentage of Capital
1	S. Raghava Rao	684500	13.25
2	Preetha S Nair	250000	4.84
3	Ch Harinath	201750	3.91
4	Krishna Mohan Ramineni	153000	2.96
5	Ch Sunitha	123000	2.38
6	Ramineni Krishnaamohan	117600	2.28
7	K Satyavathi	116000	2.25
8	Qasim Elyas Sakriwala	100000	1.94
9	Geetika Sethi	100000	1.94
10	Adriam Francis Fernandes	99999	1.94
11	Shrikant Mantri	87500	1.69
	<b>Total</b>	<b>20,33,349</b>	<b>39.37</b>



**City Online Services Limited**

CIN: L72200TG1999PLC032114

**General Body Meetings**

Particulars of last three Annual general meetings

AGM	Year Ended 31st March,	Venue	Date	Time	Special Resolutions Passed
	2013	At the Registered Office	28.09.2013	11.00 a.m.	NIL
	2014		29.09.2014	11.00 a.m.	NIL
	2015		28.09.2015	11.00 a.m.	Yes

**Extraordinary General Meeting (EGM)**

The Company has not convened any Extraordinary General Meeting during the Year.

During the year under review, no resolution has been passed through the exercise of postal ballot.

❖ Meetings for approval of quarterly and annual financial results were held on the following dates

Quarter	Date of Board Meeting
1st Quarter	14.08.2015
2nd Quarter	14.11.2015
3rd Quarter	12.02.2016
4th Quarter	30.05.2016

**FINANCIAL CALENDAR 2016 :**

AGM – Date, time and venue	DATE:29th September, 2016 Time: 11.00 A.M Venue: 701, 7th Floor, Aditya Trade Centre, Ameerpet, Hyderabad – 500038.
Financial Year	1st April 2015 to 31st March 2016
Book Closure Date	23rd September 2016 to 29th September 2016
Dividend Payment Date	Not Applicable
Listing of Eq. shares on stock exchanges.	Bangalore Stock Exchange and Bombay Stock Exchange
Stock Code	538674
Market Price Data and other related informations	–
Registrar & Transfer Agents	M/s XL Softech Systems Limited, Road No 2, Banjara Hills, Sagar society, Hyderabad –500
Board Meeting for consideration of Accounts for the financial year ended March 31, 2016 and recommendation of dividend	29.05.2016
Posting of Annual Reports	13.08.2016
Last date for receipt of Proxy Forms	10.09.2016
Probable date of despatch of warrants	

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### ❖ FORWARD-LOOKING STATEMENTSv FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements based on certain assumptions and expectations of future events. The Company, therefore, cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company's actual results, performance or achievements can thus differ materially from those projected in any such forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

### ❖ INDUSTRY STRUCTURE AND DEVELOPMENTS

The Company has opened new fronts to increase turnover like FTH services to gated communities it has already started operations in about 21 gated communities in the city of Bangalore and has 7 projects in hand and another 10 in pipe line in Bangalore Hyderabad & Vishakapatnam . Internet usage in rural India has increased your Company has appointed about 170 franchisees in Andhra Pradesh , Telangana & Karnatkha to cater this segment ,apart from regular activities of the company. The digital headend division of the company was doing relatively well las year in 2015-2016 business was not as per expectations

### ❖ BUSINESS OVERVIEW

The Sales during the year 2015-16 are Rs. 1319.94 Lakhs as compared to Rs. 1434.01Lakhs in the previous year. The slight reduction in turnover is due digital Headend division not doing well because of the market conditions

### ❖ SWOT

Our strength is our determination and team work, weakness is the low equity base, opportunities are multiples and threats are the vibrations in the economy and government policies.

The financial highlights are as under: -

(In Rupees)	
Sales for the year 2015-16	1319.94
Provision for taxation	(28.69)
Profit after tax	(52.31)
Paid up equity share capital as on 31st Mar'2016	51,647,000

### ❖ INTERNAL CONTROL

The Company has adequate internal control system, commensurate with the size of its operations. Adequate records and documents are maintained as required by laws. The Company's audit Committee reviewed the internal control system. All efforts are being made to make the internal control systems more effective.

### ❖ RISKS AND CONCERNS

In any business, risks and prospects are inseparable. As a responsible management, the Company's principal endeavor is to maximize returns. The Company continues to take all steps necessary to minimize its expenses through detailed studies and interaction with experts.

City Online Services Limited  
CIN: L72200TG1999PLC032114

❖ **CAUTIONARY STATEMENT**

Statement in this Management's Discussion and Analysis detailing the Company's objectives, projections, estimates, estimates, expectations or predictions are "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand-supply conditions, finished goods prices, feedstock availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts business and other factors such as litigation and labour negotiations.

For **City Online Services Limited**

(RAGHAVA RAO SURYADEVARA)  
Chairman & Managing Director

Date: 13.08.2016  
Place: Hyderabad

**DECLARATION BY THE MANAGING DIRECTOR UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

To,  
The Members  
CITY ONLINE SERVICES LIMITED.

I hereby declare that all the Directors and the designated employees in the senior management of the Company have affirmed compliance with their respective codes for the Financial Year ended March 31, 2016.

For CITY ONLINE SERVICES LIMITED

(RAGHAVA RAO SURYADEVARA)  
Chairman & Managing Director  
Date: 13.08.2016  
Place: Hyderabad

**COMPLIANCE WITH CODE OF BUSINESS CONDUCT AND ETHICS**

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct and Ethics for the year ended March 31, 2016.

For City Online Services Limited

(RAGHAVA RAO SURYADEVARA)  
Chief Executive Officer & Managing Director  
Date: 13.08.2016  
Place: Hyderabad

### **CERTIFICATION BY CEO/CFO UNDER CLAUSE 49 V OF THE LISTING AGREEMENT**

The Board of Directors,  
CITY ONLINE SERVICES LIMITED.

We have reviewed the financial statements and the cash flow statement of CITY ONLINE SERVICES LIMITED for the year ended March 31, 2016 and to the best of our knowledge and belief:

- (a) (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take for rectifying these deficiencies.
- (d) We have indicated to the Auditors and the Audit Committee:
  - (i) significant changes in internal control over financial reporting during the year;
  - (ii) significant changes in accounting policies made during the year and the same have been disclosed in the notes to the financial statements; and
  - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

KRISHNA MOHAN RAMINENI  
Director (Finance)

RAGHAVA RAO SURYADEVARA  
Chairman & Managing Director

Date: 13.08.2016  
Place: Hyderabad

City Online Services Limited  
CIN: L72200TG1999PLC032114

## **CERTIFICATE OF CORPORATE GOVERNANCE**

To  
The Members,  
CITY ONLINE SERVICES LIMITED.

We have examined the compliance of conditions of Corporate Governance by CITY ONLINE SERVICES LIMITED for the financial years ended March 31, 2016 as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion, and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

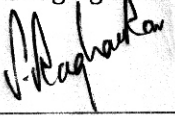
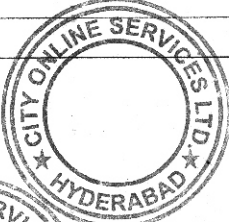

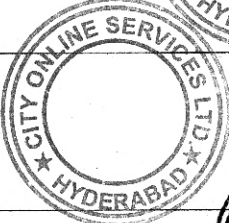

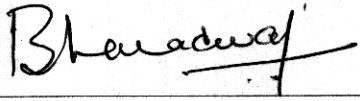
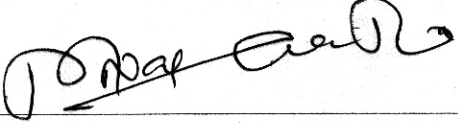

For VCSR & Associates  
Company secretaries

(Ch.Veeranjaneyulu)  
Partner  
C P No.:6392

Date: 13.08.2016  
Place: Hyderabad

**FORM A**

**Format of covering letter of the annual audit report to be filed with the Stock Exchange**

1.	Name of the company	CITY ONLINE SERVICES LIMITED
2.	Annual financial statements for the year ended	31 <sup>st</sup> March, 2016
3.	Type of Audit observation	Un-qualified
4.	Frequency of observation	NIL
5.	To be signed by:	
	Managing Director 	
	Executive Director 	 
	Auditor of the Company 	
	Audit Committee Chairman 	

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## **STANDALONE FINANCIAL STATEMENTS**

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## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF CITY ONLINE SERVICES LIMITED

#### Report on the Standalone Financial Statements

We have audited the accompanying financial statements of City Online Services Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, its loss and its cash flows for the year ended on that date.



**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016;
  - (e) On the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of section 164 (2) of the Act;
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure 2 to this report;
  - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i) the Company does not have any pending litigations which would impact its financial position
    - ii) the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii) The Company is not required to transfer any amount to the Investor Education and Protection Fund.

For Seshachalam & Co  
**Chartered Accountants**  
Firm Registration Number. 003714S

T Bharadwaj  
**Partner**  
Membership No. 201042

**Place :** Hyderabad  
**Date :** May 30, 2016

## **Annexure 1 to the Independent Auditors' Report**

Re: City Online Services Limited ('the Company')

- (I) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) According to the information and explanations given to us, the Company has no immovable property. Accordingly, the provisions of clause 3(i) (c) of the Order are not applicable to the Company and hence not commented upon.
- (ii) The inventory has been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities granted in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits from the public.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under section 148(1) of the Companies Act, 2013, for the products/services of the Company.
- (vii) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, service tax, customs duty and other statutory dues applicable to it. Provisions of sales-tax, wealth tax, excise duty, value added tax and cess are not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, service tax, customs duty and other material statutory dues which were outstanding, at the year end, for a period of more than six months from the date they became payable. Provisions of sales-tax, wealth tax, excise duty, value added tax and cess are not applicable to the Company, except as given below:

<b>Statute</b>	<b>Nature of Dues</b>	<b>Period to which the amount relates</b>	<b>Amount involved</b>
Income Tax Act, 1961	Income Tax	2013-14	2,67,217
Income Tax Act, 1961	Income Tax	2015-16	568
Finance Act, 1994	Service Tax	2015-16	10,15,700
Professional tax Act, 1987	Professional tax	2015-16	10,850

- (c) There are no dues of provident fund, employees' state insurance, income tax, service tax and other material statutory dues which have not been deposited on account of any dispute.
- (viii) The Company has not defaulted in repayment of loans taken from banks.
- (ix) No moneys were raised by way of initial public offer or further public offer (including debt instruments). Term loans taken were applied for the purposes for which those were taken.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud on or by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given to us, the managerial remuneration has been paid in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act 2013.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given to us, all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards;
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence not commented upon.
- (xv) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him.
- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For Seshachalam & Co  
Chartered Accountants  
Firm Registration Number. 003714S

T Bharadwaj  
Partner  
Membership No. 201042

**Place :** Hyderabad  
**Date :** May 30, 2016

**Annexure 2 to the Independent Auditor's report of even date on the standalone financial statements of City Online Services Limited**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

**TO THE MEMBERS OF CITY ONLINE SERVICES LIMITED**

We have audited the internal financial controls over financial reporting of City Online Services Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

**Meaning of Internal Financial Controls over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that

transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

#### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

#### **Explanatory paragraph**

We also have audited, in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act, the standalone financial statements of the Company, which comprise the Balance Sheet as at March 31, 2016, and the related Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, and our report dated May 30, 2016 expressed an unqualified opinion.

For Seshachalam & Co  
Chartered Accountants  
Firm Registration Number. 003714S

T Bharadwaj  
Partner  
Membership No. 201042

**Place :** Hyderabad  
**Date :** May 30, 2016

**City Online Services Limited****Balance Sheet as at March 31, 2016**

CIN: L72200TG1999PLC032114

(All amounts in Indian Rupees, unless otherwise stated)

Particulars		Note	As at March 31, 2016	As at March 31, 2015
<b>I</b>	<b>EQUITY AND LIABILITIES</b>			
<b>1</b>	<b>Shareholders' funds</b>			
	(a) Share capital	3	56,098,330	56,098,330
	(b) Reserves and surplus	4	(24,343,450)	(19,112,010)
<b>2</b>	<b>Non-current liabilities</b>			
	(a) Long term borrowings	5	836,698	1,831,018
	(b) Long term provisions	6	1,086,000	838,000
<b>3</b>	<b>Current liabilities</b>			
	(a) Short-term borrowings	7	17,503,533	12,741,520
	(b) Trade payables			
	Total outstanding dues of micro and small enterprises		-	-
	Total outstanding dues of creditors other than micro and small enterprises	8	19,756,630	11,907,079
	(c) Other current liabilities	9	14,045,410	10,845,835
	<b>Total</b>		<b>84,983,151</b>	<b>75,149,772</b>
<b>II</b>	<b>ASSETS</b>			
<b>1</b>	<b>Non-current assets</b>			
	(a) Fixed assets			
	(i) Tangible assets	10A	16,835,824	20,853,032
	(ii) Intangible assets	10B	142,748	218,668
	(b) Non-current investments	11	925,855	350,000
	(c) Deferred tax assets	12	714,505	3,583,566
	(d) Long term loans and advances	13	2,292,810	1,401,644
<b>2</b>	<b>Current assets</b>			
	(a) Inventories	14	16,665,590	13,573,732
	(b) Trade receivables	15	28,844,161	26,588,591
	(c) Cash and bank balances	16	4,469,459	3,833,881
	(d) Short-term loans and advances	17	13,696,266	4,570,161
	(e) Other current assets	18	395,934	176,497
	<b>Total</b>		<b>84,983,151</b>	<b>75,149,772</b>
Corporate information and Summary of significant accounting policies		1 & 2		
Accompanying notes forming an integral part of the financial statements		1 to 35		

As per our report on even date

**For Seshachalam & Co**

Chartered Accountants

Firm Registration Number: 003714S

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

T. Bharadwaj

**Partner**

Membership No. 201042

S. Raghava Rao

**Chairman and Managing Director**

DIN: 01441612

R. Krishna Mohan

**Director**

DIN: 01678152

Sampada K Joshi

**Company Secretary****Place:** Hyderabad**Date:** May 30, 2016

**City Online Services Limited**

**Statement of Profit and Loss for the year ended March 31, 2016**

CIN: L72200TG1999PLC032114

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note	For the year ended March 31, 2016	For the year ended March 31, 2015
I. Revenue from operations	19	131,994,037	143,400,652
II. Other income	20	1,980,340	927,615
<b>III. Total revenue</b>		<b>133,974,377</b>	<b>144,328,267</b>
<b>IV. Expenses:</b>			
Operating expenses	21	93,769,110	107,282,846
Employee benefit expenses	22	16,182,138	15,754,193
Finance cost	23	1,781,927	1,430,331
Depreciation and amortisation expenses	10	5,256,050	14,485,197
Other expenses	24	19,347,531	18,702,967
<b>V. Total expenses</b>		<b>136,336,756</b>	<b>157,655,534</b>
<b>VI. Loss before tax (III-V)</b>		<b>(2,362,379)</b>	<b>(13,327,267)</b>
<b>VII. Tax expense</b>			
- Current tax		-	-
- Deferred tax	12	(2,869,061)	2,514,008
<b>VIII. Loss for the year</b>		<b>(5,231,440)</b>	<b>(10,813,259)</b>
<b>IX. Earnings per equity share - Rs. 10</b>			
Basic and diluted	30	(1.01)	(2.09)
Corporate information and Summary of significant accounting policies	1 & 2		
Accompanying notes forming an integral part of the financial statements	1 to 35		
As per our report on even date			
<p><b>For Seshachalam &amp; Co</b> <b>For and on behalf of the Board of Directors</b></p> <p>Chartered Accountants</p> <p>Firm Registration Number: 003714S</p>			
<p>T. Bharadwaj S. Raghava Rao R. Krishna Mohan Sampada K Joshi</p> <p><b>Partner Chairman and Managing Director Director Company Secretary</b></p> <p>Membership No. 201042 DIN: 01441612 DIN: 01678152</p>			
<p><b>Place:</b> Hyderabad</p> <p><b>Date:</b> May 30, 2016</p>			



**City Online Services Limited****Cash Flow Statement for the year ended March 31, 2016**

CIN: L72200TG1999PLC032114

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note	For the year ended March 31, 2016	For the year ended March 31, 2015
<b>A. Cash flow from operating activities</b>			
Loss before tax		(2,362,379)	(13,327,267)
<b>Adjustment for:</b>			
Interest expense		1,471,651	1,063,560
Interest income		(242,263)	(271,268)
Depreciation and amortisation expenses		5,256,050	14,485,197
<b>Operating profit before working capital changes</b>		<b>4,123,059</b>	<b>1,950,221</b>
<b>Changes in Working Capital :</b>			
Increase in Inventories		(3,091,858)	(5,609,805)
Increase in Sundry Debtors		(2,255,570)	(1,516,956)
Increase in loans and advances		(9,126,105)	(371,161)
Increase / (Decrease) in Current liabilities and provisions		10,917,703	(4,085,395)
<b>Cash Used in Operating activities</b>		<b>567,230</b>	<b>(9,633,095)</b>
Direct taxes (paid)/ refund		(891,166)	1,458,235
<b>Net Cash from / (used in) Operating activities (A)</b>		<b>(323,936)</b>	<b>(8,174,860)</b>
<b>B. Cash flow from investing activities</b>			
Purchase of fixed assets		(1,162,923)	(7,277,747)
Investments in subsidiaries		(575,855)	(300,000)
Proceeds from sale of fixed assets		-	-
Interest received		22,826	198,511
<b>Net Cash Used in Investing activities (B)</b>		<b>(1,715,952)</b>	<b>(7,379,236)</b>
<b>C. Cash flow from financing activities</b>			
Proceeds from short term borrowings		4,762,013	4,556,801
(Repayment of) / Proceeds from borrowings		(614,897)	1,167,257
Interest paid		(1,471,651)	(1,063,560)
<b>Net Cash from Financing activities (C)</b>		<b>2,675,465</b>	<b>4,660,498</b>
<b>D. Net increase in cash and cash equivalents (A+B+C)</b>		<b>635,577</b>	<b>(10,893,598)</b>
<b>E. Cash and Cash Equivalents</b>			
at the beginning of the year		3,833,881	14,727,479
<b>at the end of the year</b>	<b>16</b>	<b>4,469,458</b>	<b>3,833,881</b>

The cash flow statement is prepared in accordance with the indirect method stated in Accounting Standard 3 on Cash Flow Statement' and presents the Cash Flows by Operating, Investing and Financing activities.

**For Seshachalam & Co**

Chartered Accountants

Firm Registration Number: 003714S

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

T. Bharadwaj

**Partner**

Membership No. 201042

S. Raghava Rao

**Chairman and Managing Director**

DIN: 01441612

R. Krishna Mohan

**Director**

DIN: 01678152

Sampada K Joshi

**Company Secretary****Place:** Hyderabad**Date:** May 30, 2016



**City Online Services Limited****Notes forming part of the Financial Statements**

(All amounts in Indian Rupees, unless otherwise stated)

**3. Share capital**

Particulars	As at March 31, 2016		As at March 31, 2015	
	Number of Shares	Amount	Number of Shares	Amount
<b>Authorised</b> Equity shares of Rs.10 each	7,700,000	77,000,000	7,700,000	77,000,000
<b>Issued</b> Equity shares of Rs.10 each	7,000,000	70,000,000	7,000,000	70,000,000
<b>Subscribed and called up</b> Equity shares of Rs.10 each	6,925,000	69,250,000	6,925,000	69,250,000
<b>Paid up capital</b> Equity shares of Rs.10 each, fully paid-up	5,164,700	51,647,000	5,164,700	51,647,000
<b>Share forfeiture account</b> Equity shares of Rs.10 each, fully paid-up	1,760,300	4,451,330	1,760,300	4,451,330
<b>Total</b>	<b>6,925,000</b>	<b>56,098,330</b>	<b>6,925,000</b>	<b>56,098,330</b>

**(a) Reconciliation of share capital**

Particulars	As at March 31, 2016		As at March 31, 2015	
	Number	Amount	Number	Amount
Balance at the beginning of the period	5,164,700	51,647,000	5,164,700	51,647,000
<b>Add:</b> Issued during the period	-	-	-	-
<b>Less:</b> Bought back during the period	-	-	-	-
<b>Balance at the end of the period</b>	<b>5,164,700</b>	<b>51,647,000</b>	<b>5,164,700</b>	<b>51,647,000</b>

**(b) Rights, preferences and restrictions attached to shares**

**Equity Shares :** The company has one class of equity shares having a face value of Rs.10 per share. Each shareholder is eligible for one vote per share held.

**(c) Shareholders holding more than five percent of paid up share capital\***

Name of the shareholder	As at March 31, 2016		As at March 31, 2015	
	Number of Shares	% Held	Number of Shares	% Held
S. Raghava Rao	684,500	13.25	684,500	13.25

\*As per records of the Company, including its register of shareholders/ members and other declaration received from shareholders regarding beneficial interest, the above shareholding represent both legal and beneficial ownership of shares.

**City Online Services Limited**  
**Notes forming part of the Financial Statements**

(All amounts in Indian Rupees, unless otherwise stated)

**4. Reserves and surplus**

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Investment Subsidy :</b>		
At the beginning and at the end of the year	400,000	400,000
<b>Deficit in the statement of Profit and Loss</b>		
At the beginning of the year	(19,512,010)	(7,030,256)
<b>Less:</b> Depreciation adjustment on account of change in useful life as per Companies Act, 2013 Rs. Nil (March 31, 2015: net of deferred tax of Rs.7,46,114)	-	1,668,495
<b>Add:</b> Loss for the year	(5,231,440)	(10,813,259)
<b>At the end of the year</b>	<b>(24,743,450)</b>	<b>(19,512,010)</b>
<b>Total</b>	<b>(24,343,450)</b>	<b>(19,112,010)</b>

**5. Long-term borrowings**

Particulars	As at March 31, 2016		As at March 31, 2015	
	Non-current	Current	Non-current	Current
<b>Term Loans</b>				
<b>From Banks</b>				
Secured [Refer notes below]	836,698	545,626	1,831,018	166,203
<b>Total</b>	<b>836,698</b>	<b>545,626</b>	<b>1,831,018</b>	<b>166,203</b>

**Notes:**

1. The term loan taken from Oriental Bank of Commerce is secured by way of hypothecation of vehicle purchased. The loan is repayable in 60 equal monthly installments. The applicable interest rate is 11.25%. The period of maturity with respect to balance sheet date is 18 installments.
2. The term loan taken from Volkswagen Finance is secured by way of hypothecation of vehicle purchased. The loan is repayable in 60 equal monthly installments. The applicable interest rate is 10.25%. The period of maturity with respect to balance sheet date is 37 installments.

**6. Long term provisions**

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Provision for employee benefits</b>		
Gratuity [Refer Note26]	1,086,000	838,000
<b>Total</b>	<b>1,086,000</b>	<b>838,000</b>

**City Online Services Limited**  
**Notes forming part of the Financial Statements**  
(All amounts in Indian Rupees, unless otherwise stated)

**7. Short-term borrowings**

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Loans Repayable on Demand</b>		
<b>From Banks</b>		
Secured [Refer note below]	17,190,721	11,971,520
<b>From Others</b>		
Unsecured	312,812	770,000
<b>Total</b>	<b>17,503,533</b>	<b>12,741,520</b>

**Note :** Overdraft from Oriental Bank of Commerce is secured by way of first charge on fixed assets, hypothecation of stock, book debts and further secured by personal guarantee of Directors.

**8. Trade payables**

Particulars	As at March 31, 2016	As at March 31, 2015
Trade payables [Refer note 33 and 34]	19,756,630	11,907,079
<b>Total</b>	<b>19,756,630</b>	<b>11,907,079</b>

**9. Other current liabilities**

Particulars	As at March 31, 2016	As at March 31, 2015
Current maturities of long-term debt [Refer note 5]	545,626	166,203
<b>Other payables :</b>		
Statutory remittances	8,506,433	7,931,161
Security deposits	93,900	265,842
Advance from customers	4,899,451	2,482,629
<b>Total</b>	<b>14,045,410</b>	<b>10,845,835</b>

**11. Non-current investments [Refer note 28( c )]**

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Investment in subsidiaries:</b>		
City Online Digital Private Limited [10,000 shares (31.03.2015: 10,000) of Rs. 10 each]	100,000	100,000
City Online Media Private Limited [10,000 shares (31.03.2015: 10,000) of Rs. 10 each]	100,000	100,000
<b>Others:</b>		
National savings certificates [5 Bonds (31.03.2015: Rs.50,000) of Rs. 10,000 each]	50,000	50,000
Investment in partnership firms (Refer Note below)	675,855	100,000
<b>Total</b>	<b>925,855</b>	<b>350,000</b>

**Note:**

Name of the firm	As at March 31, 2016			As at March 31, 2015		
	Names of partners in the firm	Total capital	Share of each partner in the profits of the firm	Names of partners in the firm	Total capital	Share of each partner in the profits of the firm
Broadway City Online Consortium	City Online Services Limited Broadway communications	675,855 853,951	50% 50%	City Online Services Limited Broadway communications	100,000 1,429,806	50% 50%
In-fo City Online Consortium	City Online Services Limited In-fo City Solutions Private Limited	196,738 -	50% 50%	City Online Services Limited In-fo City Solutions Private Limited	- -	50% 50%

**City Online Services Limited**  
**Note: 10 Fixed assets**  
**Fixed Assets Schedule as on March 31, 2016**

**Note 10A : Tangible assets**

Particulars	Gross Block			Depreciation			Net Block		
	As at April 01, 2015	Additions	Deletions	As at March 31, 2016	As at April 01, 2015	For the period	On deletions	As at March 31, 2016	As at March 31, 2015
Plant and machinery									
- General	48,919,982	174,515	-	49,094,497	33,687,387	4,162,623	-	11,244,487	15,232,595
- Computers & Data Processing Units									
• End user devices	11,547,126	274,388	-	11,821,514	9,272,618	90,635	-	2,458,261	2,274,508
- Vehicles									
• Motor cycles	48,238	-	-	48,238	5,822	5,822	-	36,594	42,416
• Motor cars	3,365,980	-	-	3,365,980	856,589	674,877	-	1,834,514	2,509,391
Furniture and Fixtures	824,103	-	-	824,103	141,104	67,125	-	615,874	682,999
Office equipment	3,138,241	701,328	-	3,839,569	3,027,119	166,356	-	646,094	111,122
Total	67,843,670	1,150,231	-	68,993,901	46,990,639	5,167,438	-	16,835,824	20,853,031
Previous year	67,592,737	7,023,803	-	74,616,540	36,898,978	14,449,921	-	20,853,032	30,693,759

**Note 10B : Intangible assets**

NOTE 10D : Intangible Assets									
Particulars	Gross Block			Amortisation				Net Block	
	As at April 01, 2015	Additions	Deletions	As at March 31, 2016	As at April 01, 2015	For the period	On deletions	As at March 31, 2016	As at March 31, 2015
Computer software	253,944	12,692	-	266,636	35,276	88,612	-	123,888	218,668
Total	253,944	12,692	-	266,636	35,276	88,612	-	142,748	218,668
Previous year	-	253,944	-	253,944	-	35,276	-	218,668	-
Current year ( FY 2015-16 )	68,097,614	1,162,923	-	69,260,537	47,025,915	5,256,050	-	52,281,965	21,071,699
Previous year	67,592,737	7,277,747	-	74,870,484	36,898,978	14,485,197	-	51,384,175	30,693,759

**City Online Services Limited****Notes forming part of the Financial Statements**

(All amounts in Indian Rupees, unless otherwise stated)

**12. Deferred tax****Components of deferred tax assets are as follows:**

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Deferred tax assets</b>		
Depreciation	637,873	3,536,598
Employee benefits	76,632	46,968
<b>Total</b>	<b>714,505</b>	<b>3,583,566</b>

**13. Long term loans and advances**

Particulars	As at March 31, 2016	As at March 31, 2015
Tax deducted at source	2,292,810	1,401,644
<b>Total</b>	<b>2,292,810</b>	<b>1,401,644</b>

**14. Inventories** [Lower of cost and net realisable value]

Particulars	As at March 31, 2016	As at March 31, 2015
Stock in trade	16,665,590	13,573,732
<b>Total</b>	<b>16,665,590</b>	<b>13,573,732</b>

**City Online Services Limited****Notes forming part of the Financial Statements**

(All amounts in Indian Rupees, unless otherwise stated)

**15. Trade receivables [Refer note 33]**

Particulars	As at March 31, 2016	As at March 31, 2015
Outstanding for a period exceeding six months	6,654,905	11,775,716
Others	22,189,256	14,812,875
<b>Total</b>	<b>28,844,161</b>	<b>26,588,591</b>

**16. Cash and bank balances**

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Cash and cash equivalents:</b>		
Cash on hand	206,115	302,546
Balances with banks		
- in current accounts	1,653,344	921,335
	<b>1,859,459</b>	<b>1,223,881</b>
<b>Other bank balances</b>		
Margin money deposits with banks with maturity period more than 3 months but less than 12 months	2,610,000	2,610,000
	<b>2,610,000</b>	<b>2,610,000</b>
<b>Total</b>	<b>4,469,459</b>	<b>3,833,881</b>

**17. Short-term loans and advances**

Unsecured, considered good

Particulars	As at March 31, 2016	As at March 31, 2015
Advances to related parties [Refer note 28 (b)]	2,326,714	-
Salary advances	214,072	371,600
Security deposits	1,921,381	1,912,381
Prepaid expenses	7,738,746	-
Advance to suppliers	1,495,353	2,286,180
<b>Total</b>	<b>13,696,266</b>	<b>4,570,161</b>

**18. Other current assets**

Unsecured, considered good

Particulars	As at March 31, 2016	As at March 31, 2015
Interest accrued on fixed deposits with bank	395,934	176,497
<b>Total</b>	<b>395,934</b>	<b>176,497</b>

**City Online Services Limited**  
**Notes forming part of the Financial Statements**  
(All amounts in Indian Rupees, unless otherwise stated)

**19. Revenue from operations (net)**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Income from internet services	129,126,774	104,568,312
Income from VOIP services	745,181	861,460
Income from sales	2,122,082	37,970,880
<b>Total</b>	<b>131,994,037</b>	<b>143,400,652</b>

**20. Other income**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Excess provisions written back	466,053	131,579
Interest on deposits with bank	242,263	271,268
Rent	65,790	38,500
Miscellaneous income	1,206,234	486,268
<b>Total</b>	<b>1,980,340</b>	<b>927,615</b>

**21. Operating expenses**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Bandwidth charges	76,438,175	59,883,897
Last mile charges	5,565,988	11,391,550
Repairs and maintenance	3,383,976	1,452,607
Installation expenses	2,008,653	969,999
Electricity	2,626,683	2,454,503
Rent networking	1,731,258	2,297,325
Cost of sales	1,328,940	28,013,857
Cable line expenses	468,893	330,863
Internet telephony charges	-	281,023
VOIP activation charges	126,135	93,488
Other operating expenses	90,409	113,734
<b>Total</b>	<b>93,769,110</b>	<b>107,282,846</b>

**City Online Services Limited****Notes forming part of the Financial Statements**

(All amounts in Indian Rupees, unless otherwise stated)

**22. Employee benefit expenses**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Salaries [ Refer note 28(b)]	15,322,704	15,064,278
Contribution to provident and other funds	713,026	442,251
Staff welfare	146,408	247,664
<b>Total</b>	<b>16,182,138</b>	<b>15,754,193</b>

**23. Finance costs**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Interest expense on		
-Term loans	117,838	194,825
-Working capital borrowings	1,353,813	868,735
Bank charges	310,276	366,771
<b>Total</b>	<b>1,781,927</b>	<b>1,430,331</b>

**24. Other expenses**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Rent [Refer note 29]	2,044,809	1,978,502
Rates and taxes	4,244,606	1,704,937
Sales commission	2,196,999	1,509,617
Insurance	110,299	45,899
Auditors' remuneration:		
Statutory audit	300,000	300,000
Tax audit	50,000	50,000
Fees for limited review	50,000	50,000
Fees for other certification	12,743	22,500
Travelling and conveyance	1,322,689	2,155,491
Legal and professional charges	456,707	2,694,984
Advertisement expenses	113,209	183,061
Communication cost	887,936	563,692
Bad debts written off	4,808,571	4,757,222
Printing and stationery	302,233	261,003
Repairs and maintenance		
Building	185,104	219,033
Others	914,291	422,754
Business promotion	298,000	539,336
Postage and courier	414,972	309,905
Net loss on foreign currency transaction and translation	2,974	161,271
Miscellaneous expenses	631,389	773,760
<b>Total</b>	<b>19,347,531</b>	<b>18,702,967</b>



## **City Online Services Limited**

Notes to financial statements for the year ended March 31, 2016

**CIN:** L72200TG1999PLC032114

(All amounts in Indian Rupees, unless otherwise stated)

### **1. Corporate Information:**

City Online Services Limited ('the Company') is domiciled in India and incorporated under the provisions of the Companies Act, 1956. The company is engaged in the business of providing internet and intranet services, data centre solutions, custom Wi-Fi solutions and managed services.

### **2. Significant Accounting Policies**

#### **a) Basis of preparation of financial statements**

The financial statements are prepared with generally accepted accounting principles in India under the historical cost convention and on an accrual basis of accounting.

The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under Section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014, and with the relevant provisions of the Act, pronouncements of The Institute of Chartered Accountants of India ('ICAI').

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

#### **b) Use of estimates**

The preparation of financial statements in conformity with Generally Accepted Accounting principles (Indian GAAP) requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reported year. Future results could differ due to changes in these estimates and the difference between the actual result and the estimates are recognized in the period in which the results are known/materialize.

#### **c) Revenue Recognition**

Revenue is recognized on accrual basis to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Income from the services is recognized when the services are rendered in accordance with the terms agreed.

Interest income is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.

#### **d) Fixed Assets:**

Tangible Assets:

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes any directly attributable costs incurred to bring the assets for its intended use.

Subsequent expenditure related to an item of fixed assets is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance.

## **City Online Services Limited**

Notes to financial statements for the year ended March 31, 2016

(All amounts in Indian Rupees, unless otherwise stated)

### **Intangible Assets:**

Intangible Assets are recognized only if it is probable that the future economic benefits that are attributable to assets will flow to the enterprise and the cost of the assets can be measured reliably. Intangible assets are recorded at cost and carried at cost less accumulated depreciation. Intangible assets are amortised over their estimated useful lives.

### **e) Depreciation/ Amortization**

Depreciation on fixed assets is provided on Written down value method at the rates specified in Schedule II of the Companies Act, 2013 on pro-rata basis. Intangible assets are amortized in the statement of profit and loss over their estimated useful lives.

Individual Fixed Assets costing Rs.5,000 and below are fully depreciated in the year of purchase.

### **f) Leases**

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vests with the lessor, are recognized as operating lease. Lease rentals under operating lease are recognized in the statement of profit and loss on a straight-line basis over the lease term.

### **g) Inventories**

Inventories are valued at the lower of cost and net realizable value. Cost includes all expenses incurred to bring the inventory to its present location and condition. Cost is determined on a weighted average basis.

### **h) Foreign currency Transactions**

Transactions in foreign currencies are translated at the exchange rates prevailing on the dates of transactions and the exchange gains/losses on settlements during the year, are charged to Statement of Profit and Loss. Monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing on the date of Balance sheet. Exchange gains/losses including those relating to fixed assets are dealt with in the Statement of Profit and Loss.

### **i) Investments**

Investments are classified into Current and Long Term Investments based on the Management's intention at the time of purchase. Long Term investments are carried at cost less provision for diminution in value, if any which is other than temporary in the value of such investments. Any reduction in carrying amount and any reversals of such reductions are charged or credited to the Statement of profit and loss.

### **j) Employee Benefits**

The estimated liability for employee benefits, both short and long term, for present and past services which are due as per the terms of employment are recorded in accordance with Accounting Standard (AS) 15 "Employee Benefits". A brief description of the employee benefits are as follows:

#### **Gratuity:**

In accordance with the Payment of Gratuity Act, 1972, the Company has an obligation towards gratuity, a defined retirement benefit plan ('the Gratuity Plan') covering all eligible employees.

## **City Online Services Limited**

Notes to financial statements for the year ended March 31, 2016

(All amounts in Indian Rupees, unless otherwise stated)

The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment with the Company.

Vesting occurs on completion of five years of service. The liabilities with regard to the Gratuity Plan are determined by an independent actuarial valuation at each Balance Sheet date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the Statement of Profit and Loss in the period in which they arise.

### **Provident Fund:**

All eligible employees of the Company are entitled to receive benefits under the Provident Fund, a defined contribution plan to which both the employee and employer make monthly contributions at a determined percentage of the covered employee's salary. The Company has no further obligations under the provident fund plan beyond its monthly contributions.

### **k) Earnings Per Share**

The Company reports basic and diluted earnings per share in accordance with Accounting Standard (AS) 20, Earnings Per Share. Basic earnings per equity share are computed by dividing the net profit for the year attributable to the Equity Shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed by dividing net profits for the year, adjusted for the effects of dilutive potential equity shares, attributable to the Equity Shareholders by the weighted average number of the equity shares and dilutive potential equity shares outstanding during the year except where the results are anti dilutive. Dilutive potential equity shares are deemed converted as of the beginning of the period / year, unless issued at a later date.

### **l) Taxation**

Current Tax is the amount of tax payable on taxable income for the period determined in accordance with the provisions of Income Tax Act, 1961.

Deferred tax expense or benefit is recognized on timing differences being the difference between taxable income and accounting income that originate in one period and is likely to reverse in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted as on the balance sheet date.

In the event of unabsorbed depreciation and carry forward of losses, deferred tax assets are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available to realize such assets. In other situations, deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realize these assets.

Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their reliability.

### **m) Impairment of Assets**

The management assesses the carrying amount of assets at each balance sheet date to determine whether there is any indication of impairment, if any such indication exists; the recoverable amount of the assets is estimated. An impairment loss is recognized whenever the carrying value of an asset or its cash generating unit exceeds the recoverable amount.

The recoverable amount is the greater of the asset's net selling price and value in use, which is

**City Online Services Limited**

Notes to financial statements for the year ended March 31, 2016

(All amounts in Indian Rupees, unless otherwise stated)

determined, based on the estimated future cash flow discounted to their present values. An impairment loss of an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after such loss was recognized. The carrying amount of an asset will be increased to its revised recoverable amount, provided such amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

**n) Provisions, Contingent Liabilities and Contingent assets**

A provision is recognized if, as a result of past event, the Company has a present legal obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are determined by the best estimate of the outflow of economic benefits required to settle the obligation at the reporting date.

A disclosure for Contingent liabilities is made when there is a possible obligation or a present obligation where it is not probable that an outflow of resources embodying economic benefits will be required or a reliable estimate cannot be made. Contingent assets are neither recognized nor disclosed in the financial statements.

**o) Cash and cash equivalents**

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

**City Online Services Limited**

Notes to financial statements for the year ended March 31, 2016

(All amounts in Indian Rupees, unless otherwise stated)

**25. Contingent Liabilities**

Particulars	As at March 31, 2016	As at March 31, 2015
Performance Guarantee	135,00,000	46,00,000

**26. Employee Benefit Plans:**

The Company has a defined benefit gratuity plan. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet:

Statement of profit and loss

**Net employee benefit expenses recognized in the employee cost**

	March 31, 2016	March 31, 2015
Current service cost	17,000	14,000
Interest cost on benefit obligation	67,000	55,000
Past Service cost – vested benefits	-	-
Expected return on plan assets	-	-
Net actuarial loss/(gain) recognized in the year	1,83,000	2,45,000
Net benefit expense	<b>2,67,000</b>	<b>3,14,000</b>

**Balance sheet****Benefit liability**

	March 31, 2016	March 31, 2015
Present value of defined benefit obligation	10,86,000	8,38,000
Fair value of plan assets	-	-
Plan liability	<b>10,86,000</b>	<b>8,38,000</b>

**Changes in the present value of the defined benefit obligation are as follows:**

	March 31, 2016	March 31, 2015
Opening defined benefit obligation	8,38,000	6,86,000
Current service cost	17,000	14,000
Interest cost	67,000	55,000
Past Service cost – vested benefits	-	-
Benefits paid	(19,000)	(1,62,000)
Actuarial losses on obligation	1,83,000	2,45,000
Closing defined benefit obligation	<b>10,86,000</b>	<b>8,38,000</b>

**City Online Services Limited**

Notes to financial statements for the year ended March 31, 2016

(All amounts in Indian Rupees, unless otherwise stated)

**Changes in the fair value of plan assets are as follows:**

	March 31, 2016	March 31, 2015
Opening fair value of plan assets	-	-
Expected return	-	-
Contributions by employer	-	-
Benefits paid	(19,000)	(1,62,000)
Actuarial (losses)/gains	-	-
Closing fair value of plan assets	-	-

**The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:**

	March 31, 2016	March 31, 2015
Discount rate (%)	8%	8%
Expected rate of return on assets (%)	-	-
Salary escalation (%)	7%	7%
Attrition rate (%)*	5%	5%

**\*Rates of Attrition:**

Age at valuation date	Withdrawal Rate	
	FY 2015-16	FY 2014-15
18-30	10%	10%
31-40	5%	5%
41 & +	1%	1%

**27. Segment Information**

The Company's operations predominantly consist only of business of providing internet and intranet, data centre solutions. Hence, there are no reportable segments under Accounting Standard – 17 "Segment Reporting" (AS-17).

During the year, the company's business has been carried out in India. The conditions prevailing in India being uniform, no separate geographical disclosures are considered necessary. There are no other reportable segments.

**28. Related Party Disclosures**

a) Related party disclosures, as required by AS-18, "Related Party Disclosure" is given below:

**Names of the related parties and nature of relationship:**

Nature of Relationship	Name of the Related Party
Key Managerial Personnel (KMP)	C H Harinath
	S Raghava Rao
	R Krishna Mohan
Subsidiaries	City Online Media Private Limited
	City Online Digital Private Limited

**City Online Services Limited**

Notes to financial statements for the year ended March 31, 2016

(All amounts in Indian Rupees, unless otherwise stated)

**b) Transactions with related parties:**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
<b>Managerial Remuneration:</b>		
S Raghava Rao	16,10,000	12,60,000
R Krishna Mohan	15,50,000	12,00,000
ChHarinath	15,50,000	12,00,000
<b>Loans and advances recovered / (taken):</b>		
City Online Media Private Limited	-	(20,000)
City Online Digital Private Limited	10,91,000	119,308
<b>Sales to:</b>		
City Online Digital Private Limited	-	60,952
<b>Investment in:</b>		
City Online Media Private Limited	-	1,00,000
City Online Digital Private Limited	-	1,00,000
<b>Loans and advances given to related parties:</b>		
City Online Digital Private Limited	33,98,022	90,000
City Online Media Private Limited	-	-

**c) Related party balances:**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
<b>Non Current Investments:</b>		
City Online Media Private Limited	100,000	100,000
City Online Digital Private Limited	100,000	100,000
<b>Loans and advances given / (taken):</b>		
City Online Digital Private Limited	23,46,714	(29,309)
City Online Media Private Limited	-	-
<b>Loans and advances taken:</b>		
City Online Media Private Limited	20,000	20,000

**29. Lease obligation as Lessee:**

Lease payments made under cancellable operating leases have been recognized as an expense in the Statement of profit and loss.

**30. Earnings per share:**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Profit /(Loss) after tax	(5,231,440)	(10,813,259)
<b>Basic and diluted</b>	<b>(1.01)</b>	<b>(2.09)</b>
Weighted average number of shares outstanding	51,64,700	51,64,700
<b>Face value per share (Rs.)</b>	<b>10</b>	<b>10</b>



**City Online Services Limited**

Notes to financial statements for the year ended March 31, 2016

(All amounts in Indian Rupees, unless otherwise stated)

**31. Earnings in foreign currency**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Income from co-location service	-	2,40,483
Hardware sale income	-	8,20,013
<b>Total</b>	-	<b>10,60,496</b>

**32. Expenditure in foreign currency**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Hardware (including VOIP charges)	348,343	1,94,69,187
Membership fee	257,917	-
<b>Total</b>	<b>606,260</b>	<b>1,94,69,187</b>

**33.** There is no balance confirmation available for the receivables and payables outstanding as on March 31, 2016 and such balances are subject to confirmation.

**34.** The principal amount remaining unpaid as at March 31, 2016 in respect of enterprises covered under "Micro, Small and Medium Enterprises Development Act, 2006" (MSMEDA) is Rs. Nil.

In respect of transactions with "Suppliers" who constitute Micro, Small and Medium Enterprises under Micro, Small and Medium Enterprises Development Act, 2006 disclosures relating to interest paid/payable are not applicable.

**35.** Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

**For and on behalf of the Board**

S Raghava Rao

**Chairman and Managing Director****DIN: 01441612**

R Krishna Mohan

**Director****DIN: 01678152**

Sampada K. Joshi

**Company Secretary****Place:** Hyderabad**Date:** May 30, 2016



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**CONSOLIDATED FINANCIAL STATEMENTS**  
City Online Services Limited and Its  
Subsidiaries

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## **INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

### **TO THE MEMBERS OF CITY ONLINE SERVICES LIMITED**

#### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of City Online Services Limited (hereinafter referred to as “the Holding Company”) and its subsidiaries (the Holding Company and its subsidiaries together referred to as “the Group”) comprising of the Consolidated Balance Sheet as at March 31, 2016, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as “the consolidated financial statements”).

#### **Management's Responsibility for the Consolidated Financial Statements**

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as “the Act”) that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the

Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2016, and their consolidated profit and their consolidated cash flows for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**

1. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
  - b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
  - c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
  - d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, as applicable.
  - e) On the basis of the written representations received from the directors of the Holding Company and subsidiary companies as on March 31, 2016 taken on record by the Board of Directors of the Holding Company and subsidiary companies, none of the directors of the Group companies is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A", which is based on the auditors' reports of the Holding company and subsidiary companies. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Holding company's and subsidiary company's internal financial controls over financial reporting.
  - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i) the Group does not have any pending litigations which would impact its financial position.
    - ii) the Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

iii) there has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Group.

**For Seshachalam & Co**  
Chartered Accountants  
Firm Registration Number. 003714S

**T Bharadwaj**  
Partner  
Membership No. 201042

**Place :** Hyderabad  
**Date :** May 30, 2016

## **ANNEXURE “A” TO THE INDEPENDENT AUDITORS' REPORT**

**(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' of our report of even date)**

### **Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

In conjunction with our audit of the consolidated financial statements of the Group as of and for the year ended March 31, 2016, we have audited the internal financial controls over financial reporting of City Online Services Limited (hereinafter referred to as “the Holding Company”) and its subsidiary companies as of that date.

#### **Management's Responsibility for Internal Financial Controls**

The respective Board of Directors of the Holding company and its subsidiary companies are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

#### **Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are

being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

#### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the Holding Company and its subsidiary companies have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the respective companies, as adopted by each company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For Seshachalam & Co**  
Chartered Accountants  
Firm Registration Number. 003714S

**T Bharadwaj**  
Partner  
Membership No. 201042

**Place :** Hyderabad  
**Date :** May 30, 2016

**City Online Services Limited**  
**Consolidated Balance Sheet as at March 31, 2016**  
CIN: L72200TG1999PLC032114

(All amounts in Indian Rupees, unless otherwise stated)

Particulars		Note	As at March 31, 2016	As at March 31, 2015
<b>I</b>	<b>EQUITY AND LIABILITIES</b>			
<b>1</b>	<b>Shareholders' funds</b>			
	(a) Share capital	3	56,098,330	56,098,330
	(b) Reserves and surplus	4	(24,302,985)	(19,032,755)
<b>2</b>	<b>Non-current liabilities</b>			
	(a) Long term borrowings	5	836,698	1,831,018
	(b) Deferred tax liability	6	5,085	3,634
	(c) Long term provisions	7	1,086,000	838,000
<b>3</b>	<b>Current liabilities</b>			
	(a) Short-term borrowings	8	17,503,533	12,721,520
	(b) Trade payables			
	Total outstanding dues of micro and small enterprises			
	Total outstanding dues of creditors other than micro and small enterprises	9	20,498,047	11,935,168
	(c) Other current liabilities	10	19,254,454	11,049,163
	(d) Short-term provisions	11	-	42,963
	<b>Total</b>		<b>90,979,162</b>	<b>75,487,041</b>
<b>II</b>	<b>ASSETS</b>			
<b>1</b>	<b>Non-current assets</b>			
	(a) Fixed assets			
	(i) Tangible assets	12A	16,867,397	20,902,584
	(ii) Intangible assets	12B	142,748	218,668
	(b) Non-current investments	13	2,225,855	450,000
	(c) Deferred tax assets	14	714,505	3,584,937
	(d) Long term loans and advances	15	2,292,810	1,429,567
<b>2</b>	<b>Current assets</b>			
	(a) Inventories	16	16,665,590	13,573,732
	(b) Trade receivables	17	29,832,121	26,713,407
	(c) Cash and bank balances	18	4,668,330	3,867,487
	(d) Short-term loans and advances	19	17,173,872	4,570,162
	(e) Other current assets	20	395,934	176,497
	<b>Total</b>		<b>90,979,162</b>	<b>75,487,041</b>
Corporate information and Summary of significant accounting policies		1 & 2		
Accompanying notes forming an integral part of the financial statements		1 to 37		

As per our report on even date

**For Seshachalam & Co**

Chartered Accountants

Firm Registration Number: 003714S

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

T. Bharadwaj  
**Partner**

S. Raghava Rao  
**Chairman and Managing Director**

R. Krishna Mohan  
**Director**

**Place:** Hyderabad

**Date:** May 30, 2016

**City Online Services Limited**
**Consolidated Statement of Profit and Loss for the year ended March 31, 2016**
**CIN: L72200TG1999PLC032114**

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note	For the year ended March 31, 2016	For the year ended March 31, 2015
I. Revenue from operations	21	136,425,616	143,701,970
II. Other income	22	2,680,621	984,590
<b>III. Total revenue</b>		<b>139,106,238</b>	<b>144,686,560</b>
<b>IV. Expenses:</b>			
Operating expenses	23	95,659,437	107,433,446
Employee benefit expenses	24	17,317,138	15,754,193
Finance cost	25	1,823,702	1,433,726
Depreciation and amortisation expenses	12	5,274,048	14,489,634
Other expenses	26	21,430,270	18,778,347
<b>V. Total expenses</b>		<b>141,504,595</b>	<b>157,889,346</b>
<b>VI. Loss Before Tax (III-V)</b>		<b>(2,398,357)</b>	<b>(13,202,786)</b>
<b>VII. Tax expense</b>			
- Current tax		-	42,963
- Deferred tax	14	(2,870,512)	2,511,745
<b>VIII. Loss for the year</b>		<b>(5,268,869)</b>	<b>(10,734,004)</b>
<b>IX. Earnings per equity share - Rs. 10</b>			
Basic and diluted	32	(1.02)	(2.08)
Corporate information and Summary of significant accounting policies	1 & 2		
Accompanying notes forming an integral part of the financial statements	1 to 37		
As per our report on even date			
<b>For Seshachalam &amp; Co</b>		<b>For and on behalf of the Board of Directors</b>	
Chartered Accountants			
Firm Registration Number: 003714S			
T. Bharadwaj		S. Raghava Rao	
<b>Partner</b>		<b>Chairman and Managing Director</b>	
		R. Krishna Mohan	
		<b>Director</b>	
<b>Place:</b> Hyderabad			
<b>Date:</b> May 30, 2016			



**City Online Services Limited**
**Consolidated Cash Flow Statement for the year ended March 31, 2016**

CIN: L72200TG1999PLC032114

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
<b>A. Cash flow from operating activities</b>		
Loss before tax	(2,398,357)	(13,202,786)
<b>Adjustment for:</b>		
Interest expense	1,471,651	1,063,560
Interest income	(242,263)	(271,268)
Depreciation and amortisation expenses	5,274,048	14,489,634
<b>Operating profit before working capital changes</b>	<b>4,105,079</b>	<b>2,079,139</b>
<b>Changes in Working Capital :</b>		
Increase in Inventories	(3,091,858)	(5,609,805)
Increase in Sundry Debtors	(3,118,714)	(1,641,772)
Increase in loans and advances	(12,575,787)	(399,085)
Increase/(Decrease) in Current liabilities and provisions	16,593,776	(3,811,014)
<b>Cash Used in Operating activities</b>	<b>1,912,497</b>	<b>(9,382,536)</b>
Direct taxes (paid) / refund	(891,166)	1,415,272
<b>Net Cash from /(used in) Operating activities (A)</b>	<b>1,021,331</b>	<b>(7,967,264)</b>
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets	(1,162,923)	(7,331,737)
Investments in subsidiaries	(1,775,855)	(400,000)
Interest received	22,826	198,511
<b>Net Cash Used in Investing activities (B)</b>	<b>(2,915,952)</b>	<b>(7,533,226)</b>
<b>C. Cash flow from financing activities</b>		
Proceeds from short term borrowings	4,782,013	4,536,801
(Repayment)/Proceeds/ from/of borrowings	(614,897)	1,167,257
Interest paid	(1,471,651)	(1,063,560)
<b>Net Cash from Financing activities (C)</b>	<b>2,695,465</b>	<b>4,640,498</b>
<b>D. Net increase in cash and cash equivalents (A+B+C)</b>	<b>800,843</b>	<b>(10,859,992)</b>
<b>E. Cash and Cash Equivalents</b>		
at the beginning of the year	3,867,487	14,727,479
<b>at the end of the year</b>	<b>4,668,330</b>	<b>3,867,487</b>

The cash flow statement is prepared in accordance with the indirect method stated in Accounting Standard 3 on Cash Flow Statement' and presents the Cash Flows by Operating , Investing and Financing activities.

**For Seshachalam & Co**

Chartered Accountants

Firm Registration Number: 003714S

**For and on behalf of the Board of Directors**
**T. Bharadwaj**

Partner

Membership Number: 201042

**S. Raghava Rao**

Chairman and Managing Director

**R. Krishna Mohan**

Director

**Place:** Hyderabad

**Date:** May 30, 2016

**City Online Services Limited****Notes forming part of the Consolidated Financial Statements**

(All amounts in Indian Rupees, unless otherwise stated)

**3. Share capital**

Particulars	As at March 31, 2016		As at March 31, 2015	
	Number of Shares	Amount	Number of Shares	Amount
<b>Authorised</b> Equity shares of Rs.10 each	7,700,000	77,000,000	7,700,000	77,000,000
<b>Issued</b> Equity shares of Rs.10 each	7,000,000	70,000,000	7,000,000	70,000,000
<b>Subscribed and called up</b> Equity shares of Rs.10 each	6,925,000	69,250,000	6,925,000	69,250,000
<b>Paid up capital</b> Equity shares of Rs.10 each, fully paid-up	5,164,700	51,647,000	5,164,700	51,647,000
<b>Share forfeiture account</b> Equity shares of Rs.10 each, fully paid-up	1,760,300	4,451,330	1,760,300	4,451,330
<b>Total</b>	<b>6,925,000</b>	<b>56,098,330</b>	<b>6,925,000</b>	<b>56,098,330</b>

**(a) Reconciliation of share capital**

Particulars	As at March 31, 2016		As at March 31, 2015	
	Number	Amount	Number	Amount
Balance at the beginning of the period	5,164,700	51,647,000	5,164,700	51,647,000
<b>Add:</b> Issued during the period	-	-	-	-
<b>Less:</b> Bought back during the period	-	-	-	-
<b>Balance at the end of the period</b>	<b>5,164,700</b>	<b>51,647,000</b>	<b>5,164,700</b>	<b>51,647,000</b>

**(b) Rights, preferences and restrictions attached to shares**

**Equity Shares :** The company has one class of equity shares having a face value of Rs.10 per share. Each shareholder is eligible for one vote per share held.

**(c) Shareholders holding more than five percent of paid up share capital\***

Name of the shareholder	As at March 31, 2016		As at March 31, 2015	
	Number of Shares	% Held	Number of Shares	% Held
S. Raghava Rao	684,500	13.25	684,500	13.25

\*As per records of the Company, including its register of shareholders/ members and other declaration received from shareholders regarding beneficial interest, the above shareholding represent both legal and beneficial ownership of shares.

**City Online Services Limited****Notes forming part of the Consolidated Financial Statements**

(All amounts in Indian Rupees, unless otherwise stated)

**4. Reserves and surplus**

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Investment Subsidy :</b>		
At the beginning and at the end of the year	400,000	400,000
<b>Deficit in the statement of Profit and Loss</b>		
At the beginning of the year	(19,434,127)	(7,030,256)
<b>Less:</b> Depreciation adjustment on account of change in useful life as per Companies Act, 2013 Rs. Nil (March 31, 2015: net of deferred tax of Rs.7,46,114)	-	1,668,495
<b>Add:</b> Loss for the year	(5,268,858)	(10,734,004)
<b>At the end of the year</b>	<b>(24,702,985)</b>	<b>(19,432,755)</b>
<b>Total</b>	<b>(24,302,985)</b>	<b>(19,032,755)</b>

**5. Long-term borrowings**

Particulars	As at March 31, 2016		As at March 31, 2015	
	Non-current	Current	Non-current	Current
<b>Term Loans</b>				
<b>From Banks</b>				
Secured [Refer note(i) below]	836,698	545,626	1,831,018	166,203
<b>Total</b>	<b>836,698</b>	<b>545,626</b>	<b>1,831,018</b>	<b>166,203</b>

**Note(i)**

1. The term loan taken from Oriental Bank of Commerce is secured by way of hypothecation of vehicle purchased. The loan is repayable in 60 equal monthly installments. The applicable interest rate is 11.25%. The period of maturity with respect to balance sheet date is 18 installments.
2. The term loan taken from Volkswagen Finance is secured by way of hypothecation of vehicle purchased. The loan is repayable in 60 equal monthly installments. The applicable interest rate is 10.25%. The period of maturity with respect to balance sheet date is 37 installments.

**6. Deferred tax liability**

Components of deferred tax liability are as follows:

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Deferred tax liability</b>		
Depreciation	5,085	3,634
<b>Total</b>	<b>5,085</b>	<b>3,634</b>

**7. Long term provisions**

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Provision for employee benefits</b>		
Gratuity [Refer Note28]	1,086,000	838,000
<b>Total</b>	<b>1,086,000</b>	<b>838,000</b>

**City Online Services Limited**  
**Notes forming part of the Consolidated Financial Statements**  
(All amounts in Indian Rupees, unless otherwise stated)

**8. Short-term borrowings**

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Loans Repayable on Demand</b>		
<b>From Banks</b>		
Secured [Refer note below]	17,190,721	11,971,520
<b>From Others</b>		
Unsecured	312,812	750,000
<b>Total</b>	<b>17,503,533</b>	<b>12,721,520</b>

**Note :** Overdraft from Oriental Bank of Commerce is secured by way of first charge on fixed assets, hypothecation of stock, book debts and further secured by personal guarantee of Directors.

**9. Trade payables**

Particulars	As at March 31, 2016	As at March 31, 2015
Trade payables [Refer note 35 and 36]	20,498,047	11,935,168
<b>Total</b>	<b>20,498,047</b>	<b>11,935,168</b>

**10. Other current liabilities**

Particulars	As at March 31, 2016	As at March 31, 2015
Current maturities of long-term debt [Refer note 5]	545,626	166,203
<b>Other payables :</b>		
Statutory remittances	8,618,399	7,934,489
Security deposits	93,900	265,842
Advance from customers	4,899,451	2,482,629
Loans and advances	5,097,078	200,000
<b>Total</b>	<b>19,254,454</b>	<b>11,049,163</b>

**11. Short term provisions**

Particulars	As at March 31, 2016	As at March 31, 2015
Provision for taxation	-	42,963
<b>Total</b>	<b>-</b>	<b>42,963</b>

City Online Services Limited

Note: 12 Fixed assets

Fixed Assets Schedule as on March 31, 2016

Note 12A : Tangible assets

Particulars	Gross Block			Depreciation			Net Block	
	As at April 01, 2015	Additions	Deletions	As at March 31, 2016	For the period April 01, 2015	On deletions	As at March 31, 2016	As at March 31, 2015
Plant and machinery								
- General	48,919,982	174,515	-	49,094,497	33,687,387	-	37,850,010	15,232,595
- Computers & Data Processing Units	-	-	-	-	-	-	-	-
• End user devices	11,601,116	274,388	-	11,875,504	9,277,056	-	9,385,669	2,324,060
- Vehicles	-	-	-	-	-	-	-	-
• Motor cycles	48,238	-	-	48,238	5,822	-	11,644	36,594
• Motor cars	3,365,980	-	-	3,365,980	856,589	-	1,531,466	1,834,514
Furniture and Fixtures	824,103	-	-	824,103	141,104	-	208,230	615,873
Office equipment	3,138,241	701,328	-	3,839,569	3,027,118	-	3,193,474	646,095
<b>Total</b>	<b>67,897,660</b>	<b>1,150,231</b>	<b>-</b>	<b>69,047,891</b>	<b>46,995,076</b>	<b>-</b>	<b>52,180,493</b>	<b>20,902,584</b>
<b>Previous year</b>	<b>67,592,737</b>	<b>7,077,793</b>	<b>-</b>	<b>74,670,530</b>	<b>36,898,978</b>	<b>-</b>	<b>51,353,337</b>	<b>20,902,584</b>

Note 12B : Intangible assets

Particulars	Gross Block			Amortisation			Net Block	
	As at April 01, 2015	Additions	Deletions	As at March 31, 2016	For the period April 01, 2015	On deletions	As at March 31, 2016	As at March 31, 2015
Computer software	253,944	12,692	-	266,636	35,276	-	123,888	218,668
<b>Total</b>	<b>253,944</b>	<b>12,692</b>	<b>-</b>	<b>266,636</b>	<b>35,276</b>	<b>-</b>	<b>123,888</b>	<b>218,668</b>
<b>Previous year</b>	<b>-</b>	<b>253,944</b>	<b>-</b>	<b>253,944</b>	<b>-</b>	<b>-</b>	<b>35,276</b>	<b>-</b>

<b>Current year( FY 2015-16 )</b>	<b>68,151,604</b>	<b>1,162,923</b>	<b>-</b>	<b>69,314,527</b>	<b>47,030,352</b>	<b>-</b>	<b>52,304,381</b>	<b>21,121,252</b>
<b>Previous year</b>	<b>67,592,737</b>	<b>7,331,737</b>	<b>-</b>	<b>74,924,474</b>	<b>36,898,978</b>	<b>-</b>	<b>51,388,613</b>	<b>30,693,759</b>

**City Online Services Limited**  
**Notes forming part of the Consolidated Financial Statements**  
(All amounts in Indian Rupees, unless otherwise stated)

**13. Non-current investments**

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Non - Trade investments- unquoted- valued at cost</b>		
National savings certificates [5 Bonds (31.03.2015: Rs.50,000) of Rs. 10,000 each]	50,000	50,000
Investment in partnership firm (Refer Note below)	675,855	100,000
<b>Trade investments- unquoted- valued at cost</b>		
Margdarshi Chit Fund Private Limited	1,500,000	300,000
<b>Total</b>	<b>2,225,855</b>	<b>450,000</b>

Name of the firm	As at March 31, 2016			As at March 31, 2015		
	Names of partners in the firm	Total capital	Share of each partner in the profits of the firm	Names of partners in the firm	Total capital	Share of each partner in the profits of the firm
Broadway City Online Consortium	City Online Services Limited Broadway communications	675,855 853,951	50% 50%	City Online Services Limited Broadway communications	100,000 1,429,806	50% 50%
In-fo City Online Consortium	City Online Services Limited In-fo City Solutions Private Limited	196,738 -	50% 50%	City Online Services Limited In-fo City Solutions Private Limited	- -	50% 50%

**14. Deferred tax**

Components of deferred tax assets are as follows:

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Deferred tax assets</b>		
Depreciation	637,873	3,537,969
Employee benefits	76,632	46,968
<b>Total</b>	<b>714,505</b>	<b>3,584,937</b>

**15. Long term loans and advances**

Particulars	As at March 31, 2016	As at March 31, 2015
Tax deducted at source	2,292,810	1,401,644
Capital advance	-	27,923
<b>Total</b>	<b>2,292,810</b>	<b>1,429,567</b>

**16. Inventories** [Lower of cost and net realisable value]

Particulars	As at March 31, 2016	As at March 31, 2015
Stock in trade	16,665,590	13,573,732
<b>Total</b>	<b>16,665,590</b>	<b>13,573,732</b>

**City Online Services Limited****Notes forming part of the Consolidated Financial Statements**

(All amounts in Indian Rupees, unless otherwise stated)

**17. Trade receivables [Refer note 35]**

Particulars	As at March 31, 2016	As at March 31, 2015
Outstanding for a period exceeding six months	6,654,905	11,775,716
Others	23,177,216	14,937,691
<b>Total</b>	<b>29,832,121</b>	<b>26,713,407</b>

**18. Cash and bank balances**

Particulars	As at March 31, 2016	As at March 31, 2015
<b>Cash and cash equivalents:</b>		
Cash on hand	225,864	307,546
Balances with banks		
- in current accounts	1,832,466	949,941
	<b>2,058,330</b>	<b>1,257,487</b>
<b>Other bank balances</b>		
Margin money deposits with banks with maturity period more than 3 months but less than 12 months	2,610,000	2,610,000
	<b>2,610,000</b>	<b>2,610,000</b>
<b>Total</b>	<b>4,668,330</b>	<b>3,867,487</b>

**19. Short-term loans and advances**

Unsecured, considered good

Particulars	As at March 31, 2016	As at March 31, 2015
Salary advances	214,072	371,601
Security deposits	1,921,381	1,912,381
Prepaid expenses	7,738,746	-
Advance to suppliers	7,299,673	2,286,180
<b>Total</b>	<b>17,173,872</b>	<b>4,570,162</b>

**20. Other current assets**

Unsecured, considered good

Particulars	As at March 31, 2016	As at March 31, 2015
Interest accrued on fixed deposits with bank	395,934	176,497
<b>Total</b>	<b>395,934</b>	<b>176,497</b>

**City Online Services Limited**  
**Notes forming part of the Consolidated Financial Statements**

(All amounts in Indian Rupees, unless otherwise stated)

**21. Revenue from operations(Gross)**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Income from internet services	129,126,774	104,568,312
Income from VOIP services	745,181	861,460
Income from sales	6,553,661	38,272,198
<b>Total</b>	<b>136,425,616</b>	<b>143,701,970</b>

**22. Other income**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Excess provisions written back	466,053	131,579
Interest on deposits with bank	242,263	271,268
Rent	65,790	38,500
Miscellaneous income	1,206,234	486,268
Chit fund dividend	362,180	35,000
Freight charges (Recovered)	-	21,975
Net gain on foreign currency transactions	2,002	-
Annual Maintenance charges	219,099	-
Installation charges	117,000	-
<b>Total</b>	<b>2,680,621</b>	<b>984,590</b>

**23. Operating expenses**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Bandwidth charges	76,438,175	59,883,897
Repairs and maintenance	3,383,976	1,452,607
VOIP activation charges	126,135	93,488
Electricity	2,626,683	2,454,503
Rent networking	1,731,258	2,297,325
Cost of sales	1,328,940	27,952,905
Cable line expenses	468,893	330,863
Installation expenses	2,008,653	969,999
Internet telephony charges	-	281,023
Last mile charges	5,565,988	11,391,550
Other operating expenses	90,409	113,734
Purchases	1,890,327	211,552
<b>Total</b>	<b>95,659,437</b>	<b>107,433,446</b>



**City Online Services Limited**  
**Notes forming part of the Consolidated Financial Statements**  
(All amounts in Indian Rupees, unless otherwise stated)

**24. Employee benefit expenses**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Salaries	16,457,704	15,064,278
Contribution to provident fund	713,026	442,251
Staff welfare	146,408	247,664
<b>Total</b>	<b>17,317,138</b>	<b>15,754,193</b>

**25. Finance costs**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Interest expense on		
-Term loans	117,838	194,825
-Working capital borrowings	1,353,813	868,735
Bank charges	352,051	370,166
<b>Total</b>	<b>1,823,702</b>	<b>1,433,726</b>

**26. Other expenses**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Rent [Refer note 31]	2,656,809	1,978,502
Rates and taxes	4,414,940	1,704,937
Director's remuneration	240,000	-
Sales commission	2,196,999	1,509,617
Insurance	110,299	45,899
Auditors' remuneration:	-	-
Statutory audit	334,350	328,090
Tax audit	50,000	50,000
Fees for limited review	50,000	50,000
Fees for other certification	12,743	22,500
Travelling and conveyance	1,540,682	2,155,491
Legal and professional charges	456,707	2,694,984
Advertisement expenses	113,209	183,061
Communication cost	1,087,936	563,692
Bad debts written off	4,808,571	4,757,222
Printing and stationery	302,233	261,003
Repairs and maintenance	-	-
Building	185,104	219,033
Others	1,038,634	422,754
Office Maintenance Expenses	45,745	-
Business promotion	348,000	539,336
Postage and courier	685,953	309,905
Electricity & Maintenance charges	60,000	-
Net loss on foreign currency transaction and translation	(0)	161,271
General Expenses	59,872	41,000
Administration expenses	-	6,290
Miscellaneous expenses	631,484	773,760
<b>Total</b>	<b>21,430,270</b>	<b>18,778,347</b>

**City Online Services Limited**  
**CIN: L72200TG1999PLC032114**

Notes to Consolidated financial statements for the year ended March 31, 2016  
(All amounts in Indian Rupees, unless otherwise stated)

**1. Group information:**

The consolidated financial statements of City Online Services Limited ("the Company") together with its subsidiaries (collectively referred as the 'Group' or the 'consolidating entities') are prepared with generally accepted accounting principles in India under the historical cost convention and on an accrual basis of accounting.

The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under Section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and with the relevant provisions of the Act, pronouncements of The Institute of Chartered Accountants of India ('ICAI'). The financial statements have been prepared on an accrual basis and under the historical cost convention.

The Company, its subsidiaries (jointly referred as the 'Group' herein under) considered in these financial statements are :

Names of the consolidating entities	Country of Incorporation	Percentage holding /interest (%)	
		As at 31 March	
		2016	2015
City Online Digital Private Limited	India	100.00	100.00
City Online Media Private Limited	India	100.00	100.00

**Basis of consolidation**

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible in the same manner as the Company's separate financial statements, except otherwise stated for like transactions in similar circumstances.

Investments in subsidiaries, except where the investments are acquired exclusively with a view to its subsequent disposal in the near future, are accounted in accordance with accounting principles as defined in the Accounting Standard ('AS') 21 'Consolidated Financial Statements', as prescribed under the Rules.

The financial statements of the consolidating entities are added on a line-by-line basis and material inter-company balances and transactions including unrealized gain and loss from such transactions are eliminated upon consolidation.

**2. Significant Accounting Policies**

**a) Use of estimates**

The preparation of financial statements in conformity with Generally Accepted Accounting principles (Indian GAAP) requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reported year. Examples of such estimates include future obligations under employee retirement benefit plans, provision for doubtful receivables, employee benefits, provision for income taxes, useful life of depreciable fixed assets and provision for impairment. Future results could differ due

to changes in these estimates and the difference between the actual result and the estimates are recognized in the period in which the results are known/materialize.

**b) Revenue Recognition**

Revenue is recognized on accrual basis to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Income from the services is recognized when the services are rendered in accordance with the terms agreed.

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to the customer and is stated net of trade discounts and sales returns.

Interest income is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.

**c) Fixed Assets:**

**Tangible Assets:**

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes any directly attributable costs incurred to bring the assets for its intended use.

Subsequent expenditure related to an item of fixed assets is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance.

**Intangible Assets:**

Intangible Assets are recognized only if it is probable that the future economic benefits that are attributable to assets will flow to the enterprise and the cost of the assets can be measured reliably. Intangible assets are recorded at cost and carried at cost less accumulated depreciation. Intangible assets are amortized over their estimated useful lives.

**d) Depreciation/ Amortization**

Depreciation on fixed assets is provided on Straight line method at the rates specified in Schedule II of the Companies Act, 2013 on pro-rata basis. Intangible assets are amortized in the statement of profit and loss over their estimated useful lives.

Individual Fixed Assets costing Rs.5,000 and below are fully depreciated in the year of purchase.

**e) Leases**

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vests with the lessor, are recognized as operating lease. Lease rentals under operating lease are recognized in the statement of profit and loss on a straight-line basis over the lease term.

**f) Inventories**

Inventories are valued at the lower of cost and net realizable value. Cost includes all expenses incurred to bring the inventory to its present location and condition. Cost is determined on a weighted average basis.

**g) Foreign currency Transactions**

Transactions in foreign currencies are translated at the exchange rates prevailing on the dates of transactions and the exchange gains/losses on settlements during the year, are charged to Statement of Profit and Loss. Monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing on the date of Balance sheet. Exchange gains/losses including those relating to fixed assets are dealt with in the Statement of Profit and Loss.

**h) Investments**

Investments are classified into Current and Long Term Investments based on the Management's intention at the time of purchase. Long Term investments are carried at cost less provision for diminution in value, if any which is other than temporary in the value of such investments. Any reduction in carrying amount and any reversals of such reductions are charged or credited to the Statement of profit and loss.

**i) Employee Benefits**

The estimated liability for employee benefits, both short and long term, for present and past services which are due as per the terms of employment are recorded in accordance with Accounting Standard (AS) 15 "Employee Benefits". A brief description of the employee benefits are as follows:

**Gratuity:**

In accordance with the Payment of Gratuity Act, 1972, the Company has an obligation towards gratuity, a defined retirement benefit plan ('the Gratuity Plan') covering all eligible employees.

The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment with the Company.

Vesting occurs on completion of five years of service. The liabilities with regard to the Gratuity Plan are determined by an independent actuarial valuation at each Balance Sheet date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the Statement of Profit and Loss in the period in which they arise.

**Provident Fund:**

All eligible employees of the Company are entitled to receive benefits under the Provident Fund, a defined contribution plan to which both the employee and employer make monthly contributions at a determined percentage of the covered employee's salary. The Company has no further obligations under the provident fund plan beyond its monthly contributions.

**j) Earnings Per Share**

The Company reports basic and diluted earnings per share in accordance with Accounting Standard (AS) 20, Earnings Per Share. Basic earnings per equity share are computed by dividing the net profit for the year attributable to the Equity Shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed by dividing net profits for the year, adjusted for the effects of dilutive potential equity shares, attributable to the Equity Shareholders by the weighted average number of the equity shares and dilutive potential equity shares outstanding during the year except where the results are anti dilutive. Dilutive potential equity shares are deemed converted as of the beginning of the period / year, unless issued at a later date.

**k) Taxation**

Current Tax is the amount of tax payable on taxable income for the period determined in accordance with the provisions of Income Tax Act, 1961.

Deferred tax expense or benefit is recognized on timing differences being the difference between taxable income and accounting income that originate in one period and is likely to reverse in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted as on the balance sheet date.

In the event of unabsorbed depreciation and carry forward of losses, deferred tax assets are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available to realize such assets. In other situations, deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realize these assets.

Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their reliability.

**l) Impairment of Assets**

The management assesses the carrying amount of assets at each balance sheet date to determine whether there is any indication of impairment, if any such indication exists; the recoverable amount of the assets is estimated. An impairment loss is recognized whenever the carrying value of an asset or its cash generating unit exceeds the recoverable amount.

The recoverable amount is the greater of the asset's net selling price and value in use, which is determined, based on the estimated future cash flow discounted to their present values. An impairment loss of an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after such loss was recognized.

The carrying amount of an asset will be increased to its revised recoverable amount, provided such amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

**m) Provisions, Contingent Liabilities and Contingent assets**

A provision is recognized if, as a result of past event, the Company has a present legal obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are determined by the best estimate of the outflow of economic benefits required to settle the obligation at the reporting date.

A disclosure for Contingent liabilities is made when there is a possible obligation or a present obligation where it is not probable that an outflow of resources embodying economic benefits will be required or a reliable estimate cannot be made. Contingent assets are neither recognized nor disclosed in the financial statements.

**n) Cash and cash equivalents**

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

**City Online Services Limited**

Notes to Consolidated financial statements for the year ended March 31, 2016

(All amounts in Indian Rupees, unless otherwise stated)

**27. Contingent Liabilities**

Particulars	As at March 31, 2016	As at March 31, 2015
Performance Guarantee	135,00,000	46,00,000

**28. Employee Benefit Plans:**

The Group has a defined benefit gratuity plan. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet:

Statement of profit and loss

**Net employee benefit expenses recognized in the employee cost**

	March 31, 2016	March 31, 2015
Current service cost	17,000	14,000
Interest cost on benefit obligation	67,000	55,000
Past Service cost – vested benefits	-	-
Expected return on plan assets	-	-
Net actuarial loss/(gain) recognized in the year	1,83,000	2,45,000
Net benefit expense	<b>2,67,000</b>	<b>3,14,000</b>

**Balance sheet****Benefit liability**

	March 31, 2016	March 31, 2015
Present value of defined benefit obligation	10,86,000	8,38,000
Fair value of plan assets	-	-
Plan liability	<b>10,86,000</b>	<b>8,38,000</b>

**Changes in the present value of the defined benefit obligation are as follows:**

	March 31, 2016	March 31, 2015
Opening defined benefit obligation	8,38,000	6,86,000
Current service cost	17,000	14,000
Interest cost	67,000	55,000
Past Service cost – vested benefits	-	-
Benefits paid	(19,000)	(1,62,000)
Actuarial losses on obligation	1,83,000	2,45,000
Closing defined benefit obligation	<b>10,86,000</b>	<b>8,38,000</b>



**City Online Services Limited**

Notes to Consolidated financial statements for the year ended March 31, 2016

(All amounts in Indian Rupees, unless otherwise stated)

**Changes in the fair value of plan assets are as follows:**

	March 31, 2016	March 31, 2015
Opening fair value of plan assets	-	-
Expected return	-	-
Contributions by employer	-	-
Benefits paid	(19,000)	(1,62,000)
Actuarial (losses)/gains	-	-
Closing fair value of plan assets	-	-

**The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:**

	March 31, 2016	March 31, 2015
Discount rate (%)	8%	8%
Expected rate of return on assets (%)	-	-
Salary escalation (%)	7%	7%
Attrition rate (%)*	5%	5%

**\*Rates of Attrition:**

Age at valuation date	Withdrawal Rate	
	FY 2015-16	FY 2014-15
18-30	10%	10%
31-40	5%	5%
41 & +	1%	1%

**29. Segment Information**

The Group's operations predominantly consist only of business of providing internet and intranet, data centre solutions. Hence, there are no reportable segments under Accounting Standard – 17 "Segment Reporting" (AS-17).

During the year, the company's business has been carried out in India. The conditions prevailing in India being uniform, no separate geographical disclosures are considered necessary. There are no other reportable segments.

**30. Related Party Disclosures**

a) Related party disclosures, as required by AS-18, "Related Party Disclosure" is given below:

**Names of the related parties and nature of relationship:**

Nature of Relationship	Name of the Related Party
Key Managerial Personnel (KMP)	C H Harinath
	S Raghava Rao
	R Krishna Mohan
Wholly owned Subsidiaries	City Online Digital Private Limited City Online Media Private Limited

**City Online Services Limited**

Notes to Consolidated financial statements for the year ended March 31, 2016

(All amounts in Indian Rupees, unless otherwise stated)

**b) Transactions with related parties:**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
<b>Managerial Remuneration:</b>		
S Raghava Rao	16,10,000	12,60,000
R Krishna Mohan	15,50,000	12,00,000
Ch Harinath	15,50,000	12,00,000

**31. Lease obligation as Lessee:**

Lease payments made under cancellable operating leases have been recognized as an expense in the Statement of profit and loss.

**32. Earnings per share:**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Loss after tax	(52,68,894)	(1,07,34,004)
<b>Basic and diluted</b>	<b>(1.02)</b>	<b>(2.08)</b>
Weighted average number of shares outstanding	51,64,700	51,64,700
<b>Face value per share (Rs.)</b>	<b>10</b>	<b>10</b>

**33. Earnings in foreign currency**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Income from co-location service	-	240,483
Hardware sale income	-	8,20,013
<b>Total</b>	<b>-</b>	<b>10,60,496</b>

**34. Expenditure in foreign currency**

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Hardware (including VOIP charges)	348,343	1,94,69,187
Membership fee	257,917	-
<b>Total</b>	<b>606,260</b>	<b>1,94,69,187</b>

**35.** There is no balance confirmation available for the receivables and payables outstanding as on March 31, 2016 and such balances are subject to confirmation.

**36.** The principal amount remaining unpaid as at March 31, 2015 in respect of enterprises covered under "Micro, Small and Medium Enterprises Development Act, 2006" (MSMEDA) is Rs. Nil.

In respect of transactions with "Suppliers" who constitute Micro, Small and Medium Enterprises under Micro, Small and Medium Enterprises Development Act, 2006 disclosures relating to interest paid/payable are not applicable.



**City Online Services Limited**

Notes to Consolidated financial statements for the year ended March 31, 2016

(All amounts in Indian Rupees, unless otherwise stated)

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37. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

**For and on behalf of the Board**

S Raghava Rao  
**Chairman and Managing Director**  
**DIN:** 01441612

R Krishna Mohan  
**Director**  
**DIN:** 01678152

Sampada K. Joshi  
**Company Secretary**

**Place:** Hyderabad

**Date:** May 30, 2016

## CITY ONLINE SERVICES LIMITED

701, Aditya Trade Centre, Ameerpet, Hyderabad – 500038

Form No. MGT-11

Proxy form

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member(s)		
Registered Address		
E-mail Id	Folio No /Client ID	DP ID

I/We, being the member(s) of \_\_\_\_\_ shares of the above named company. Hereby appoint

Name :	E-mail Id:
Address:	
Signature , or failing him	

Name :	E-mail Id:
Address:	
Signature	

as my/ our proxy to attend and vote( on a poll) for me/us and on my/our behalf at the 17th Annual General Meeting of the company, to be held on the Thursday of 29th September 2016 at 11.00 A.M. at 71, Aditya Trade Centre, Ameerpet, Hyderabad – 500038 and at any adjournment thereof in respect of such resolutions as are indicated below:

### Resolution No.

Sl. No.	Resolution(S)	Vote	
		For	Against
1.	Adoption of statement of Profit & Loss, Balance Sheet, report of Director's and Auditor's for the financial year 31st March, 2016		
2.	Re-appointment of Smt S. Naga Durga, Director who retires by rotation and being eligible offers himself for re-appointment		
3.	Re-appointment of Shri Ch. Harinath, Director who retires by rotation and being eligible offers himself for re-appointment		
4.	Re-appointment of M/s. Seshachalam & Co, Chartered Accountants as Statutory Auditors & fixing their remuneration		
5.	Re-appointment of Mr. S Raghava Rao as Chairman cum Managing Director of the company for a period of 3 years w.e.f. 01st September, 2016		
6.	Re-appointment of Mr. Ch. Harinath as Executive Director of the company for a period of 3 years w.e.f. 01st September, 2016		
7.	Re-appointment of Mr. R. Krishna Mohan as Director(Finance & Administration) and Chief Financial Officer of the company for a period of 3 years w.e.f. 01st September, 2016		

Signed this \_\_\_\_ day of \_\_\_\_ 2016

Affix  
Revenue  
Stamps

Signature of Shareholder

Signature of Proxy holder

Signature of shareholder  
across Revenue Stamp

Note:

- 1) This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
- 2) The proxy need not be a member of the company

**CITY ONLINE SERVICES LIMITED**  
**701, Aditya Trade Centre, Ameerpet, Hyderabad – 500038**

**ATTENDANCE SLIP**

(To be handed over at the entrance of the meeting hall)

17th Annual General Meeting on 29th September 2016

Full name of the members attending \_\_\_\_\_

(In block capitals)

Ledger Folio No./Client ID No. \_\_\_\_\_ No. of shares held: \_\_\_\_\_

Name of Proxy \_\_\_\_\_

(To be filled in, if the proxy attends instead of the member)

I hereby record my presence at the 17th Annual General Meeting of the City Online Services Limited, 701, Aditya Trade Centre, Ameerpet, Hyderabad - 500038, on Thursday, the 29th September 2016

(Member's /Proxy's Signature)

**Note:**

- 1) Members are requested to bring their copies of the Annual Report to the meeting, since further copies will not be available.
- 2) The Proxy, to be effective should be deposited at the Registered Office of the Company not less than FORTY EIGHT HOURS before the commencement of the meeting.
- 3) A Proxy need not be a member of the Company.
- 4) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by Proxy, shall be accepted to the exclusion of the vote of the other joint holders. Seniority shall be determined by the order in which the names stand in the Register of Members.
- 5) The submission by a member of this form of proxy will not preclude such member from attending in person and voting at the meeting.

# Book-Post



If undelivered, please return to :

**City Online Services Limited**

701, 7th Floor, Aditya Trade Center, Ameerpet, Hyderabad - 500 038.

Ph : 040-66416882 / 67231914, Telefax : 66416891

Email : [corp@cityonlines.com](mailto:corp@cityonlines.com), [www.cityonlines.com](http://www.cityonlines.com)

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