



City Online
Services Limited

Internet Services with world class technology

ANNUAL REPORT
2014 - 2015

Annual Report 2014-15

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. Nicodamus	:	Independent Director
Mr. M. Nageswara Rao	:	Independent Director
Mr. K. Arun Prasad	:	Independent Director
Mrs S. Naga Durga	:	Woman Director

Company Secretary : **Ms. Sampada K Joshi**

Registered Office : **701, 7th Floor, Aditya Trade Center, Ameerpet, Hyderabad –500 038**

Website : **www.cityonlines.com**

CIN : L72200TG1999PLC032114

Email ID : corp@cityonlines.com

Statutory Auditors : M/s. Seshachalam & Co
Chartered Accountants
Secunderabad.

Secretarial Auditors : M/s. VCSR & Associates
Company Secretaries
Hyderabad

Internal Auditors : M/s. D. Rambabu & Co.
Chartered Accountants
Hyderabad

Bankers : Oriental Bank of Commerce, Hyderabad
ICICI Bank, Hyderabad
State Bank of India, Vijayawada

Registrars and Share Transfer Agents
XL Softech Systems Ltd
3, Sagar Society, Road No.3,
Banjara Hills,
Hyderabad – 500 034.

NOTICE

Notice is hereby given that the 16th Annual General Meeting of the Company will be held on Monday the 28th September 2015 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, 2015 and Balance Sheet as at that date together with Directors Report and Auditors Report thereon.
- 2) To appoint a director in place of Shri S Raghava Rao who retires by rotation and being eligible offers himself for re-appointment.
- 3) To appoint a director in place of Shri R Krishna Mohan who retires by rotation and being eligible offers himself for re-appointment.
- 4) To appoint M/s. Seshachalam & Co, Chartered Accountants, Secunderabad to hold office until the conclusion of Fifth Annual General Meeting to be held after this meeting, subject to ratification at every Annual General Meeting and to fix their remuneration for the financial year ending 31st March, 2016.

SPECIAL BUSINESS:

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

“RESOLVED THAT pursuant to the provisions of 196,197, 203 and Schedule V and other applicable provisions if any of the Companies Act, 2013, the remuneration and perquisites payable to Shri S. Raghava Rao, Chairman & Managing Director for the remaining period of his tenure be increased, with effect from 01.09.2015, as follows:

1. Salary : Rs. 1,55,000/- per month
2. Performance Bonus : Up to a maximum of 25% of Salary, payable quarterly or at other intervals as may be decided by the Board.
3. Perquisites and Allowances
 - i) Housing : Furnished/unfurnished residential Accommodation or house rent allowance up to 40% of Salary in lieu there of.
 - ii). Medical Reimbursement/ Allowance : Reimbursement of actual expenses for Self and family and / or allowances will be paid as per the rules of the Company.
 - iii). Leave Travel Concession/

Allowance	: For self and family once in a year, in Accordance with the rules of the Company.
iv). Club Fees	: Fees payable subject to a maximum of two Clubs.
v). Provision of Driver/ Driver's Salary allowance	: As per rules of the Company.
vi). Personal Accident Insurance	: As per rules of the Company.
vii). Earned / Privilege Leave	: As per rules of the Company.
viii). Company's contribution to Provident Fund and Super-Annuation Fund	: As per rules of the Company.
ix). Gratuity	: As per rules of the Company.
x). Encashment of Leave	: As per rules of the Company.
xi). Car and Telephone	: Use of the Car and Telephone for official Purposes.

Minimum Remuneration

Where in any financial year, during the currency of tenure of Mr. S. Raghava Rao, the Company incurs a loss or its profits are in adequate, the Company may pay them remuneration by way of Salary, performance bonus, perquisites and allowances not exceeding the limits as specified in Schedule V of the Companies Act, 2013 or such other limits as may be prescribed by the Central Government from time to time as minimum remuneration.

6) To consider and if thought fit, to pass, with or without modification(s) the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of 196,197, 203 and Schedule V and other applicable provisions if any of the Companies Act, 2013, the remuneration and perquisites payable to Shri Ch. Harinath, Executive Director for the remaining period of his tenure be increased, with effect from 01.09.2015, as follows:

1. Salary : Rs. 1,50,000/- per month
2. Performance Bonus : Up to a maximum of 25% of Salary, payable quarterly or at other intervals as may be decided by the Board.
3. Perquisites and Allowances
 - i) Housing : Furnished/unfurnished residential Accommodation or house rent allowance up to 40% of Salary in lieu there of.
 - ii). Medical Reimbursement/

Allowance	: Reimbursement of actual expenses for Self and family and / or allowances will be paid as per the rules of the Company
iii). Leave Travel Concession/ Allowance	: For self and family once in a year, in Accordance with the rules of the Company.
iv). Club Fees	: Fees payable subject to a maximum of two Clubs.
v). Provision of Driver/ Driver's Salary allowance	: As per rules of the Company.
vi). Personal Accident Insurance	: As per rules of the Company.
vii). Earned / Privilege Leave	: As per rules of the Company.
viii). Company's contribution to Provident Fund and Super-Annuation Fund	: As per rules of the Company.
ix). Gratuity	: As per rules of the Company.
x). Encashment of Leave	: As per rules of the Company.
xi). Car and Telephone	: Use of the Car and Telephone for official Purposes.

Minimum Remuneration

Where in any financial year, during the currency of tenure of Mr. Ch. Harinath, the Company incurs a loss or its profits are in adequate, the Company may pay them remuneration by way of Salary, performance bonus, perquisites and allowances not exceeding the limits as specified in Schedule V of the Companies Act, 2013 or such other limits as may be prescribed by the Central Government from time to time as minimum remuneration.

7) To consider and if thought fit, to pass, with or without modification(s) the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of 196,197, 203 and Schedule V and other applicable provisions if any of the Companies Act, 2013, the remuneration and perquisites payable to Shri R. Krishna Mohan, Director (Finance & Administration) for the remaining period of his tenure be increased, with effect from 01.09.2015, as follows:

1. Salary : Rs. 1,50,000/- per month
2. Performance Bonus : Up to a maximum of 25% of Salary, payable quarterly or at other intervals as may be decided by the Board.
3. Perquisites and Allowances

- i) Housing : Furnished/unfurnished residential Accommodation or house rent allowance up to 40% of Salary in lieu there of.
- ii). Medical Reimbursement/ Allowance : Reimbursement of actual expenses for Self and family and / or allowances will be paid as per the rules of the Company.
- iii). Leave Travel Concession/ Allowance : For self and family once in a year, in Accordance with the rules of the Company.
- iv). Club Fees : Fees payable subject to a maximum of two Clubs.
- v). Provision of Driver/ Driver's Salary allowance : As per rules of the Company.
- vi). Personal Accident Insurance : As per rules of the Company.
- vii). Earned / Privilege Leave : As per rules of the Company.
- viii). Company's contribution to Provident Fund and Super-Annuation Fund : As per rules of the Company.
- ix). Gratuity : As per rules of the Company.
- x). Encashment of Leave : As per rules of the Company.
- xi). Car and Telephone : Use of the Car and Telephone for official Purposes.

Minimum Remuneration

Where in any financial year, during the currency of tenure of Mr. R. Krishna Mohan, the Company incurs a loss or its profits are inadequate, the Company may pay them remuneration by way of Salary, performance bonus, perquisites and allowances not exceeding the limits as specified in Schedule V of the Companies Act, 2013 or such other limits as may be prescribed by the Central Government from time to time as minimum remuneration.

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

"RESOLVED THAT pursuant to provisions of Companies Act 2013, and other applicable provisions, if any, consent of Members is hereby accorded to replace new set of articles produced below with the present Articles of Association".

INCORPORATED
UNDER
THE COMPANIES ACT, 2013
(18 OF 2013)

COMPANY LIMITED BY SHARES
ARTICLES OF ASSOCIATION
OF
CITY ONLINE SERVICES LIMITED
PRELIMINARY

1. The regulations contained in these Articles shall apply to the extent they are not inconsistent with the provisions of Table 'F' of the Companies Act, 2013.

INTERPRETATION

2.
 - a) Unless the context otherwise requires, words or expressions contained in these Articles shall have the same meaning as in the Companies Act, 2013 or any statutory modification thereof in force at the date at which these Articles become binding on the Company.
 - b) "The Act" means "the Companies Act, 2013" as amended from time to time and statutory modifications thereof.
 - c) "Regulations" means these Articles of Association as originally framed or altered from time to time and include the Memorandum of Association where the context so requires.
 - d) "The Articles" means the Articles of Association of the Company.
 - e) "The Memorandum" means the Memorandum of Association of the Company.
 - f) "The Company" or "This Company" means CITY ONLINE SERVICES LIMITED.
 - g) "The Office" means the Registered Office for the time being of the Company.
 - h) "Directors" means the Directors for the time being of the Company and includes any person appointed by the Board occupying the position of director by whatever name called.
 - i) "The Managing Director" means the Managing Director for the time being of the Company.
 - j) "Whole time Director / Executive Director" means the Whole time Director for the time being of the Company.
 - k) "The seal" means the Common Seal for the time being of the Company
 - l) "In writing" or "written" includes printing, lithography and other modes of representing or reproducing words in visible form.
 - a. "Depositories Act" shall mean the Depositories Act, 1996 and include where the context so admits, any re-enactment or statutory modification thereof for the time being in force.
 - b. "Depository" shall have the meaning assigned thereto by Clause (e) of Sub-Section (1) of Section 2 of the Depositories Act, 1996.
 - c. "Beneficial Owner" means a person or persons as defined in Section 2 of the Depositories Act and whose name is recorded as such with a depository.
 - d. "Member(s) or Shareholder(s)" - unless otherwise provided, means the duly registered holder, from time to time, of the shares of the Company and includes the subscribers to the Memorandum of Association of the Company and also one whose name is entered as Beneficial Owner of the shares in the records of a depository.
 - m) "Share" means a share in the share capital of the Company and includes stock, except where a distinction between stock and shares is expressed or implied.

- n) "Capital" means the capital for the time being raised or authorised to be raised for the purpose of the Company.
- a. "Paid-up" means and includes credited as paid-up.
 - b. "The Register" means the Register of Members to be kept pursuant to Section 88 of the Act.
 - c. "Dividend" includes Interim Dividend.
 - d. "Month" means the Calendar Month.
- o) "Year" means the "Financial Year" shall have the meaning assigned thereto by section 2(41) of the Act.
- p) "Annual General Meeting" means a general meeting of members held in accordance with the provisions of section 96 of the Act or such other relevant provisions of the Act or Acts related to incorporated companies for the time being in force in India.
- q) "Extra-ordinary Meeting" means an Extra-ordinary general meeting of the members duly called and constituted and any adjourned holding thereof.
- r) "Ordinary Resolution" and "Special Resolution" shall have the meanings assigned thereto respectively under section 2(63) of the Act.
- s) "Proxy" means an instrument whereby any person is authorised to vote for a member at a general meeting on a poll.
- t) "Key Managerial Personnel" means the:
- i. Chief Executive Officer or the managing director or the manager;
 - ii. The Company Secretary;
 - iii. The Whole-time director;
 - iv. The Chief Financial Officer.
- u) Words importing the singular number include the plural number and vice-versa.
- i. Subject as aforesaid any words or expressions defined in 'the Act', where the subject or context forbids, bear the same meaning in these Articles.
 - ii. Unless the context otherwise requires, words or expressions contained in these regulations shall bear the same meaning as in the Act or any statutory modification thereto.
 - iii. Words and expressions not defined anywhere in the Act and in these articles, those words and expressions shall have same meaning as defined in any other law for the time being in force in India.

SHARE CAPITAL AND VARIATION OF RIGHTS

3. Subject to the provisions of the Act and these Articles, the shares in the capital of the company shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par and at such time as they may from time to time think fit.
- 4.
- a. Every person whose name is entered as a member in the register of members shall be entitled to receive within two months after incorporation, in case of

subscribers to the memorandum or after allotment or within one month after the application for the registration of transfer or transmission or within such other period as the conditions of issue shall be provided,—

- i. One certificate for all his shares without payment of any charges; or
 - ii. Several certificates, each for one or more of his shares, upon payment of twenty rupees for each certificate after the first.
 - b. Every certificate shall be under the seal and shall specify the shares to which it relates and the amount paid-up thereon.
 - c. In respect of any share or shares held jointly by several persons, the company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all such holders.
5.
 - a. If any share certificate be worn out, defaced, mutilated or torn or if there be no further space on the back for endorsement of transfer, then upon production and surrender thereof to the company, a new certificate may be issued in lieu thereof, and if any certificate is lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, a new certificate in lieu thereof shall be given within Six weeks from the submission of complete documents to the Company. Every certificate under this Article shall be issued on payment of twenty rupees for each certificate.
 - b. The provisions of Articles (5) and (6) shall mutatis mutandis apply to debentures of the company.
6. Except as required by law, no person shall be recognized by the company as holding any share upon any trust, and the company shall not be bound by, or be compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these regulations or by law otherwise provided) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.
7.
 - a. The company may exercise the powers of paying commissions conferred by sub-section (6) of section 40, provided that the rate per cent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by that section and rules made there under.
 - b. The rate or amount of the commission shall not exceed the rate or amount prescribed in rules made under sub-section (6) of section 40.
 - c. The commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in the one way and partly in the other.
8.
 - a. If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of section 48, and whether or not the company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

- b. To every such separate meeting, the provisions of these regulations relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be at least two persons holding at least one-third of the issued shares of the class in question.
9. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.
10. Subject to the provisions of section 55, any preference shares may, with the sanction of an ordinary resolution, be issued on the terms that they are to be redeemed on such terms and in such manner as the company before the issue of the shares may, by special resolution, determine.

LIEN

11. The company shall have a first and paramount lien—
- i. On every share (not being a fully paid share), for all monies (whether presently payable or not) called, or payable at a fixed time, in respect of that share; and
 - ii. On all shares (not being fully paid shares) standing registered in the name of a single person, for all monies presently payable by him or his estate to the company:

Provided that the Board of directors may at any time declare any share to be wholly or in part exempt from the provisions of this clause.

12. The company's lien, if any, on a share shall extend to all dividends payable and bonuses declared from time to time in respect of such shares.
13. The company may sell, in such manner as the Board thinks fit, any shares on which the company has a lien:

Provided that no sale shall be made—

- i. Unless a sum in respect of which the lien exists is presently payable; or
 - ii. Until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or insolvency.
- 14.
- i. To give effect to any such sale, the Board may authorise some person to transfer the shares sold to the purchaser thereof.
 - ii. The purchaser shall be registered as the holder of the shares comprised in any such transfer.
 - iii. The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.
- 15.
- i. The proceeds of the sale shall be received by the company and applied in payment

of such part of the amount in respect of which the lien exists as is presently payable.

- ii. The residue, if any, shall, subject to a like lien for sums not presently payable as existed upon the shares before the sale, be paid to the person entitled to the shares, at the date of the sale.

CALLS ON SHARES

16.

- i. The Board may, from time to time, make calls upon the members in respect of any monies unpaid on their shares (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times:

Provided that no call shall exceed one-fourth of the nominal value of the share or be payable at less than one month from the date fixed for the payment of the last preceding call.

- ii. Each member shall, subject to receiving at least fourteen days' notice specifying the time or times and place of payment, pay to the company, at the time or times and place so specified, the amount called on his shares.
- iii. A call may be revoked or postponed at the discretion of the Board.

17. A call shall be deemed to have been made at the time when the resolution of the Board authorising the call was passed and may be required to be paid by installments.

18. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

19.

- i. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest thereon from the day appointed for payment thereof to the time of actual payment at ten per cent per annum or at such lower rate, if any, as the Board may determine.
- ii. The Board shall be at liberty to waive payment of any such interest wholly or in part.

20.

- i. Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall, for the purposes of these regulations, be deemed to be a call duly made and payable on the date on which by the terms of issue such sum becomes payable.
- ii. In case of non-payment of such sum, all the relevant provisions of these regulations as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

21. The Board -

- a. May, if it thinks fit, receive from any member willing to advance the same, all or any part of the monies uncalled and unpaid upon any shares held by him; and

- b. Upon all or any of the monies so advanced, may (until the same would, but for such advance, become presently payable) pay interest at such rate not exceeding, unless the company in general meeting shall otherwise direct, twelve per cent per annum, as may be agreed upon between the Board and the member paying the sum in advance.

TRANSFER OF SHARES

22.

- i. The instrument of transfer of any share in the company shall be executed by or on behalf of both the transferor and transferee.
- ii. The transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the register of members in respect thereof.

23. The Board may, subject to the right of appeal conferred by section 58 decline to register—

- a) The transfer of a share, not being a fully paid share, to a person of whom they do not approve; or
- b) Any transfer of shares on which the company has a lien.

24. The Board may decline to recognise any instrument of transfer unless—

- a. The instrument of transfer is in the form as prescribed in rules made under sub-section (1) of section 56;
- b. The instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; and
- c. The instrument of transfer is in respect of only one class of shares.

25. On giving not less than seven working days previous notice in accordance with section 91 and rules made there under, the registration of transfers may be suspended at such times and for such periods as the Board may from time to time determine:

Provided that such registration shall not be suspended for more than thirty days at any one time or for more than forty-five days in the aggregate in any year

TRANSMISSION OF SHARES

26.

- a. On the Death of a Member, the survivor or survivors where the member was a joint holder, and his nominee or nominees or legal representatives where he was a sole holder, shall be the only persons recognised by the Company as having any title to his interest in Shares.
- b. Noting in clause (b) shall release the estate of a deceased joint holder from any liability in respect of any Shares which had been jointly held by him with other persons.

27.

- a. Any person becoming entitled to Shares in consequence of the death or insolvency of a member may, upon such evidence being produced as may from time to time properly be required by the Board and subject as hereinafter provided, elect, either:-

- i. To be registered himself as holder of the Share; or
 - ii. To make such transfer of the Shares as the deceased or insolvent member could have made.
 - b. The Board shall, in either case, have the same right to decline or suspend registration as it would have had, if the deceased or insolvent member had transferred the Shares before his death or insolvency.
- 28.
- i. If the person so becoming entitled shall elect to be registered as holder of the share himself, he shall deliver or send to the company a notice in writing signed by him stating that he so elects.
 - ii. If the person aforesaid shall elect to transfer the share, he shall testify his election by executing a transfer of the share.
 - iii. All the limitations, restrictions and provisions of these regulations relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or insolvency of the member had not occurred and the notice or transfer were a transfer signed by that member.
29. A person becoming entitled to a Share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the Shares, except that he shall not, before being registered as a member in respect of the Share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.

Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the Share, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the share, until the requirements of the notice have been complied with.

30. In case of a One Person Company—

- i. On the death of the sole member, the person nominated by such member shall be the person recognized by the company as having title to all the shares of the member;
- ii. The nominee on becoming entitled to the same dividends and other rights and liabilities to which such sole member of the company was entitled or liable;
- iii. On becoming member, such nominee shall nominate any other person with the prior written consent of such person who, shall in the event of the death of the member, become the member of the company.

FORFEITURE OF SHARES

31. If a member fails to pay any call, or installment of a call, on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued

32. The notice aforesaid shall—

- a. Name a further day (not being earlier than the expiry of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made; and
 - b. State that, in the event of non-payment on or before the day so named, the shares in respect of which the call was made shall be liable to be forfeited
33. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may, at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect
- 34.
- i. A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit.
 - ii. At-any time before a sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.
- 35.
- i. A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall, notwithstanding the forfeiture, remain liable to pay to the company all monies which, at the date of forfeiture, were presently payable by him to the company in respect of the shares.
 - ii. The liability of such person shall cease if and when the company shall have received payment in full of all such monies in respect of the shares
- 36.
- i. A duly verified declaration in writing that the declarant is a director, the manager or the secretary, of the company, and that a share in the company has been duly forfeited on a date stated in the declaration, shall be Conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share.
 - ii. The company may receive the consideration, if any, given for the share on any sale or disposal thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of.
 - iii. The transferee shall thereupon be registered as the holder of the share.
 - iv. The transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.
37. The provisions of these regulations as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

ALTERATION OF CAPITAL

38. The company may, from time to time, by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount, as may be specified in the resolution.
39. Subject to the provisions of section 61, the company may, by ordinary resolution, —
- (a) increase its authorised share capital by such amount as it thinks expedient;
 - (b) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

- (c) Convert all or any of its fully paid-up shares into stock, and reconvert that stock into fully paid-up shares of any denomination;
- (d) Sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the memorandum;
- (e) Cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

40. Where shares are converted into stock, —

- a. The holder of stock may transfer the same or any part thereof in the same manner as, and subject to the same regulations under which, the shares from which the stock arose might before the conversion have been transferred, or as near thereto as circumstances admit:

Provided that the Board may, from time to time, fix the minimum amount of stock transferable, so however, that such minimum shall not exceed the nominal amount of the shares from which the stock arose.

- b. The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meeting of the company and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits the company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.
- c. Such of the regulations of the company as are applicable to paid-up shares shall apply to stock and the words "share" and "shareholder" in those regulations shall include "stock" and "stock-holder" respectively.

41. The company may, by special resolution, reduce in any manner and with, and subject to, any incident authorised and consent required by law, —

- (a) Its share capital;
- (b) Any capital redemption reserve account; or
- (c) Any share premium account.

CAPITALISATION OF PROFITS

42.

- a. The Company in general meeting may, upon the recommendation of the Board, resolve
 - i. That it is desirable to capitalize any part of the amount for the time being standing to the credit of any of the company's reserve accounts, or to the credit of the profit and loss account, or otherwise available for distribution; and
 - ii. That such sum be accordingly set free for distribution in the manner specified in clause (b) amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.
- b. The sum aforesaid shall not be paid in cash but shall be applied, subject to the provision contained in clause (iii), either in or towards —
 - i. Paying up any amounts for the time being unpaid on any shares held by such members respectively;

- ii. Paying up in full, unissued shares of the company to be allotted and distributed, credited as fully paid-up, to and amongst such members in the proportions aforesaid;
- iii. Partly in the way specified in sub-clause (i) and partly in that specified in sub-clause (ii);
- iv. A securities premium account and a capital redemption reserve account may, for the purposes of this regulation, be applied in the paying up of unissued shares to be issued to members of the company as fully paid bonus shares;
- v. The Board shall give effect to the resolution passed by the company in pursuance of this regulation.

43.

- a. Whenever such a resolution as aforesaid shall have been passed, the Board shall –
 - i. Make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares if any; and
 - ii. Generally do all acts and things required to give effect thereto.
- b. The Board shall have power –
 - i. To make such provisions, by the issue of fractional certificates or by payment in cash or otherwise as it thinks fit, for the case of shares becoming distributable infractions; and
 - ii. To authorise any person to enter, on behalf of all the members entitled thereto, into an agreement with the company providing for the allotment to them respectively, credited as fully paid-up, of any further shares to which they may be entitled upon such capitalisation, or as the case may require, for the payment by the company on their behalf, by the application thereto of their respective proportions of profits resolved to be capitalised, of the amount or any part of the amounts remaining unpaid on their existing shares;
- c. Any agreement made under such authority shall be effective and binding on such members.

44. DEMATERIALIZATION OF SECURITIES

- i. Option to dematerialise Securities:

Notwithstanding anything contained in these Articles, the Company may in accordance with the provisions of the Depositories Act, 1996, be entitled to dematerialise its securities and to offer the same for the share holders or member of the Company present and future (subscription in a dematerialised form) and on the same being done, the Company shall maintain a Register of Members holding various securities both in material and dematerialised form in any media as permitted by law including any form of electronic media, either in respect of existing shares or any shares either by itself or agency appointed for the purpose.

ii. Option for Investors:

Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a Depository. Such a person who is the beneficial owner of the securities can at any time opt out of depository, in respect of any security in the manner provided by the Depositories Act, 1996; and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificates of Securities.

iii. Securities in Depositories to be held in Fungible form:

All securities held by a Depository shall be dematerialised and be in fungible form. Nothing contained in Sections 89 and 186 of the Act shall apply to a Depository in respect of the securities held by it on behalf of the beneficial owners.

iv. Rights of Depositories and Beneficial Owners:

- (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.
- (b) Save as otherwise provided in (a) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
- (c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his / her securities which are held by a Depository.

v. Service of documents:

Notwithstanding anything contained in the Act or these Articles to the contrary, where securities are held in Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs.

vi. Transfer of Securities:

Nothing contained in Section 56 of the Act or these Articles shall apply to a transfer of securities affected by a transferor and transferee both of whom are entered as beneficial owners in the records of a Depository.

vii. Allotment of Securities dealt with in a Depository:

Notwithstanding anything contained in the Act or these Articles, where securities are dealt with by a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.

viii. Distinctive numbers of securities held in a Depository:

Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a Depository.

ix. Register and index of beneficial owners:

The Register and Index of beneficial owners maintained by a Depository under section

11 of the Depositories Act, 1996; shall be deemed to be the corresponding Register and Index of Members and Security holders for the purpose of these Articles.

Subject to the provisions of Section 88 of the Companies Act, 2013 and rules made there under, a Company may keep in any country outside India, a part of the Register of Members as referred to in sub-section (1), called "foreign register" containing the names and particulars of the members, debenture holders, other security holders or beneficial owners residing outside India.

BUY BACK OF SHARES

45. Nothing withstanding anything contained in these articles but subject to the provisions of section 68 to 70 and any other application provisions of the Act or any other law for the time being in force, the company may purchase its own shares or other specified securities.

GENERAL MEETINGS

46. All general meetings other than annual general meeting shall be called extraordinary general meeting. The Board whenever thinks fit calls an Extra Ordinary General Meeting. A Notice of clear twenty one days (unless a shorter period consented by not less than 95% of the members entitled to vote at that meeting) of every General Meeting including annual general meeting specifying the place, day and the hour of the meeting and the general nature of business to be transacted there at shall be given to such persons as are under these regulations entitled to receive them.

47. Notice will be deemed to have been sent if they are sent either in writing or through electronic mode to the members who are entitled to receive such notice.

48. A General meeting of the Company may be called by the Managing Director or by the Board

49.

- a. No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business.
- b. The quorum for the general meetings shall be –
 - i. five members personally present if the number of members as on the date of meeting is not more than one thousand;
 - ii. fifteen members personally present if the number of members as on the date of meeting is more than one thousand but up to five thousand;
 - iii. thirty members personally present if the number of members as on the date of the meeting exceeds five thousand;

50. The chairperson, if any, of the Board shall preside as Chairperson at every general meeting of the company.

51. If there is no such Chairperson, or if he is not present within fifteen minutes after the time appointed for holding the meeting, or is unwilling to act as chairperson of the meeting, the directors present shall elect one of their members to be Chairperson of the meeting.

52. If at any meeting no director is willing to act as Chairperson or if no director is present within fifteen minutes after the time appointed for holding the meeting, the members present shall choose one of their members to be Chairperson of the meeting.

ADJOURNMENT OF MEETING

53.

- i. The Chairperson may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time and from place to place.
- ii. No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
- iii. When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.
- iv. Save as aforesaid, and provided in section 103 of the Act, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

VOTING RIGHTS

54. Subject to any rights or restrictions for the time being attached to any class or classes of shares,—

- a. On a show of hands, every member present in person shall have one vote; and
- b. On a poll, the voting rights of members shall be in proportion to his share in the paid-up equity share capital of the company.

55. A member may exercise his vote at a meeting by electronic means in accordance with section 108 and shall vote only once.

56.

- a. 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 votes of the other joint holders.
- b. For this purpose, seniority shall be determined by the order in which the names stand in the register of members.

57. A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian, and any such committee or guardian may, on a poll, vote by proxy.

58. Any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll.

59. No member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the company have been paid.

60.

- a. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes.
- b. Any such objection made in due time shall be referred to the Chairperson of the meeting, whose decision shall be final and conclusive.

PROXY

61. The instrument appointing a proxy and the power-of-attorney or other authority, if any, under which it is signed or a notarised copy of that power or authority, shall be deposited at the registered office of the company not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll; and in default the instrument of proxy shall not be treated as valid.
62. An instrument appointing a proxy shall be in the form as prescribed in the rules made under section 105.
63. A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given.

Provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the company at its office before the commencement of the meeting or adjourned meeting at which the proxy is used.

BOARD OF DIRECTORS

64. Unless otherwise determined by the Company in General Meeting the number of Directors of the Company shall not be less than three or more than fifteen including the nominated technical or special Directors, additional, alternate and Debenture Directors if any.
65. The First Directors of the Company are :

Clause (a): The Following are the First Directors of the Company

1. S. Raghava Rao
2. Ch. Harinath
3. J. Gram

66.

- a. The remuneration of the directors shall, in so far as it consists of monthly payments, be deemed to accrue from day-to-day.
- b. In addition to the remuneration payable to them in pursuance of the Act, the directors may be paid all travelling, hotel and other expenses properly incurred by them—
 - i. In attending and returning from meetings of the Board of Directors or any committee thereof or general meetings of the company; or
 - ii. In connection with the business of the company.

67. The Board may pay all expenses incurred in getting up and registering the company

68. The company may exercise the powers conferred on it by section 88 with regard to the keeping of a foreign register; and the Board may (subject to the provisions of that section) make and vary such regulations as it may think fit respecting the keeping of any such register .

69. All cheques, promissory notes, drafts, hundis, bills of exchange and other negotiable

instruments, and all receipts for monies paid to the company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, by such person and in such manner as the Board shall from time to time by resolution determine.

70. Every Director present at any meeting of the board or of a committee thereof shall sign his name in a book to be kept for that purpose.

71.

- i. Subject to the provisions of section 149, The Board shall have power at any time and from time to time to appoint a person as an additional directors, provided the number of the directors and additional directors together shall not at any time exceed the maximum strength fixed for the board by the articles.
- ii. Such person shall hold office only up to the date of the next annual general meeting of the company but shall be eligible for appointment by the company as a director at that meeting subject to the provisions of the Act.
- iii. The Board shall have power to appoint a person as Chief executive officer, chief financial officer, chief accounts officer, chief operating officer, chief security officer and President, vice president.
- iv. Subject to the provisions of Section 161, The Board of Directors shall also have power to fill a casual vacancy in the Board. Any Director so appointed shall hold office only so long as the vacating Director would have held the same if no vacancy had occurred.
- v. Any financial institution which gives or agree to give any loan of other form of financial assistance to the Company may, if the agreement in respect of such loan or such financial assistance to the Company may, if the agreement in respect of such loan or such financial assistance so stipulates, nominate representative on the Board of Director. Such Director(s) shall cease to be the Director(s) upon repayment of such loan or expire of the term stipulated in the agreement for termination of such rights of nomination. Such nominating body may, from time to time remove its nominee(s) and appoint another nominee or nominees in their place and while holding such office such nominees shall not be liable to retirement by rotation.
- vi. As and whenever a special director vacates office, whether upon request aforesaid or by death resignation or otherwise, the person, firm, corporation or body who appointed such Special Director may appoint any other Director in his place. The Special Director may at time by notice in writing to the Company resign his office. Subject as aforesaid the Special Director shall be entitled to the same rights and privileges and be subject to the same obligations as any other Directors of the Company.

PROCEEDINGS OF THE BOARD

72.

- i. The Board of Directors may meet for the conduct of business, adjourn and otherwise regulate its meetings, as it thinks fit.
- ii. A director may, and the manager or secretary on the requisition of a director shall, at any time, summon a meeting of the Board.

73.

- i. Save as otherwise expressly provided in the Act, questions arising at any meeting of the Board shall be decided by a majority of votes.

- ii. In case of an equality of votes, the Chairperson of the Board, if any, shall have a second or casting vote.
- 74. The continuing directors may act notwithstanding any vacancy in the Board; but, if and so long as their number is reduced below the quorum fixed by the Act for a meeting of the Board, the continuing directors or director may act for the purpose of increasing the number of directors to that fixed for the quorum, or of summoning a general meeting of the company, but for no other purpose.
- 75.
 - i. The Board may elect a Chairperson of its meetings and determine the period for which he is to hold office.
 - ii. If no such chairperson is elected, or if at any meeting the Chairperson is not present within five minutes after the time appointed for holding the meeting, the directors present may choose one of their numbers to be Chairperson of the meeting.
- 76.
 - i. The Board may, subject to the provisions of the Act, delegate any of its powers to committees consisting of such member or members of its body as it thinks fit.
 - ii. Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may be imposed on it by the Board.
- 77.
 - i. A committee may elect a Chairperson of its meetings.
 - ii. If no such Chairperson is elected, or if at any meeting the Chairperson is not present within five minutes after the time appointed for holding the meeting, the members present may choose one of their members to be Chairperson of the meeting.
- 78.
 - i. A committee may meet and adjourn as it thinks fit.
 - ii. Questions arising at any meeting of a committee shall be determined by a majority of votes of the members present, and in case of an equality of votes, the Chairperson shall have a second or casting vote.
- 79. All acts done in any meeting of the Board or of a committee thereof or by any person acting as a director, shall, notwithstanding that it may be afterwards discovered that there was some defect in the appointment of any one or more of such directors or of any person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such director or such person had been duly appointed and was qualified to be a director.
- 80. Save as otherwise expressly provided in the Act, a resolution in writing, signed by all the members of the Board or of a committee thereof, for the time being entitled to receive notice of a meeting of the Board or committee, shall be valid and effective as if it had been passed at a meeting of the Board or committee, duly convened and held.

KEY MANAGERIAL PERSONAL

- 81. Subject to the provisions of the Act,—
 - i. A chief executive officer, manager, company secretary or chief financial officer may be appointed by the Board for such term, at such remuneration and upon such conditions as

it may think fit; and any chief executive officer, manager, company secretary or chief financial officer so appointed may be removed by means of a resolution of the Board;

ii. A director may be appointed as chief executive officer, manager, company secretary or chief financial officer.

82. A provision of the Act or these regulations requiring or authorizing a thing to be done by or to a director and chief executive officer, manager, company secretary or chief financial officer shall not be satisfied by its being done by or to the same person acting both as director and as, or in place of, chief executive officer, manager, company secretary or chief financial officer.

BORROWING

83. The board of directors may from time to time but with such consent of the company, in General Meeting as may be required raise any moneys or sums of money for the purpose of the company provided that the moneys to be borrowed by the company apart from temporary loans obtained from the company bankers in the ordinary course of business shall not without the sanction of the company at a General Meeting exceed the aggregate of the paid up capital of the company and its free reserve that is to say reserve not set apart for any specific purpose and in particular but subject to the provisions of the Act the Board may from time to time at their discretion raise or borrow or secure the payment by the issue of debentures perpetual or otherwise including debenture convertible into shares of this or any other company or perpetual mortgage, pledge or charges the whole or any part of the property assets or revenue of the company present or future including its uncalled capital by special assignment or otherwise or to transfer or convey the same absolutely or in trust and to give the lenders powers of sale and other powers as may be expedient and to purchase redeem or pay off any such securities.

84. Provided that every resolution passed by the company in General Meeting in Relation to the exercises of the borrow as stated above shall specify the total amount up to which moneys may be borrowed by the Board of Directors.

85. The Directors may by a resolution at a meeting of the Board delegate the above power to borrow money otherwise than on debentures to a committee of directors or the managing directors if any within the limits prescribed.

86. Subject to the provisions of the above sub-clause the directors may from time at their discretion raise or borrow or secure the repayment of any sum or sums of money for the purpose of the company at such time and they think fit. And in particular by promissory notes or by opening current accounts or by receiving deposits and advance with or without security or by the issue of bonds perpetual or redeemable debentures of debenture stock of the company (both present and future) including its uncalled capital for the time being or by mortgaging or charging or pledging any lands buildings goods or other property and securities of the company or by such other means as to them may seem expedient.

THE SEAL

- 87.
- i. The Board shall provide for the safe custody of the seal.
 - ii. The seal of the company shall not be affixed to any instrument except by the authority of a resolution of the Board or of a committee of the Board authorised by it in that behalf, and except in the presence of at least two directors and of the secretary or such other person as the Board may appoint for the purpose; and those two directors-and the secretary or other person aforesaid shall sign every instrument to which the seal of the company is so affixed in their presence.

DIVIDENDS AND RESERVES

88. The company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board.

89. Subject to the provisions of section 123, the Board may from time to time pay to the members such interim dividends as appear to it to be justified by the profits of the company

90.

- a. The Board may, before recommending any dividend, set aside out of the profits of the company such sums as it thinks fit as a reserve or reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the company may be properly applied, including provision for meeting contingencies or for equalising dividends; and pending such application, may, at the like discretion, either be employed in the business of the company or be invested in such investments (other than shares of the company) as the Board may, from time to time, think fit.
- b. The Board may also carry forward any profits which it may consider necessary not to divide, without setting them aside as a reserve.

91.

- a. Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but if and so long as nothing is paid upon any of the shares in the company, dividends may be declared and paid according to the amounts of the shares.
- b. No amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this regulation as paid on the share.
- c. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.

92. The Board may deduct from any dividend payable to any member all sums of money, if any, presently payable by him to the company on account of calls or otherwise in relation to the shares of the company.

93.

- a. Any dividend, interest or other monies payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the register of members, or to such person and to such

address as the holder or joint holders may in writing direct.

b. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.

94. Any one of two or more joint holders of a share may give effective receipts for any dividends, bonuses or other monies payable in respect of such share.

95. Notice of any dividend that may have been declared shall be given to the persons entitled to share therein in the manner mentioned in the Act.

96. No dividend shall bear interest against the company

ACCOUNTS

97.

- i. The Board shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations, the accounts and books of the company, or any of them, shall be open to the inspection of members not being directors.
- ii. No member (not being a director) shall have any right of inspecting any account or book or document of the company except as conferred by law or authorised by the Board or by the company in general meeting.
- iii. Subject to provisions of the Act, No member shall be entitled to inspect the Company's books without permission of the Directors or to require discovery of any information respecting any detail of the Company's trading or any matter which may relate to the conduct of the business of the Company and which in the opinion of the Directors, it will not be expedient in the interest of the members of the Company to communicate to the public.

WINDING UP

98.

Subject to the provisions of Chapter XX of the Act and rules made there under

- i. If the company shall be wound up, the liquidator may, with the sanction of a special resolution of the company and any other sanction required by the Act, divide amongst the members, in-specie or kind, the whole or any part of the assets of the company, whether they shall consist of property of the same kind or not.
- ii. For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members.
- iii. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories if he considers necessary, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

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99. Every officer of the company shall be indemnified out of the assets of the company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in which relief is granted to him by the court or the Tribunal.

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, matters and things as may be deemed necessary and expedient to give effect to the aforesaid Resolution.”

By Order of the Board of Directors

Place: Hyderabad
Date: 29.05.2015

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 Tuesday, the 22nd September 2015 to Monday the 28th September 2015 (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 2015 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 2014-15 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 16th 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 15th 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 16th Annual General Meeting and the Annual Report for the year 2014-15 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., 21st September, 2015, may cast their votes electronically.

The e-voting period commences at 9.00 am on 24th September 2015 and ends at 5.00 pm on 26th September 2015. 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) and Partner 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 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 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 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

(v) Now, fill up the following details in the appropriate boxes:

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.

<p>Dividend Bank Details#</p>	<p>Enter the Dividend Bank Details as recorded in your demat account or in the Bank records for the said demat account or folio.</p> <p># 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.</p>
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(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.

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 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 under help section or write an email to helpdesk.evoting@cdslindia.com.

EXPLANATORY STATEMENT SETTING OUT MATERIAL FACTS AS REQUIRED BY SECTION 102 (2) OF THE COMPANIES ACT, 2013

Item No.5

The Tenure of Mr. S. Raghava Rao, Chairman cum Managing Director runs from 01st September 2011 to 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 approved the proposal for increase of remuneration for the remaining period of his tenure i.e. 01.09.2015 to 31.08.2016.

Hence the resolution is at Item No. 5 of the Notice.

The Board commends this resolution for the approval of shareholders at the ensuing Annual General Meeting.

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

Item No.6

The Tenure of Mr. Ch. Harinath, Executive Director runs from 01st September 2011 to 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 approved the proposal for increase of remuneration for the remaining period of his tenure i.e. 01.09.2015 to 31.08.2016.

Hence the resolution is at Item No. 6 of the Notice.

The Board commends this resolution for the approval of shareholders at the ensuing Annual General Meeting.

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) runs from 01st September 2011 to 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 approved the proposal for increase of remuneration for the remaining period of his tenure i.e. 01.09.2015 to 31.08.2016.

Hence the resolution is at Item No. 7 of the Notice.

The Board commends this resolution for the approval of shareholders at the ensuing Annual General Meeting.

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

ITEM No. 8

The Company proposes to adopt new set of Articles in the place of present set of Articles of Association of the Company in consonance with the Provisions of Companies Act 2013.

The Board of Directors of the company recommends the Special Resolution for approval of the members in the Meeting.

The relevant books and documents are available for inspection during business hours of the Company till the date of the meeting.

None of the Directors is interested or concerned in this Resolution

By Order of the Board of Directors

Place: Hyderabad
Date: 29.05.2015

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

ANNEXURE TO ITEMS 2 AND 3 OF THE NOTICE

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

Name of the Director	S Raghava Rao	R Krishna Mohan
Director Identification Number (DIN)	01441612	01678152
Date of Birth	11/04/1959	14/11/1959
Nationality	INDIAN	INDIAN
Date of Appointment on Board	20/07/1999	01/09/2001
Qualification		
Shareholding in City Online Services Limited	6,84,500	2,70,600
List of Directorships held in other Companies (excluding foreign, private and Section 8 Companies)	City Online Digital P Ltd City Online Media P Ltd City Autoparts P Ltd Anu Digital Arts P Ltd	City Online Digital P Ltd City Online Media P Ltd Alliance Business School P Ltd Andhra Lakshmi Industrial Co Ltd
Memberships / Chairmanships of Audit and Stakeholders' Relationship Committees across Public Companies	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 16th Annual Report on the business and operations of the Company and the accounts for the Financial Year ended March 31, 2015.

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)

Particulars	2014-2015	2013-14
Gross Income	1434.01	1,249.71
Profit / (Loss) Before Interest and Depreciation	(118.97)	92.62
Finance Charges	14.30	12.43
Gross Profit / (Loss)	(113.27)	80.19
Provision for Depreciation	144.85	34.09
Net Profit / (Loss) Before Tax	(133.27)	80.19
Provision for Tax / Deferred Tax	25.14	1.30
Net Profit / (Loss) After Tax	(108.13)	81.50
Balance of Profit / (Loss) brought forward	(108.13)	81.50
Balance available for appropriation	0.00	0.00
Proposed Dividend on Equity Shares	0.00	0.00
Tax on proposed Dividend	0.00	0.00
Transfer to General Reserve	0.00	0.00
Surplus / (Loss) carried to Balance Sheet	(108.13)	81.50

2. **Performance:**

Your company has started Digital Head end division, your company is importing components and assembling and integrating it in Hyderabad so far your company has successfully executed seven head end in Andhra Pradesh as many more orders are in pipeline, as Government of India has passed a bill in parliament for converting cable TV into digital format in our country by end of 2015, your company has geared up to meet the demand in this segment .Your company is also planning to enter into Revenue sharing with established MSO,s in small towns by using their infrastructure your company wants to give digital TV and internet to end users in one fiber using GPON technology this will ensure the company long term returns

Your company has entered into providing of triple play services in gated communities as of now your company has successfully implemented this service in nine gated communities the revenue from this sector is very encouraging , hence your company is targeting another ten complexes in this financial year i.e 10000 households.

All this factors have helped your company to increase its turnover by more than 50% compared to last year this trend will continue this year also and the Board of Directors is confident that your company will show more than 100% growth in financial year 2014-2015.

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

Mr. S. Raghava Rao and Mr. R. Krishna Mohan, Directors retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

During the year, Mr. V.Satyanarayana, Mr. Thomos P. Nicodamus, Mr. M. Nageswara Rao and Mr. Kanuri Arun Prasad have been appointed as Independent Directors for term of 5 years from 01st October 2014. Further, Mrs. S. Naga Durga has been appointed as Director of the Company w.e.f. 29th September 2014.

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 IV**.

7. Meetings

A calendar of Meetings is prepared and circulated in advance to the Directors. During the year six Board Meetings and six 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

A declaration by an Independent Director(s) that he/they meet the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013 shall be enclosed as **Annexure VI**.

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-V**

Further, the Annual Accounts and related documents of the subsidiary company shall be kept open for inspection at the Registered 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 for a period of 4 Years from the conclusion of this Annual General Meeting [AGM] until the conclusion of Fourth 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 VII** 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 suggestions and recommendations made by Internal Auditors to improve the control environment. The 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 Auditors 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 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, 2014, an extract of annual return in **MGT 9** as a part of this Annual Report as **ANNEXURE I**.

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

21. Details in respect of adequacy of internal financial controls with reference to the Financial Statements. (Applicable to Listed Company)

22. Deposits

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

23. 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 P Ltd	90,000	Business Needs	On demand	14.11.2014	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	18.09.2014	M/S.City Online Digital; private Limited	100000	Business	01.09.2014	NA	15%
2	18.09.2014	M/s.City Online Media private	100000	Business	01.09.2014	NA	15%

		Limited					
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Details of Guarantee / Security Provided: Not Applicable

24.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 III** (Format enclosed).

25.Corporate Governance Certificate (Applicable to Listed Companies)

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.

26.MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis forms part of this Annual Report for the year ended 31st March 2015.

27.STATUTORY DISCLOSURES

In terms of the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report. However, as per the provisions of Section 219 (b) (iv) of the said Act read with Clause 32 of the Listing Agreement, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company at the registered office of the Company.

28. 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.

29.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: Not Applicable

(b) Technology absorption : Not Applicable

(c) Foreign exchange earnings and Outgo

During the year, the total foreign exchange used was Rs. 1,94,69,187/- and the total foreign exchange earned was Rs. 10,60,496/-.

30. 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.

31. 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.

32. LISTING WITH STOCK EXCHANGES:

The Company confirms that it has paid the Annual Listing Fees for the year 2014-15 to BSE where the Company's Shares are listed.

33. Acknowledgements

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

By Order of the Board of Directors

Place: Hyderabad
Date: 29.05.2015

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

R. Krishna Mohan
Director (Finance & Administration)
(DIN: 01678152)

ANNEXURE INDEX

Annexure	Content
i.	Annual Return Extracts in MGT 9
ii.	AOC 2 – Related Party Transactions disclosure
iii.	Particulars of Employee
iv.	Details of subsidiary
v.	Format of declaration by Independent Director
vi.	MR-2 Secretarial Audit Report

Annexure I

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

As on financial year ended on 31.03.2015

**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	City Online Services Limited
4.	Category/Sub-category of the Company	COMPANY LIMITED BY SHARES
5.	Address of the Registered office & contact details	701, 7 th 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	INTERNET SERVICE PROVIDERS	99842909	100

VI. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year[As on 31-March-2014]				No. of Shares held at the end of the year[As on 31-March-2015]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	732200	0	761700	14.75	732200	0	761700	14.75	0.00
b) Central Govt									
c) State Govt(s)									
d) Bodies Corp.									
e) Banks / FI									
f) Any other									
Total shareholding of Promoter (A)	732200	0	761700	14.75	732200	0	761700	14.75	0.00
B. Public Shareholding									
1. Institutions									
a) Mutual	000	0	200000	3.87	200000	0	200000	3.87	0.00

City Online Services Limited

CIN No : L72200TG1999PLC032114

Funds									
b) Banks / FI									
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIIs									
h) Foreign Venture Capital Funds									
i) Others (specify)	200000	0	200000	3.87	200000	0	200000	3.87	0.00
Sub-total (B)(1):-									
2. Non-Institutions									
a) Bodies Corp.	278700	34000	244700	5.40	278700	34000	244700	5.40	0.00
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

City Online Services Limited

CIN No : L72200TG1999PLC032114

ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	1686300	681000	2367300	45.84	1686300	681000	2367300	45.84	0.00
c) Others (specify)	1300	10000	11300	0.22	1300	10000	11300	0.22	0.00
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									
Sub-total (B)(2):-	2330350	1872650	4203000	81.38	2330350	1872650	4203000	81.38	0.00
Total Public Sharehold ing (B)=(B)(1) + (B)(2)	2530350	1872650	4403000	85.25	2530350	1872650	4403000	85.25	0.00
C. Shares held by Custodian for GDRs & ADRs									
Grand Total (A+B+C)	3262550	1902150	5164700	100	3262550	1902150	5164700	100	0.00

B) Shareholding of Promoter-

S N	Sharehold er's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% chang e in shareh olding during the year
		No. of Share s	% 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	Suryadeva ra Raghava Rao	6,84,500	13.25	0.00	6,84,500	13.25	0.00	0.00

City Online Services Limited

CIN No : L72200TG1999PLC032114

2	Jonnalga da 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	Venkatesw ara Rao Ramineni	2500	0.05	0.00	2500	0.05	0.00	0.00
1 0	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):Not Applicable

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	14.81	761700	14.81
	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	14.81	0	14.81

**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	% of	No. of	% of

	shares	total shares of the company	shares	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 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	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	98,36,209	Nil	Nil	98,36,209
ii) Interest due but not paid				
iii) Interest accrued but not due				
Total (i+ii+iii)	98,36,209	Nil	Nil	98,36,209
Change in Indebtedness during the financial year				
* Addition	35,00,000			35,00,000

* Reduction				
Net Change				
Indebtedness at the end of the financial year				
i) Principal Amount	1,39,68,741	Nil	Nil	1,39,68,741
ii) Interest due but not paid				
iii) Interest accrued but not due				
Total (i+ii+iii)	1,39,68,741	Nil	Nil	1,39,68,741

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	100000P.M	100000 P.M	Rs 1,05,000 P.M		305000 P.M
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	100000P.M	100000 P.M	1,05,000 P.M		305000 P.M
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	As per Rules of the Company	As per Rules of the Company	As per Rules of the Company		
	(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)	100000	100000p.M	105000 P.M		3,05,000 P.M
	Ceiling as per the Act					

B. Remuneration to other directors

SN.	Particulars of Remuneration	Name of Directors				Total Amount
		KANURI ARUN PRASAD	SATYANARAYANA VASIREDDY	Nicodemus Pradhan Thomas	NAGESWARA RAO MANDAVILLI	
1	Independent Directors	0	0	0	0	0

	Fee for attending board committee meetings	0	0	0	0	0
	Commission	0	0	0	0	0
	Others, please specify	0	0	0	0	0
	Total (1)	0	0	0	0	0
2	Other Non-Executive Directors	0	0	0	0	0
	Fee for attending board committee meetings	0	0	0	0	0
	Commission	0	0	0	0	0
	Others, please specify	0	0	0	0	0
	Total (2)	0	0	0	0	0
	Total (B)=(1+2)	0	0	0	0	0
	Total Managerial Remuneration	0	0	0	0	0
	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: NIL

By Order of the Board of Directors

Place: Hyderabad
Date: 29.05.2015

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

R. Krishna Mohan
Director (Finance & Administration)
(DIN: 01678152)

Annexure - II**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 at Arm's length basis.

SL. No.	Particulars	Details
a)	Name (s) of the related party & nature of relationship	City Online Digital P Ltd Subsidiary Company
b)	Nature of contracts/arrangements/transaction	Sale of Material
c)	Duration of the contracts/arrangements/transaction	1 Year
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Rs. 60,952/-
e)	Date of approval by the Board	31.01.2014
f)	Amount paid as advances, if any	NA

By Order of the Board of Directors

Place: Hyderabad
Date: 29.05.2015

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

R. Krishna Mohan
Director (Finance & Administration)
(DIN: 01678152)

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

Sl. No.	Name	Designation/ Nature of Duties	Remuneration Received [Rs.]	Qualification	Experience in years	Age in years	Date of commencement of employment	Last employment held
1	2	3	4	5	6	7	8	9
1	S. Raghava Rao	EXECUTIVE DIRECTOR	Rs 1,05,000 P.M	B. Tech	30 Years	55	20/07/1999	Managing Director in City Auto Parts P Ltd
2	Ch. Harinath	EXECUTIVE DIRECTOR	Rs 1,00,000 P.M	B. Tech	26 Years	51	16/07/1999	Self Employed
3	R. Krishna Mohan	EXECUTIVE DIRECTOR	Rs 1,00,000 P.M	B. Tech	30 Years	55	01/09/2001	Managing Partner in Reliance Nirman Company

Notes:

- ❖ All appointments are / were non-contractual
- ❖ Remuneration as shown above comprises of Salary, Leave Salary, Bonus, Gratuity where paid, Leave Travel Assistance, 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.

By Order of the Board of Directors

Place: Hyderabad
Date: 29.05.2015S. Raghava Rao
Chairman & Managing Director
(DIN - 01441612)R. Krishna Mohan
Director (Finance & Administration)
(DIN: 01678152)

Annexure - IV**STATEMENT PURSUANT TO SECTION 212 (8) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY**

In accordance with the General Circular No: 2/2011 dated 8 February, 2011, issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, the Statement of Profit and Loss and other documents of the subsidiary are not being attached with the Annual Accounts of the Company. This Annual Report contains Consolidated Financial Statement of the Company and its subsidiary in accordance with the relevant Accounting Standards and the same has been duly audited by Statutory Auditors. The annual Accounts of the subsidiary company and related information will be made available to the shareholders of the Company and its subsidiary company on request and will also be kept open for inspection by the shareholders at the Registered Office of the Company and the subsidiary.

Name of Subsidiary Company	CITY ONLINE DIGITAL PRIVATE LIMITED	CITY ONLINE MEDIA PRIVATE LIMITED
Issued & Subscribed Capital	100000	100000
Reserves	0	0
Total Assets	0	0
Total Liabilities	0	0
Investments	0	0
Turnover	0	0
Profit/(Loss)before Tax	0	0
Provision for Tax	0	0
Profit/(Loss) After Tax	0	0
Proposed Dividend	0	0

By Order of the Board of Directors

Place: Hyderabad
Date: 29.05.2015

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

R. Krishna Mohan
Director (Finance & Administration)
(DIN: 01678152)

Annexure V

DECLARATION OF INDEPENDENCE

29th May, 2015

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

Sub: Declaration of independence under clause 49 of the Listing Agreement and sub-section (6) of section 149 of the Companies Act, 2013.

I, **Mr. V.Satyanarayana**, hereby certify that I am a Non-executive Independent Director of **CITY ONLINE SERVICES LIMITED, Hyderabad** and comply with all the criteria of independent director as envisaged in Clause 49 of the Listing Agreement and the Companies Act, 2013.

I certify that:

- ❖ I possess relevant expertise and experience to be an independent director in the Company;
- ❖ I am/was not a promoter of the company or its holding, subsidiary or associate company;
- ❖ I am not related to promoters / directors / persons occupying management position at the board level or level below the board in the company, its holding, subsidiary or associate company;
- ❖ Apart from receiving director sitting fees / remuneration, I have/had no pecuniary relationship / transactions with the company, its promoters, its directors, its senior management or its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial;
- ❖ none of my relatives has or had any pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to 2% or more of its gross turnover **or** total income **or** Rs. 50 Lacs **or** such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- ❖ Neither me nor any of my relatives:
 - a) holds or has held the position of a key managerial personnel or is or has been employee/executive of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year;
 - b) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year of;
 - a. a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; **or**

- b. any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to 10% or more of the gross turnover of such firm;
 - c) holds together with my relatives 2% or more of the total voting power of the company; **or**
 - d) is a Chief Executive or director, by whatever name called, of any nonprofit organization that receives 25% or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds 2% or more of the total voting power of the company; or
- I am not a material supplier, service provider or customer or a lessor or lessee of the company;
 - I am not less than 21 years of age.

Declaration

I undertake that I shall seek prior approval of the Board if and when I have any such relationship / transactions, whether material or non-material. If I fail to do so I shall cease to be an independent director from the date of entering in to such relationship / transactions.

Further, I do hereby declare and confirm that the above said information's are true and correct to the best of my knowledge as on the date of this declaration of independence and I shall take responsibility for its correctness and shall be liable for fine if any imposed on the Company, its directors, if the same found wrong or incorrect in future.

I further undertake to intimate immediately upon changes, if any, to the Company for updating of the same.

Thanking you,
Yours faithfully,

V.Satyanarayana
DIN: 03267751
Complete Address with Phone / Mobile No. email, PIN
Flat No.201, Phase II, A.K.Enclave,
Road No.3, Banjara Hills,
Hyderabad-500034, Telangana,
India.

29th May, 2015

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

Sub: Declaration of independence under clause 49 of the Listing Agreement and sub-section (6) of section 149 of the Companies Act, 2013.

I, **Mr. Kanuri Arun Prasad**, hereby certify that I am a Non-executive Independent Director of **CITY ONLINE SERVICES LIMITED, Hyderabad** and comply with all the criteria of independent director as envisaged in Clause 49 of the Listing Agreement and the Companies Act, 2013.

I certify that:

- ❖ I possess relevant expertise and experience to be an independent director in the Company;
- ❖ I am/was not a promoter of the company or its holding, subsidiary or associate company;
- ❖ I am not related to promoters / directors / persons occupying management position at the board level or level below the board in the company, its holding, subsidiary or associate company;
- ❖ Apart from receiving director sitting fees / remuneration, I have/had no pecuniary relationship / transactions with the company, its promoters, its directors, its senior management or its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial;
- ❖ none of my relatives has or had any pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to 2% or more of its gross turnover **or** total income **or** Rs. 50 Lacs **or** such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- ❖ Neither me nor any of my relatives:
 - a) holds or has held the position of a key managerial personnel or is or has been employee/executive of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year;
 - b) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year of;
 - c. a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; **or**
 - d. any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to 10% or more of the gross turnover of such firm;

c) holds together with my relatives 2% or more of the total voting power of the company; **or**

d) is a Chief Executive or director, by whatever name called, of any nonprofit organization that receives 25% or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds 2% or more of the total voting power of the company; or

❖ I am not a material supplier, service provider or customer or a lessor or lessee of the company;

❖ I am not less than 21 years of age.

Declaration

I undertake that I shall seek prior approval of the Board if and when I have any such relationship / transactions, whether material or non-material. If I fail to do so I shall cease to be an independent director from the date of entering in to such relationship / transactions.

Further, I do hereby declare and confirm that the above said information's are true and correct to the best of my knowledge as on the date of this declaration of independence and I shall take responsibility for its correctness and shall be liable for fine if any imposed on the Company, its directors, if the same found wrong or incorrect in future.

I further undertake to intimate immediately upon changes, if any, to the Company for updating of the same.

Thanking you,
Yours faithfully,

KANURI ARUN PRASAD

DIN: 06830316

Complete Address with Phone / Mobile No. email, PIN
8-2-248/A/101,1st Floor Maharishi Hse, Road No.3,,
Banjara Hills, Backside Of Chutneys Resturant,
Hyderabad -500034,
Telangana, India.

29th May, 2015

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

Sub: Declaration of independence under clause 49 of the Listing Agreement and sub-section (6) of section 149 of the Companies Act, 2013.

I, **Mr. Nicodemus Pradhan Thomas**, hereby certify that I am a Non-executive Independent Director of **CITY ONLINE SERVICES LIMITED, Hyderabad** and comply with all the criteria of independent director as envisaged in Clause 49 of the Listing Agreement and the Companies Act, 2013.

I certify that:

- ❖ I possess relevant expertise and experience to be an independent director in the Company;
- ❖ I am/was not a promoter of the company or its holding, subsidiary or associate company;
- ❖ I am not related to promoters / directors / persons occupying management position at the board level or level below the board in the company, its holding, subsidiary or associate company;
- ❖ Apart from receiving director sitting fees / remuneration, I have/had no pecuniary relationship / transactions with the company, its promoters, its directors, its senior management or its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial;
- ❖ none of my relatives has or had any pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to 2% or more of its gross turnover **or** total income **or** Rs. 50 Lacs **or** such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- ❖ Neither me nor any of my relatives:
 - a) holds or has held the position of a key managerial personnel or is or has been employee/executive of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year;
 - b) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year of;
 - e. a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; **or**
 - f. any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to 10% or more of the gross turnover of such firm;

- c) holds together with my relatives 2% or more of the total voting power of the company; **or**
 - d) is a Chief Executive or director, by whatever name called, of any nonprofit organization that receives 25% or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds 2% or more of the total voting power of the company; or
- I am not a material supplier, service provider or customer or a lessor or lessee of the company;
 - I am not less than 21 years of age.

Declaration

I undertake that I shall seek prior approval of the Board if and when I have any such relationship / transactions, whether material or non-material. If I fail to do so I shall cease to be an independent director from the date of entering in to such relationship / transactions.

Further, I do hereby declare and confirm that the above said information's are true and correct to the best of my knowledge as on the date of this declaration of independence and I shall take responsibility for its correctness and shall be liable for fine if any imposed on the Company, its directors, if the same found wrong or incorrect in future.

I further undertake to intimate immediately upon changes, if any, to the Company for updating of the same.

Thanking you,
Yours faithfully,

Nicodemus Pradhan Thomas
DIN: 00444241
Complete Address with Phone / Mobile No. email, PIN
206,Gagan vihar,Beside Food world,
chaitanyapuri, Dilshuknagar,
Hyderabad-500060,
Telangana, India.

City Online Services Limited

CIN No : L72200TG1999PLC032114

29th May, 2015

To

The Board of Directors

CITY ONLINE SERVICES LIMITED

701, 7th Floor, Aditya Trade,

Ameerpet,

Hyderabad,

Telangana.

Sub: Declaration of independence under clause 49 of the Listing Agreement and sub-section (6) of section 149 of the Companies Act, 2013.

I, **Mr. Nageswara Rao Mandavilli**, hereby certify that I am a Non-executive Independent Director of **CITY ONLINE SERVICES LIMITED, Hyderabad** and comply with all the criteria of independent director as envisaged in Clause 49 of the Listing Agreement and the Companies Act, 2013.

I certify that:

- ❖ I possess relevant expertise and experience to be an independent director in the Company;
- ❖ I am/was not a promoter of the company or its holding, subsidiary or associate company;
- ❖ I am not related to promoters / directors / persons occupying management position at the board level or level below the board in the company, its holding, subsidiary or associate company;
- ❖ Apart from receiving director sitting fees / remuneration, I have/had no pecuniary relationship / transactions with the company, its promoters, its directors, its senior management or its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial;
- ❖ none of my relatives has or had any pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to 2% or more of its gross turnover **or** total income **or** Rs. 50 Lacs **or** such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- ❖ Neither me nor any of my relatives:
 - a) holds or has held the position of a key managerial personnel or is or has been employee/executive of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year;
 - b) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year of;
 - g.** a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; **or**
 - h.** any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to 10% or more of the gross turnover of such firm;

c) holds together with my relatives 2% or more of the total voting power of the company; **or**

d) is a Chief Executive or director, by whatever name called, of any nonprofit organization that receives 25% or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds 2% or more of the total voting power of the company; or

❖ I am not a material supplier, service provider or customer or a lessor or lessee of the company;

❖ I am not less than 21 years of age.

Declaration

I undertake that I shall seek prior approval of the Board if and when I have any such relationship / transactions, whether material or non-material. If I fail to do so I shall cease to be an independent director from the date of entering in to such relationship / transactions.

Further, I do hereby declare and confirm that the above said information's are true and correct to the best of my knowledge as on the date of this declaration of independence and I shall take responsibility for its correctness and shall be liable for fine if any imposed on the Company, its directors, if the same found wrong or incorrect in future.

I further undertake to intimate immediately upon changes, if any, to the Company for updating of the same.

Thanking you,
Yours faithfully,

Nageswara Rao Mandavilli
DIN: 03267864
Complete Address with Phone / Mobile No. email, PIN
2-2-1123/9/G, 3RD FLOOR,
Siddardha Enclave Apts, New Nallakunta,
Hyderabad-500044,
Telangana, India.

Annexure-VI

Form No. MR-3

**SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31st March, 2015**

To,
The Members,
CITY ONLINE SERVICES LIMITED,
Hyderabad

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 us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on 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 our opinion, the company has, during the audit period covering the financial year ended on 31st March, 2015 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, 2015 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;
- (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) 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 subject to the following observations:

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. Veeranjanyulu)
Partner
FCS No.:6121
C P No.:6392

Place: Hyderabad
Date: 29.05.2015

*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. Veeranjanyulu)
Partner
FCS No.:6121
C P No.:6392

Date: 29.05.2015
Place: Hyderabad

Corporate Governance Report for the year ended on 31st March 2015**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 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
Non-Executive & Independent Directors including the Chairman	4
Other Non-Executive Directors	1
Executive Director (CEO & Managing Director)	3
Total	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)	Committee(s) position (including Eduworth)	
				Member	Chairman
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	1.M/s. Pranav	-	-

City Online Services Limited

CIN No : L72200TG1999PLC032114

		Whole Time Director(Executive)	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	26/09/2001	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	Audit Committee, Remuneration Committee	Stakeholder's Relationship Committee
S. Naga Durga	29/09/2014	Director	1.M/s. Anu Digital Arts Private Limited	-	-
M. Nageswara Rao	27/05/2002	Director		Stakeholder's Relationship Committee	Audit Committee, Remuneration Committee
Thomos P. Nicodamus	05/10/2001	Director	M/s. Venturetech India Private Limited M/s. Krishi Mech Engineers Private Limited	Audit Committee, Remuneration Committee and Stakeholder's Relationship Committee	-
V Satyanarayana	31/05/2005	Director		-	-
Arun Prasad Kanuri	14/08/2013	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
30/05/2014	7	5
31/07/2014	7	4
14/11/2014	8	7
13/01/2015	8	7
12/02/2015	8	7

Name of Director	Attendance at the Board Meetings held on					Attendance at the AGM held on 30th Aug'15
	30/05/2014	31/07/2014	01/09/2014	14/11/2014	12/02/2015	
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	Not Appointed on that Date	Not Appointed on that Date	Present	Present	Present	Present
M. Nageswara Rao	Present	Present	Present	Present	Present	Present
Thomos P. Nicodamus	Absent with grant of leave of absence	Absent with grant of leave of absence	Absent with grant of leave of absence	Absent with grant of leave of absence	Absent with grant of leave of absence	No
V Satyanarayana	Present	Absent with grant of leave of absence	Present	Present	Present	No
Arun Prasad Kanuri	Absent with grant of leave of absence	Absent with grant of leave of absence	Present	Present	Present	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. Thamous 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, 2015 and details of the Members participation at the Meetings of the Committee are as under:

Name of	Categor	Attendance at the Board Meetings held on
---------	---------	--

Director	Y	30/05/2014	31/07/2014	14/11/2014	12/02/2015
M. Nageswara Rao	Independent	Present	Present	Present	Present
Mr.Thamous P. Nicodemus	Independent	Absent with grant of leave of absence	Absent with grant of leave of absence	Absent with grant of leave of absence	Absent with grant of leave of absence
Mr.R.Krishna Mohan	Executive	Present	Present	Present	Present

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.

(c) 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.

The composition of the **Remuneration Committee** as at March 31, 2015 and details of the Members of the Committee are as under:

Name of Director	Category
Mr. M. Nageswara Rao	Independent
Mr. Thomas P. Nicodamus	Independent
Mr. R. Krishna Mohan	Executive

(c) 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, 2015 and details of the Members of the Committee are as under:

Name of Director	Category
Mr. M. Nageswara Rao	Independent
Mr. Thomas P. Nicodamus	Independent
Mr. R. Krishna Mohan	Executive

No investor grievance has pending for more than thirty days.

Independent Directors' Meeting

During the year under review, the Independent Directors met on March 9, 2015, inter alia, to discuss:

- ❖ Evaluation of the performance of Non-independent Directors and the Board of Directors as a whole.
- ❖ Evaluation of the performance of the chairman of the Company, taking into account the views of the Executive and Non-executive directors.
- ❖ Evaluation of the quality, content and timelines of flow of information between the Management and the Board that is necessary for the Board to effectively and reasonably perform its duties.
- ❖ All the Independent 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.

TERMS OF APPOINTMENT & REMUNERATION - CEO & MD

1. Mr RAGHAVA RAO SURYADEVARA, MD w.e.f. 01.09.2011

Period of Appointment	5 Years
Salary	1,05,000/-
Allowances	
Perquisites	As per Rules of the Company
Retrial Benefits	
Performance Bonus	NA
Sign-on Amount	NA
Deferred Bonus	NA
Minimum Remuneration	1,05,000/-
Notice Period & Severance Fees	NA
Other	Nil

❖ **Details of remuneration paid to the Directors are given in Form MGT - 9**

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.

Compliance with Accounting Standards

In the preparation of the financial statements, the Company has followed the Accounting Standards notified pursuant to Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provision of the Companies Act, 1956 read with General Circular 8/2014 dated April 04, 2014, issued by the Ministry of Corporate Affairs. The significant accounting policies which are consistently applied have been set out in the Notes to the Financial Statements.

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.

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	www.cityonlines.com

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/Scrip Code	ISIN Number for NSDL/CDSL (Dematerialised share)
BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400001	538674, CITYON#	INE158C01014

Share Price on BSE vis-à-vis BSE Sensex Sep 2014 - March 2015

Month	BSE Sensex Close	Share Price			No. of shares traded during the month	Turnover
		High	Low	Close		
March	NIL	Nil	Nil	Nil	Nil	Nil
April	Nil	Nil	Nil	Nil	Nil	Nil
May	Nil	Nil	Nil	Nil	Nil	Nil
June	Nil	Nil	Nil	Nil	Nil	Nil
July	Nil	Nil	Nil	Nil	Nil	Nil
Aug	Nil	Nil	Nil	Nil	Nil	Nil
Sep	28.15	29.55	28.15	29.55	1,051	30,287
Oct	29.55	42.20	21.00	22.45	18,669	5,19,361
Nov	21.00	23.10	12.05	12.05	16,348	3,17,180
Dec	11.45	11.45	8.63	8.63	5,654	55,521
Jan	8.63	8.74	7.36	8.74	7,026	57,376
Feb	9.15	12.00	8.50	11.90	7,246	68,800
Mar	12.49	14.38	11.30	14.00	47,485	5,45,858

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.

v. Dividend:

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

vi. 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, 2014	Received during the year	Redressed during the year	Pending as on March 31, 2015
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

vii. 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 Company Secretary Certificate in regard to the same is submitted to BSE 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, 2015, is given below:

Particulars	No. of Shares	Percentage
Physical Segment	1902150	36.83
Demat Segment		
NSDL	2654401	51.39
CDSL	608149	11.78
Total	5164700	100

Distribution of Shareholding as on March 31, 2015

Shareholdings of nominal value of (Rs)	Shareholders		Share Amount	
	Nos	%	Amount (Rs)	%
Upto 5,000	104	16.69	173620	0.34
5,001 - 10,000	21	3.37	183850	0.36
10,001 - 20,000	22	3.53	381430	0.74
20,001 - 30,000	226	36.28	5754590	11.14
30,001 - 40,000	78	12.52	3008500	5.83
40,001 - 50,000	72	11.56	3444010	6.67
50,001 - 1,00,000	39	6.26	3381000	6.55
1,00,001 & above	61	9.79	35320000	68.39
Total	623	100.00	51647000	100.00

Shareholding Pattern as on March 31, 2015

Particulars	No. of shares held	%	
		Sub Total	Total
Promoters	761700		
Bank, Financial Institutions, Insurance Companies & Mutual Funds	2330350	14.75	14.75
Bank	0	0	0
Financial Institutions	0	0	0
Insurance Companies	0	0	0
Mutual Funds/UTI	200000	3.87	3.87
Central & State Governments	0	0	0
Foreign Institutional Investors	0	0	0
NRIs/Foreign Nationals	11300	0.22	0.22
Private Corporate Bodies	278700	5.40	5.40
Public and Others	3913000	75.76	75.76
Total	5164700	100.00	100.00

Statement showing Shareholding of more than 1% of the Capital as on March 31, 2015

Sr. No.	Name of the shareholders	No. of Shares	Percentage of Capital
1	Preetha S Nair	250000	4.84
2	Ch Harinath	201750	3.91
3	Krishna Mohan Ramineni	153000	2.96
4	Ch Sunitha	123000	2.38
5	Ramineni Krishnamohan	117600	2.28
6	K Satyavathi	116000	2.25
7	Qasim Elyas Sakriwala	100000	1.94
8	Geetika Sethi	100000	1.94
9	Adriam Francis Fernandes	99999	1.94
10	Shrikant Mantri	87500	1.69
	Total	1348849	26.12

General Body Meetings

Particulars of last three Annual general meetings

AGM	Year ended 31st March,	Venue	Date	Time	Special Resolutions Passed
13th	2012	At the Registered Office	29.09.2013	11.00 a.m.	NIL
14th	2013		28.09.2013	11.00 a.m.	NIL
15th	2014		29.09.2014	11.00 a.m.	NIL

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
1 st Quarter	31.07.2014
2 nd Quarter	14.11.2014
3 rd Quarter	12.02.2015
4 th Quarter	29.05.2015

E-Voting Facility to members

In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide members the facility to exercise their right to vote at the 16th Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services provided by Central Depository Services Limited (CDSL). Pursuant to the amendments made in clause 35B of the Listing Agreement by SEBI, the company has sent assent/dissent forms to the members to enable those who do not have access to e-Voting facility to cast their vote on the shareholders resolution to be passed at the ensuing Annual General Meeting, by sending their assent or dissent in writing.

FINANCIAL CALENDAR 2015:

AGM – Date, time and venue	DATE: 28 th September 2015 Time: 11.00 A.M Venue: 701, 7 th Floor, Aditya Trade Centre, Ameerpet, Hyderabad – 500038.
Financial Year	1 st April 2014 to 31 st March 2015
Book Closure Date	22 nd September 2015 to 28 th September 2015
Dividend Payment Date	Not Applicable
Listing of Eq. shares on stock exchanges.	Bombay Stock Exchange
Stock Code	538674
Registrar & Transfer Agents	M/s XL Softech Systems Limited, Road No 2, Banjara Hills, Sagar society, Hyderabad –500 034
Board Meeting for consideration of Accounts for the financial year ended March 31, 2015 and recommendation of dividend	29.05.2015
Posting of Annual Reports	29.05.2015
Last date for receipt of Proxy Forms	25.09.2015
Probable date of despatch of warrants	
Board Meeting for consideration of unaudited quarterly results for the financial year ended March 31, 2015	29.05.2015
Audited results for the current financial year ending March 31, 2015	29.05.2015

By Order of the Board of Directors

Place: Hyderabad
Date: 29.05.2015

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

R. Krishna Mohan
Director (Finance & Administration)
(DIN: 01678152)

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

❖ 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 realised. 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 15 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 140 franchisees in Andhra Pradesh , Telangana & Karnatkha to cater this segment ,apart from regular activities of the company. The digital headend division of the company is doing relatively well and has large scope to do more in coming years

❖ BUSINESS OVERVIEW

The Sales during the year 2014-15 are Rs. 14.34 Crores as compared to Rs. 12.50 Crores in the previous year.

❖ 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: -

	(Rs. in lacs)
Sales for the year 2014 - 15	1434.00
Provision for taxation	25.14
Profit after tax	(108.13)
Paid up equity share capital as on 31 st Mar'2015	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 endeavour is to maximize returns. The Company continues to take all steps necessary to minimise its expenses through detailed studies and interaction with experts.

❖ **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.

By Order of the Board of Directors

Place: Hyderabad
Date: 29.05.2015

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

R. Krishna Mohan
Director (Finance & Administration)
(DIN: 01678152)

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, 2015.

For **City Online Services Ltd**

(S. RAGHAVA RAO)
Chairman & Managing Director
Date: 29.05.2015
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, 2015.

For CITY ONLINE SERVICES LIMITED

(S RAGHAVA RAO)
Chairman & Managing Director
Date:29.05.2015
Place: Hyderabad

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

To
The Members,
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, 2015 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.

R. KRISHNA MOHAN
Director (Finance & Administration)

S RAGHAVA RAO
Chairman & Managing Director

Date: 29.05.2015
Place: Hyderabad

City Online Services Limited

CIN No : L72200TG1999PLC032114

CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members
M/s. City Online Services Limited

We have examined the compliance of conditions of Corporate Governance by CITY ONLINE SERVICES LIMITED for the year ended 31st March, 2015 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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.

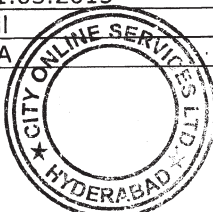



We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the company.

For VCSR & Associates
Company secretaries

(Ch. Veeranjanyulu)
Partner
FCS No.:6121
C P No.:6392

Place: Hyderabad
Date: 29.05.2015

FORM A
(Pursuant to Clause 31(a) of Listing Agreement)
Format of covering letter of annual audit report to be filed with the stock exchange

S. No	Particulars	Details
1.	Name of Company	CITY ONLINE SERVICES LIMITED
2.	Annual Financial Statements for the year ended	31.03.2015
3.	Type of audit observation	Nil
4.	Frequency of observation	NA
5.	To be signed by	
	Managing Director <i>[Signature]</i>	
	Director (Finance & Admin) <i>[Signature]</i>	
	Auditors of the Company <i>[Signature]</i>	
	Audit Committee Chairman <i>[Signature]</i>	

STANDALONE FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Members of City Online Services Limited

Report on the 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, 2015, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the 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 the 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. 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 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 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 thereunder. 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the 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 but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the effectiveness of such controls. An audit also includes evaluating the appropriateness of the 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 aforesaid 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;

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2015;
- b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date;
and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("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 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 purposes of our audit.
 - (b) In our opinion, proper books of account as required by the law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) On the basis of the written representations received from the directors as on March 31, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) 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. There are no amounts which are required to be transferred to the Investor Education and Protection Fund by the Company.

For SESHACHALAM & CO
Chartered Accountants
Firm registration number: 003714S

T. Bharadwaj
Partner
Membership No.201042

Place: Hyderabad
Date: May 29, 2015

**Annexure referred to in paragraph 1 of our report of even date
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.
- (ii) In respect of its inventory:
 - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of the clause 3(iii)(a) and (b) of the Companies (Auditor's Report) Order, 2015 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 adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (v) The Company has not accepted any deposits from the public.
- (vi) The maintenance of cost records is not specified by the Central Government.
- (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, sales tax, customs duty, value added tax and other statutory dues applicable to it. Provisions of wealth tax, excise duty and cess are not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts in respect of provident fund, employees' state insurance, income tax, service tax 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, except as given below:

Statute	Nature of Dues	Period to which the amount relates	Amount involved
Income Tax Act, 1961	Income Tax	2013-14	2,67,217
Finance Act, 1994	Service Tax	2011-12	16,09,013

- (c) There are no amounts which are required to be transferred to the Investor Education and Protection Fund by the Company.

- (viii) The Company has accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (ix) The Company has not defaulted in repayment of loans taken from banks.
- (x) According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions;
- (xi) The term loans were applied for the purpose for which the loans were obtained;
- (xii) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For SESHACHALAM & CO
Chartered Accountants
Firm registration number: 003714S

T. Bharadwaj
Partner
Membership No.201042

Place: Hyderabad
Date: May 29, 2015

City Online Services Limited
Balance Sheet as at March 31, 2015

CIN: L72200TG1999PLC032114

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note	As at March 31, 2015	As at March 31, 2014
I EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3	56,098,330	56,098,330
(b) Reserves and surplus	4	(19,112,010)	(6,630,256)
2 Non-current liabilities			
(a) Long term borrowings	5	1,831,018	610,284
(b) Long term provisions	6	838,000	686,000
3 Current liabilities			
(a) Short-term borrowings	7	12,741,520	8,184,719
(b) Trade payables	8	11,907,079	16,304,714
(c) Other current liabilities	9	10,845,835	10,739,072
Total		75,149,772	85,992,863
II ASSETS			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	10A	20,853,032	30,693,759
(ii) Intangible assets	10B	218,668	-
(b) Non-current investments	11	250,000	50,000
(c) Deferred tax assets	12	3,583,566	323,444
(d) Long term loans and advances	13	1,401,644	2,859,879
2 Current assets			
(a) Inventories	14	13,573,732	7,963,927
(b) Trade receivables	15	26,588,591	25,071,635
(c) Cash and bank balances	16	3,833,881	14,727,479
(d) Short-term loans and advances	17	4,670,161	4,199,000
(e) Other current assets	18	176,497	103,740
Total		75,149,772	85,992,863

Corporate information and Summary of significant accounting policies
 Accompanying notes forming an integral part of the financial statements

1 & 2
 1 to 35

As per our report on even date

For Seshachalam & Co

For and on behalf of the Board of Directors

Chartered Accountants

Firm Registration Number: 003714S

T. Bharadwaj

Partner

Membership Number : 201042

S. Raghava Rao

Chairman and Managing Director

R. Krishna Mohan

Director

Sampada K. Joshi

Company Secretary

Place: Hyderabad

Date: May 29, 2015

City Online Services Limited

Statement of Profit and Loss for the year ended March 31, 2015

CIN: L72200TG1999PLC032114

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note	For the year ended March 31, 2015	For the year ended March 31, 2014
I. Revenue from operations	19	143,400,652	124,970,759
II. Other income	20	927,615	1,407,767
III. Total revenue		144,328,267	126,378,526
IV. Expenses:			
Operating expenses	21	107,282,846	83,952,733
Employee benefit expenses	22	11,719,673	11,086,013
Finance cost	23	1,430,331	1,243,256
Depreciation and amortisation expenses	10	14,485,197	3,409,074
Other expenses	24	22,737,487	18,668,248
V. Total expenses		157,655,534	118,359,324
VI. Loss Before Tax (III-V)		(13,327,267)	8,019,202
VII. Tax expense			
- Current tax		-	-
- Deferred tax	12	2,514,008	130,301
VIII. Loss for the year		(10,813,259)	8,149,503
IX. Earnings per equity share - ` 10			
Basic and diluted	30	(2.09)	1.58
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 Number : 201042

S. Raghava Rao

Chairman and Managing Director

R. Krishna Mohan

Director

Sampada K. Joshi

Company Secretary

Place: Hyderabad

Date: May 29, 2015

City Online Services Limited
Cash Flow Statement for the year ended March 31, 2015
CIN: L72200TG1999PLC032114

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
A. Cash flow from operating activities		
Loss before tax	(13,327,267)	8,019,202
Adjustment for:		
Interest expense	1,063,560	934,996
Interest income	(271,268)	(182,143)
Profit on sale of asset	-	(3,054)
Depreciation and amortisation expenses	14,485,197	3,409,074
Operating profit before working capital changes	1,950,221	12,178,075
Changes in Working Capital :		
Increase in Inventories	(5,609,805)	(3,268,753)
Increase in Sundry Debtors	(1,516,956)	(4,156,255)
(Increase)/ decrease in loans and advances	(471,161)	3,531,336
(Decrease) / Increase in Current liabilities and provisions	(4,085,395)	2,085,553
Cash Used in Operating activities	(9,733,095)	10,369,955
Direct taxes refund/ (paid)	1,458,235	(367,862)
Net Cash from Operating activities (A)	(8,274,860)	10,002,093
B. Cash flow from investing activities		
Purchase of fixed assets	(7,277,747)	(1,635,054)
Investments in subsidiaries	(200,000)	-
Proceeds from sale of fixed assets	-	35,999
Interest received	198,511	155,114
Net Cash Used in Investing activities (B)	(7,279,236)	(1,443,941)
C. Cash flow from financing activities		
Proceeds from short term borrowings	4,556,801	375,916
Proceeds/(repayment) from/of borrowings	1,167,257	(273,319)
Interest paid	(1,063,560)	(934,996)
Net Cash from/(used in) Financing activities (C)	4,660,498	(832,399)
D. Net increase in cash and cash equivalents (A+B+C)	(10,893,598)	7,725,753
E. Cash and Cash Equivalents		
at the beginning of the year	14,727,479	7,001,725
at the end of the year	3,833,881	14,727,480

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

Sampada K. Joshi

Company Secretary

Place: Hyderabad

Date: May 29, 2015

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, 2015		As at March 31, 2014	
	Number of Shares	Amount	Number of Shares	Amount
Authorised				
Equity shares of ` 10 each	7,700,000	77,000,000	7,700,000	77,000,000
Issued				
Equity shares of ` 10 each	7,000,000	70,000,000	7,000,000	70,000,000
Subscribed and called up				
Equity shares of ` 10 each	6,925,000	69,250,000	6,925,000	69,250,000
Paid up capital				
Equity shares of ` 10 each, fully paid-up	5,164,700	51,647,000	5,164,700	51,647,000
Share forfeiture account				
Equity shares of ` 10 each, fully paid-up	1,760,300	4,451,330	1,760,300	4,451,330
Total	6,925,000	56,098,330	6,925,000	56,098,330

(a) Reconciliation of share capital

Particulars	As at March 31, 2015		As at March 31, 2014	
	Number	Amount	Number	Amount
Balance at the beginning of the year	5,164,700	51,647,000	5,164,700	51,647,000
Add: Issued during the year	-	-	-	-
Less: Bought back during the year	-	-	-	-
Balance at the end of the year	5,164,700	51,647,000	5,164,700	51,647,000

(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, 2015		As at March 31, 2014	
	Number of Shares	% Held	Number of Shares	% Held
S. Raghava Rao	634,500	12.29	634,500	12.29

*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

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, 2015	As at March 31, 2014
Investment Subsidy :		
At the beginning and at the end of the year	400,000	400,000
Deficit in the statement of Profit and Loss		
At the beginning of the year	(7,030,256)	(15,179,759)
Less: Depreciation adjustment on account of change in useful life as per Companies Act, 2013 (net of deferred tax of Rs.7,46,114) (refer note 2(a))	1,668,495	-
Add: Loss for the year	(10,813,259)	8,149,503
At the end of the year	(19,512,010)	(7,030,256)
Total	(19,112,010)	(6,630,256)

5. Long-term borrowings

Particulars	As at March 31, 2015	As at March 31, 2014
	Non-current	Non-current
Term Loans		
From Banks		
Secured [Refer note below]	1,831,018	610,284
Total	1,831,018	610,284

Note :

Loan	Security	Terms of repayment	Applicable interest rate	Period of maturity (Months)	No. of installments due	As at March 31, 2015 (Non-current + Current)
Oreital Bank of Commerce	Hypothecation of asset financed	Monthly instalments	11.25%	60	30	1,388,679
Volkswagan Finance	Hypothecation of asset financed	Monthly instalments	10.25%	60	49	608,542

6. Long term provisions

Particulars	As at March 31, 2015	As at March 31, 2014
Provision for employee benefits [Refer note 26]		
Gratuity	838,000	686,000
Total	838,000	686,000

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, 2015	As at March 31, 2014
Loans Repayable on Demand		
From Banks		
Secured [Refer note below]	11,971,520	7,434,719
From Others		
Unsecured [Refer note 28(c)]	770,000	750,000
Total	12,741,520	8,184,719

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, 2015	As at March 31, 2014
Trade payables [Refer note 33]	11,907,079	16,304,714
Total	11,907,079	16,304,714

9. Other current liabilities

Particulars	As at March 31, 2015	As at March 31, 2014
Current maturities of long-term debt [Refer Note 5]	166,203	219,680
Other payables :		
Statutory remittances	7,931,161	8,353,065
Security deposits	265,842	419,408
Advance from customers	2,482,629	1,746,919
Total	10,845,835	10,739,072

11. Non-current investments

Particulars	As at March 31, 2015	As at March 31, 2014
Investment in subsidiaries:		
City Online Digital Private Limited [10,000 shares (31.03.2014: NIL) of Rs. 10 each]	100,000	-
City Online Media Private Limited [10,000 shares (31.03.2014: NIL) of Rs. 10 each]	100,000	-
Others:		
National savings certificates [5 Bonds (31.03.2014: Rs.50,000) of Rs. 10,000 each]	50,000	50,000
Total	250,000	50,000

City Online Services Limited
Note: 10 Fixed assets

Note 10A : Tangible assets

Particulars	Gross Block			Depreciation			Net Block				
	As at April 01, 2014	Additions	Deletions	As at March 31, 2015	As at April 01, 2014	For the year	On deletions	As at March 31, 2015	Adjustment to opening retained earnings (refer note 2(a))	As at March 31, 2015	As at March 31, 2014
Plant and machinery	44,221,738	4,698,244	-	48,919,982	20,299,078	13,388,309	-	33,687,387	-	15,232,595	23,922,660
- General	11,811,448	56,550	-	11,867,998	9,335,822	91,711	-	9,427,533	165,957	2,274,508	2,475,626
- Computers & Data Processing Units	48,238	-	-	48,238	-	5,822	-	5,822	-	42,416	48,238
• Motor cycles	1,357,168	2,008,812	-	3,365,980	213,217	643,372	-	856,589	-	2,509,391	1,143,951
• Motor cars	7,131,027	145,074	-	7,276,101	4,279,765	64,685	-	4,344,450	2,248,652	682,999	2,851,262
Furniture and Fixtures	3,023,118	115,123	-	3,138,241	2,771,096	256,022	-	3,027,118	-	111,123	252,022
Office equipment	67,592,737	7,023,803	-	74,616,540	36,898,978	14,449,921	-	51,348,899	2,414,609	20,853,032	30,693,759
Total	65,993,682	1,635,054	35,999	67,592,737	33,492,957	3,409,074	3,054	36,898,978	-	30,693,759	32,500,725
Previous year											

Note 10B : Intangible assets

Particulars	Gross Block			Amortisation			Net Block				
	As at April 01, 2014	Additions	Deletions	As at March 31, 2015	As at April 01, 2014	For the period	On deletions	As at March 31, 2015	Adjustment to opening retained earnings (refer note 2(a))	As at March 31, 2015	As at March 31, 2014
Computer software	-	253,944	-	253,944	-	35,276	-	35,276	-	218,668	-
Total	-	253,944	-	253,944	-	35,276	-	35,276	-	218,668	-
Previous year											
Current year	67,592,737	7,277,747	-	74,870,484	36,898,978	14,485,197	-	51,384,175	2,414,609	21,071,700	30,693,759
Previous year	65,993,682	1,635,054	35,999	67,592,737	33,492,957	3,409,074	3,054	36,898,978	-	30,693,759	32,500,725

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, 2015	As at March 31, 2014
Deferred tax assets		
Depreciation	3,536,598	275,240
Employee benefits	46,968	48,204
Total	3,583,566	323,444

13. Long term loans and advances

Particulars	As at March 31, 2015	As at March 31, 2014
Tax deducted at source	1,401,644	2,859,879
Total	1,401,644	2,859,879

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

Particulars	As at March 31, 2015	As at March 31, 2014
Stock in trade	13,573,732	7,963,927
Total	13,573,732	7,963,927

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, 2015	As at March 31, 2014
Outstanding for a period exceeding six months	11,775,716	14,672,429
Others	14,812,875	10,399,206
Total	26,588,591	25,071,635

16. Cash and bank balances

Particulars	As at March 31, 2015	As at March 31, 2014
Cash and cash equivalents:		
Cash on hand	302,546	147,857
Balances with banks		
- in current accounts	921,335	14,329,622
	1,223,881	14,477,479
Other bank balances		
Margin money deposits with banks with maturity period more than 3 months but less than 12	2,610,000	250,000
	2,610,000	250,000
Total	3,833,881	14,727,479.00

17. Short-term loans and advances

Unsecured, considered good

Particulars	As at March 31, 2015	As at March 31, 2014
Salary advances	371,600	547,691
Security deposits	2,012,381	1,952,381
Prepaid expenses	-	1,696,948
Advance to suppliers	2,286,180	1,980
Total	4,670,161	4,199,000

18. Other current assets

Unsecured, considered good

Particulars	As at March 31, 2015	As at March 31, 2014
Interest accrued on fixed deposits with bank	176,497	103,740
Total	176,497	103,740

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

19. Revenue from operations

Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
Income from internet services	104,568,312	82,482,274
Income from VOIP services	861,460	1,816,998
Income from sales	37,970,880	40,671,487
Total	143,400,652	124,970,759

20. Other income

Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
Excess provisions written back	131,579	1,138,843
Interest on deposits with bank	271,268	182,143
Rent	38,500	46,200
Profit on sale of fixed asset	-	3,054
Net gain on foreign currency transaction and translation	-	1,768
Miscellaneous income	486,268	35,759
Total	927,615	1,407,767

21. Operating expenses

Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
Bandwidth charges	59,883,897	35,808,251
Repairs and maintenance	1,452,607	792,802
VOIP activation charges	93,488	233,645
Electricity	2,454,503	2,737,109
Rent networking	2,297,325	2,357,281
Cost of sales	28,013,857	31,360,662
Cable line expenses	330,863	481,628
Installation expenses	969,999	607,350
Internet telephony charges	281,023	323,522
Last mile charges	11,391,550	9,121,451
Other operating expenses	113,734	129,032
Total	107,282,846	83,952,733

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, 2015	For the year ended March 31, 2014
Salaries	11,029,758	10,526,680
Contribution to provident fund	442,251	281,761
Staff welfare	247,664	277,572
Total	11,719,673	11,086,013

23. Finance costs

Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
Interest expense on		
-Term loans	194,825	100,084
-Working capital borrowings	868,735	834,912
-Interest on delayed remittance of taxes		
-Interest on income tax	-	73,672
Bank charges	366,771	234,588
Total	1,430,331	1,243,256

24. Other expenses

Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
Rent [Refer note 29]	1,978,502	1,805,401
Rates and taxes	1,704,937	1,369,594
Director's remuneration [Refer note 28]	4,034,520	3,210,520
Sales commission	1,509,617	751,433
Insurance	45,899	64,401
Auditors' remuneration:		
Statutory audit	300,000	200,000
Tax audit	50,000	50,000
Fees for limited review	50,000	-
Fees for other certification	22,500	-
Travelling and conveyance	2,155,491	2,594,612
Legal and professional charges	2,694,984	655,982
Advertisement expenses	183,061	274,975
Communication cost	563,692	663,888
Bad debts written off	4,757,222	1,914,824
Printing and stationery	261,003	202,361
Repairs and maintenance		
Building	219,033	121,293
Others	422,754	533,373
Business promotion	539,336	376,032
Postage and courier	309,905	1,018,222
Advances written off	-	1,918,626
Net loss on foreign currency transaction and translation	161,271	-
Miscellaneous expenses	773,760	942,711
Total	22,737,487	18,668,248

City Online Services Limited

Notes to financial statements for the year ended March 31, 2015

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; 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, except for the change in accounting policy explained below.

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) Change in accounting policy

Depreciation on fixed assets

The Schedule XIV to the Companies Act, 1956, prescribed requirements relating to depreciation of fixed assets till the year ended March 31, 2014. From the current year, Schedule XIV has been replaced by Schedule II to the Companies Act, 2013. The applicability of Schedule II has resulted in the following changes related to depreciation of fixed assets.

Useful lives/ depreciation rates

Depreciation rates prescribed under Schedule II were treated as minimum rates and the Company was not allowed to charge depreciation at lower rates even if such lower rates were justified by the estimated useful life of the asset. Schedule II to the Companies Act 2013 prescribes useful lives for fixed assets which, in many cases, are different from lives prescribed under the erstwhile Schedule XIV. However, Schedule II allows companies to use higher/ lower

City Online Services Limited

Notes to financial statements for the year ended March 31, 2015

CIN: L72200TG1999PLC032114

(All amounts in Indian Rupees, unless otherwise stated)

useful lives and residual values if such useful lives and residual values can be technically supported and justification for difference is disclosed in the financial statements.

Considering the applicability of Schedule II, the management has re-estimated useful lives of all its fixed assets. The management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of fixed assets, though these, in certain cases are different from, the lives prescribed under Schedule II.

The Company has used transitional provisions of Schedule II to adjust the impact of useful lives/ depreciation rates arising on its first application. If a fixed asset has zero remaining useful life on the date of Schedule II becoming effective, i.e., April 01, 2014, its carrying amount, after retaining any residual value, is charged to the opening balance of retained earnings. The carrying amount of other fixed assets, i.e., fixed assets whose remaining useful life is not Nil on April 01, 2014, is depreciated over their remaining useful life. The Company has adjusted Rs. 16,68,495 (net of deferred tax of Rs. 7,46,114) with the opening balances of retained earnings. Had the Company continued to follow the earlier useful life, the depreciation expense for the year would have been higher by Rs. 24,14,609, loss before tax would have been higher by Rs. 24,14,609 and the impact on net block of fixed assets would have been immaterial.

d) 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.

e) 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.

f) Depreciation

Depreciation and Amortization 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.

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

City Online Services Limited

Notes to financial statements for the year ended March 31, 2015

CIN: L72200TG1999PLC032114

(All amounts in Indian Rupees, unless otherwise stated)

g) 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.

h) 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.

i) 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.

j) 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.

k) 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.

City Online Services Limited

Notes to financial statements for the year ended March 31, 2015

CIN: L72200TG1999PLC032114

(All amounts in Indian Rupees, unless otherwise stated)

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.

l) 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.

m) 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.

n) 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.

City Online Services Limited

Notes to financial statements for the year ended March 31, 2015

CIN: L72200TG1999PLC032114

(All amounts in Indian Rupees, unless otherwise stated)

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.

o) 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.

p) 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, 2015

CIN: L72200TG1999PLC032114

(All amounts in Indian Rupees, unless otherwise stated)

25. Contingent Liabilities

Particulars	As at March 31, 2015	As at March 31, 2014
Performance Guarantee	46,00,000	24,00,000

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, 2015	March 31, 2014
Current service cost	14,000	3,06,000
Interest cost on benefit obligation	55,000	42,000
Past Service cost – vested benefits	-	-
Expected return on plan assets	-	-
Net actuarial loss/(gain) recognized in the year	2,45,000	(1,92,000)
Net benefit expense	3,14,000	1,56,000

Balance sheet**Benefit liability**

	March 31, 2015	March 31, 2014
Present value of defined benefit obligation	8,38,000	6,86,000
Fair value of plan assets	-	-
Plan liability	8,38,000	6,86,000

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

	March 31, 2015	March 31, 2014
Opening defined benefit obligation	6,86,000	5,30,000
Current service cost	14,000	3,06,000
Interest cost	55,000	42,000
Past Service cost – vested benefits	-	-
Benefits paid	(1,62,000)	-
Actuarial losses on obligation	2,45,000	(1,92,000)
Closing defined benefit obligation	8,38,000	6,86,000

City Online Services Limited

Notes to financial statements for the year ended March 31, 2015

CIN: L72200TG1999PLC032114

(All amounts in Indian Rupees, unless otherwise stated)

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

	March 31, 2015	March 31, 2014
Opening fair value of plan assets	-	-
Expected return	-	-
Contributions by employer	-	-
Benefits paid	(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, 2015	March 31, 2014
Discount rate (%)	8%	8%
Expected rate of return on assets (%)	-	-
Salary escalation (%)	7%	7%
Attrition rate (%)*	5%	-

***Rates of Attrition:**

Age at valuation date	Withdrawal Rate	
	FY 2014-15	FY 2013-14
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

City Online Services Limited

Notes to financial statements for the year ended March 31, 2015

CIN: L72200TG1999PLC032114

(All amounts in Indian Rupees, unless otherwise stated)

Subsidiaries	City online Media Private Limited
	City Online Digital Private Limited

b) Transactions with related parties:

Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
Managerial Remuneration:		
S Raghava Rao	12,60,000	11,57,520
R Krishna Mohan	12,00,000	11,10,000
Ch Harinath	12,00,000	9,43,000
Loans and advances taken from related parties:		-
City Online Media Private Limited	20,000	-
City Online Digital Private Limited	119,308	-
Sales to		
City Online Digital Private Limited	60,952	-
Investment in :		
City Online Media Private Limited	100,000	-
City Online Digital Private Limited	100,000	-
Loans and advances given to related parties:		
City Online Digital Private Limited	90,000	-

c) Related parties balances:

Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
Non Current Investments:		
City Online Media Private Limited	100,000	-
City Online Digital Private Limited	100,000	-
Loans and advances given to related parties:		
City Online Digital Private Limited	29,308	-
Loans and advances taken from related parties:		
City Online Media Private Limited	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.

City Online Services Limited

Notes to financial statements for the year ended March 31, 2015

CIN: L72200TG1999PLC032114

(All amounts in Indian Rupees, unless otherwise stated)

30. Earnings per share:

Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
Profit /(Loss) after tax	(10,813,259)	81,49,503
Basic and diluted	(2.09)	1.58
Weighted average number of shares outstanding	51,64,700	51,64,700
Face value per share (Rs.)	10	10

31. Earnings in foreign currency

Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
Bandwidth income	-	-
Income from co-location service	240,483	2,92,732
Hardware sale income	8,20,013	20,05,143
Total	10,60,496	22,97,875

32. Expenditure in foreign currency

Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
Hardware (including VOIP charges)	1,94,69,187	2,16,02,323
Total	1,94,69,187	2,16,02,323

33. There is no balance confirmation available for the receivables and payables outstanding as on March 31, 2015 and such balances are subject to confirmation.

34. 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.

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

R. Krishna Mohan
Director
(Finance & Administration)

Sampada K. Joshi
Company Secretary

Place: Hyderabad

Date: May 29, 2015

CONSOLIDATED FINANCIAL STATEMENTS

City Online Services Limited and Its
Subsidiaries

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of City Online Services Limited

Report on the Consolidated Financial Statements

We have audited the accompanying Consolidated financial statements of **City Online Services Limited** ("the Company"), and its subsidiaries (the Group) which comprise the Consolidated Balance Sheet as at March 31, 2015, 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.

Management's Responsibility for the Consolidated 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 Consolidated financial statements that give a true and fair view of the Consolidated financial position, Consolidated financial performance and Consolidated cash flows of the Company in accordance with the 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. 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these Consolidated 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 thereunder. 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 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

consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the effectiveness of such controls. An audit also includes evaluating the appropriateness of the 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 Consolidated 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 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;

- a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2015;
- b) in the case of the Consolidated Statement of Profit and Loss, of the loss for the year ended on that date; and
- c) in the case of the Consolidated Cash Flow Statement, of the 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, 2015 ("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 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 purposes of our audit.
 - (b) In our opinion, proper books of account as required by the law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid Consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) On the basis of the written representations received from the directors as on March 31, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.

- (f) 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 Group does not have any pending litigations which would impact its Consolidated 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 are no amounts which are 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 29, 2015

City Online Services Limited
Consolidated Balance Sheet as at March 31, 2015

(All amounts in Indian Rupees, unless otherwise stated)

Particulars		Note	As at March 31, 2015
I	EQUITY AND LIABILITIES		
1	Shareholders' funds		
	(a) Share capital	3	56,098,330
	(b) Reserves and surplus	4	(19,032,755)
2	Non-current liabilities		
	(a) Long term borrowings	5	1,831,018
	(b) Long term provisions	6	838,000
3	Current liabilities		
	(a) Short-term borrowings	7	12,721,520
	(b) Trade payables	8	11,935,168
	(c) Other current liabilities	9	11,049,163
	(d) Short-term provisions	10	42,963
	Total		75,483,407
II	ASSETS		
1	Non-Current Assets		
	(a) Fixed assets	11	
	(i) Tangible assets	11A	20,902,586
	(ii) Intangible assets	11B	218,668
	(b) Non-current investments	12	350,000
	(c) Deferred tax assets	13	3,581,303
	(d) Long term loans and advances	14	1,429,568
2	Current assets		
	(a) Inventories	15	13,573,732
	(b) Trade receivables	16	26,713,406
	(c) Cash and bank balances	17	3,867,486
	(d) Short-term loans and advances	18	4,670,161
	(e) Other current assets	19	176,497
	Total		75,483,407

Corporate information and Significant accounting policies

1 & 2

Accompanying notes forming an integral part of the financial statements

3 to 36

As per our report on even date

For Seshachalam & Co

For and on behalf of the Board of Directors

Chartered Accountants

Firm Registration Number: 003714S

T. Bharadwaj

Partner

Membership Number : 201042

S. Raghava Rao

Chairman and Managing Director

R. Krishna Mohan

Director

(Finance & Administration)

Sampada K. Joshi

Company Secretary

Place: Hyderabad

Date: May 29, 2015

City Online Services Limited

Consolidated statement Profit of and Loss for the year ended March 31, 2015

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note	For the year ended March 31, 2015	
I. Revenue from operations	20	143,701,969	
II. Other income	21	984,590	
III. Total revenue		144,686,560	
IV. Expenses:			
Operating Expenses	22	107,433,446	
Employee benefits expenses	23	11,719,674	
Finance cost	24	1,432,883	
Depreciation	11	14,489,633	
Other expenses	25	22,813,710	
V. Total expenses		157,889,346	
VI. Loss Before Tax (III-V)		(13,202,786)	
VII. Tax expense			
- Current tax		42,963	
- Deferred tax	13	2,511,745	
VIII. Loss for the year		(10,734,004)	
IX. Earnings per equity share - ` 10			
Basic and diluted	32	(2.08)	
Corporate information and Significant accounting policies	1 & 2		
Accompanying notes forming an integral part of the financial statements	3 to 36		
As per our report on even date			
For Seshachalam & Co	For and on behalf of the Board of Directors		
Chartered Accountants			
Firm Registration Number: 003714S			
T. Bharadwaj	S. Raghava Rao	R. Krishna Mohan	Sampada K. Joshi
Partner	Chairman and Managing Director	Director	Company Secretary
Membership Number : 201042		(Finance & Administration)	
Place: Hyderabad			
Date: May 29, 2015			

City Online Services Limited
Consolidated Cash Flow Statement for the year ended March 31, 2015
(All amounts in Indian Rupees, unless otherwise stated)

Particulars	For the year ended March 31, 2015
A. Cash flow from operating activities	
Loss before tax	(13,202,786)
Adjustment for:	
Interest expense	1,063,560
Interest income	(271,268)
Depreciation	14,489,633
Operating loss before working capital changes	2,079,139
Changes in Working Capital :	
Increase in Inventories	(5,609,805)
Increase in Sundry Debtors	(1,641,772)
increase in loans and advances	(499,085)
Decrease in Current liabilities and provisions	(3,811,016)
Cash Used in Operating activities	(9,482,538)
Direct taxes refund	1,415,272
Net Cash from Operating activities (A)	(8,067,266)
B. Cash flow from investing activities	
Purchase of fixed assets	(7,331,737)
Purchase of investments	(300,000)
Proceeds from sale of fixed assets	-
Interest received	198,512
Net Cash Used in Investing activities (B)	(7,433,225)
C. Cash flow from financing activities	
Proceeds from short term borrowings	4,536,801
Proceeds from long term borrowings	1,167,257
Interest paid	(1,063,560)
Net Cash (used in) / from Financing activities (C)	4,640,499
D. Net increase in cash and cash equivalents (A+B+C)	(10,859,993)
E. Cash and Cash Equivalents	
at the beginning of the year	14,727,479
at the end of the year	3,867,486

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

(Finance & Administration)

Sampada K. Joshi

Company Secretary

Place: Hyderabad

Date: May 29, 2015

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, 2015	
	Number of Shares	Amount
Authorised Equity shares of ` 10 each	7,700,000	77,000,000
Issued Equity shares of ` 10 each	7,000,000	70,000,000
Subscribed and called up Equity shares of ` 10 each	6,925,000	69,250,000
Paid up capital Equity shares of ` 10 each, fully paid-up	5,164,700	51,647,000
Share forfeiture account Equity shares of ` 10 each, fully paid-up	1,760,300	4,451,330
Total	6,925,000	56,098,330

(a) Reconciliation of share capital

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

(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, 2015	
	Number of Shares	% Held
S. Raghava Rao	634,500	12.29

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, 2015
Investment Subsidy :	
At the beginning and at the end of the year	400,000
Deficit in the statement of Profit and Loss	
At the beginning of the year	(7,030,256)
Less: Depreciation adjustment on account of change in useful life as per Companies Act, 2013 (net of deferred tax of Rs.7,46,114) (refer note 2(a))	1,668,495
Add: Loss for the year	(10,734,004)
At the end of the year	(19,432,755)
Total	(19,032,755)

5. Long-term borrowings

Particulars	As at March 31, 2015
	Non-current
Term Loans From Banks	
Secured	1,831,018
Total	1,831,018

Loan	Security	Terms of repayment	Applicable interest rate	Period of maturity (Months)	No. of installments due	As at March 31,2015 (Non-current+ Current)
Oreintal Bank of Commerce	Hypothecation of asset financed	Monthly instalments	11.25%	60	30	1,388,679
Volkswagan Finance	Hypothecation of asset financed	Monthly instalments	10.25%	60	49	608,542

6. Long term provisions

Particulars	As at March 31, 2015
Provision for employee benefits [Refer note 28]	
Gratuity	838,000
Total	838,000

7. Short-term borrowings

Particulars	As at March 31, 2015
Loans Repayable on Demand	
From Banks	
Secured [Refer note below]	11,971,520
From Others	
Unsecured	750,000
Total	12,721,520

Note : Overdraft from Oriental Bank of Commerce is secured by 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, 2015
Trade payables [Refer note 35]	11,935,168
Total	11,935,168

9. Other current liabilities

Particulars	As at March 31, 2015
Current maturities of long-term debt [Refer Note 5]	166,203
Other payables :	
Statutory remittances	7,934,489
Security deposits	265,842
Advance from customers	2,682,629
Total	11,049,163

10. Short term provisions

Particulars	As at March 31, 2015
Provision for taxation	42,963
Total	42,963

12. Non-Current Investments

Particulars	As at March 31, 2015
Others:	
National savings certificates [5 Bonds (31.03.2013: Rs.50,000) of Rs. 10,000 each]	50,000
Margdarshi Chit Fund Private Limited	300,000
Total	350,000

City Online Services Limited
 Depreciation as per Companies Act, 2013 for the year ended March 31, 2015
 Note: 11 Fixed assets

Note 11A : Tangible assets

Particulars	Gross Block			Depreciation			Adjustment to		Net Block		
	As at April 01, 2014	Additions	Deletions	As at March 31, 2015	As at April 01, 2014	For the period	On deletions	As at March 31, 2015	opening retained earnings	As at March 31, 2015	As at March 31, 2014
Plant and machinery											
- General	44,221,738	4,698,244	-	48,919,982	20,299,078	13,388,309	-	33,687,387	-	15,232,595	23,922,660
- Computers & Data Processing Units											
• End user devices	11,811,448	110,540	-	11,921,988	9,335,822	96,148	-	9,431,970	165,957	2,324,061	2,475,626
- Vehicles											
• Motor cycles	48,238	-	-	48,238	-	5,822	-	5,822	-	42,416	48,238
• Motor cars	1,357,168	2,008,812	-	3,365,980	213,217	643,372	-	856,589	-	2,509,391	1,143,951
Furniture & Fixtures	7,131,027	145,074	-	7,276,101	4,279,765	64,685	-	4,344,450	2,248,652	682,999	2,851,262
Office equipment	3,023,118	115,123	-	3,138,241	2,771,096	256,022	-	3,027,118	-	111,124	252,022
Total	67,592,737	7,077,793	-	74,670,530	36,898,978	14,454,357	-	51,353,335	2,414,609	20,902,586	30,693,759

Note 11B : Intangible assets

Particulars	Gross Block			Depreciation			Adjustment to		Net Block		
	As at April 01, 2014	Additions	Deletions	As at March 31, 2015	As at April 01, 2014	For the period	On deletions	As at March 31, 2015	opening retained earnings	As at March 31, 2015	As at March 31, 2014
Computer software											
-	-	253,944	-	253,944	-	35,276	-	35,276	-	218,668	-
Total	-	253,944	-	253,944	-	35,275	-	35,276	-	218,668	-
Current year	67,592,737	7,331,737	-	74,924,474	36,898,978	14,489,633	-	51,388,611	2,414,609	21,121,255	30,693,759
Previous year	65,993,682	1,635,054	35,999	67,592,737	33,492,957	3,409,074	3,054	36,898,978	-	30,693,759	32,500,725

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

13. Deferred tax

Components of deferred tax assets are as follows:

Particulars	As at March 31, 2015
Deferred tax assets	
Depreciation	3,534,335
Employee benefits	46,968
Total	3,581,303

14. Long Term Loans and advances

Particulars	As at March 31, 2015
Tax deducted at source	1,401,644
Capital advance	27,924
Total	1,429,568

15. Inventories [Lower of cost and net realizable value]

Particulars	As at March 31, 2015
Stock in trade	13,573,732
Total	13,573,732

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

(All amounts in Indian Rupees, unless otherwise stated)

16. Trade receivables [Refer note 35]

Particulars	As at March 31, 2015
Outstanding for a period exceeding six months	11,775,716
Others	14,937,690
Total	26,713,406

17. Cash and bank balances

Particulars	As at March 31, 2015
Cash and cash equivalents	
Cash on hand	307,546
Balances with banks	
- in current accounts	949,941
	1,257,487
Other bank balances	
Margin money deposits with banks with maturity period more than 3 months but less than 12	2,610,000
	2,610,000
Total	3,867,487

18. Short-term loans and advances**Unsecured, considered good**

Particulars	As at March 31, 2015
Salary advances	371,600
Security deposits	2,012,381
Prepaid expenses	-
Advance to suppliers	2,286,180
Total	4,670,161

19. Other current assets**Unsecured, considered good**

Particulars	As at March 31, 2015
Interest accrued on fixed deposits with bank	176,497
Total	176,497

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

20. Revenue from operations

Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
Income from internet services	104,568,312	82,482,274
Income from VOIP services	861,460	1,816,998
Income from sales	38,272,197	40,671,487
Total	143,701,969	124,970,759

21. Other income

Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
Excess provisions written back	131,579	1,138,843
Interest	271,268	182,143
Rent	38,500	46,200
Profit on sale of fixed asset	-	3,054
Net gain on foreign currency transaction and translation	-	1,768
Chit Dividend	35,000	-
Freight Charges (Recovered)	21,975	-
Miscellaneous income	486,268	35,759
Total	984,590	1,407,767

22. Operating Expenses

Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
Bandwidth charges	59,883,897	35,808,251
Repairs and maintenance	1,452,607	792,802
VOIP activation charges	93,488	233,645
Electricity	2,454,503	2,737,109
Rent networking	2,297,325	2,357,281
Cost of sales	28,164,457	31,360,662
Cable Line Expenses	330,863	481,628
Installation Expenses	969,999	607,350
Internet Telephony Charges	281,023	323,522
Last Mile Charges	11,391,550	9,121,451
Other operating expenses	113,734	129,032
Total	107,433,446	83,952,733

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

(All amounts in Indian Rupees, unless otherwise stated)

23. Employee benefits expense

Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
Salaries	11,029,758	10,526,680
Contribution to provident fund	442,251	281,761
Staff welfare	247,664	277,572
Total	11,719,674	11,086,013

24. Finance costs

Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
Interest expense on		
-Term loans	194,825	100,084
-Working capital borrowings	868,735	834,912
-Interest on delayed remittance of taxes		
-Interest on income tax	-	73,672
Bank charges	369,323	234,588
Total	1,432,883	1,243,256

25. Other expenses

Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
Rent [Refer note 29]	1,978,502	1,805,401
Rates and taxes	1,704,937	1,369,594
Director's remuneration [Refer note 28]	3,660,000	3,210,520
Sales Commission	1,509,617	751,433
Insurance	45,899	64,401
Auditors' remuneration:		
Statutory audit	328,090	200,000
Tax audit	50,000	50,000
Fees for limited review	50,000	-
Fees for other certification	22,500	-
Travelling and conveyance	2,155,491	2,594,612
Legal and professional charges	2,694,984	655,982
Advertisement expenses	183,061	274,975
Communication cost	563,692	663,888
Bad Debts written off	4,757,222	1,914,824
Printing and stationery	261,003	202,361
Repairs and maintenance		
Building	219,033	121,293
Others	422,754	533,373
Business Promotion expenses	539,336	376,032
Postage and courier	309,905	1,018,222
Advances written off	-	1,918,626
Net loss on foreign currency transaction and translation	161,271	-
Miscellaneous expenses	1,196,413	942,711
Total	22,813,710	18,668,248

City Online Services Limited

Notes to Consolidated financial statements for the year ended March 31, 2015

(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 consolidated financial statements are :

a) Subsidiaries:

Name of the Company	Country of Incorporation	Percentage holding / interest as at March 31, 2015
City Online Digital Private Limited	India	100
City Online Media Private Limited	India	100

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.

City Online Services Limited

Notes to Consolidated financial statements for the year ended March 31, 2015

(All amounts in Indian Rupees, unless otherwise stated)

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) Change in accounting policy:

Depreciation on fixed assets

The Schedule XIV to the Companies Act, 1956, prescribed requirements relating to depreciation of fixed assets till the year ended March 31, 2014. From the current year, Schedule XIV has been replaced by Schedule II to the Companies Act, 2013. The applicability of Schedule II has resulted in the following changes related to depreciation of fixed assets.

Useful lives/ depreciation rates

Depreciation rates prescribed under Schedule XIV were treated as minimum rates and the Company was not allowed to charge depreciation at lower rates even if such lower rates were justified by the estimated useful life of the asset. Schedule II to the Companies Act 2013 prescribes useful lives for fixed assets which, in many cases, are different from lives prescribed under the erstwhile Schedule XIV. However, Schedule II allows companies to use higher/ lower useful lives and residual values if such useful lives and residual values can be technically supported and justification for difference is disclosed in the financial statements.

Considering the applicability of Schedule II, the management has re-estimated useful lives of all its fixed assets. The management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of fixed assets, though these, in certain cases are different from, the lives prescribed under Schedule II.

The Company has used transitional provisions of Schedule II to adjust the impact of useful lives/ depreciation rates arising on its first application. If a fixed asset has zero remaining useful life on the date of Schedule II becoming effective, i.e., April 01, 2014, its carrying amount, after retaining any residual value, is charged to the opening balance of retained earnings. The carrying amount of other fixed assets, i.e., fixed assets whose remaining useful life is not Nil on

City Online Services Limited

Notes to Consolidated financial statements for the year ended March 31, 2015

(All amounts in Indian Rupees, unless otherwise stated)

April 01, 2014, is depreciated over their remaining useful life. The Company has adjusted Rs. 16,68,495 (net of deferred tax of Rs. 7,46,114) with the opening balances of retained earnings and i.e. Surplus in the statement of profit and loss. Had the Company continued to follow the earlier useful life, the depreciation expense for the year would have been higher by Rs. 24,14,609, profit before tax would have been lower by Rs. 24,14,609 and the impact on net block of fixed assets would have been immaterial.

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.

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

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.

e) Depreciation

Depreciation and Amortization 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.

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.

City Online Services Limited

Notes to Consolidated financial statements for the year ended March 31, 2015

(All amounts in Indian Rupees, unless otherwise stated)

g) Inventories

Inventories are valued at the lower of cost or 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. 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.

City Online Services Limited

Notes to Consolidated financial statements for the year ended March 31, 2015

(All amounts in Indian Rupees, unless otherwise stated)

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 is 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 realisability

City Online Services Limited

Notes to Consolidated financial statements for the year ended March 31, 2015

(All amounts in Indian Rupees, unless otherwise stated)

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 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.

City Online Services Limited

Notes to Consolidated financial statements for the year ended March 31, 2015

(All amounts in Indian Rupees, unless otherwise stated)

26. This being the first year of consolidation, previous year figures are not applicable.

27. Contingent Liabilities

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

28. 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, 2015
Current service cost	14,000
Interest cost on benefit obligation	55,000
Past Service cost – vested benefits	-
Expected return on plan assets	-
Net actuarial loss/(gain) recognized in the year	2,45,000
Net benefit expense	3,14,000

Balance sheet**Benefit liability**

	March 31, 2015
Present value of defined benefit obligation	8,38,000
Fair value of plan assets	-
Plan liability	8,38,000

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

	March 31, 2015
Opening defined benefit obligation	6,86,000
Current service cost	14,000
Interest cost	55,000
Past Service cost – vested benefits	-
Benefits paid	(1,62,000)
Actuarial losses on obligation	2,45,000
Closing defined benefit obligation	8,38,000

City Online Services Limited

Notes to Consolidated financial statements for the year ended March 31, 2015

(All amounts in Indian Rupees, unless otherwise stated)

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

	March 31, 2015
Opening fair value of plan assets	-
Expected return	-
Contributions by employer	-
Benefits paid	(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, 2015
Discount rate (%)	8%
Expected rate of return on assets (%)	-
Salary escalation (%)	7%
Attrition rate (%)*	5%

***Rates of Attrition:**

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

29. 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.

City Online Services Limited

Notes to Consolidated financial statements for the year ended March 31, 2015

(All amounts in Indian Rupees, unless otherwise stated)

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
Subsidiaries	City online Media Private Limited
	City Online Digital Private Limited

b) Transactions with related parties:

Particulars	For the year ended March 31, 2015
Managerial Remuneration:	36,60,000
S Raghava Rao	12,60,000
R Krishna Mohan	12,00,000
Ch Harinath	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, 2015
Profit after tax	(10,734,004)
Basic and diluted	(2.08)
Weighted average number of shares outstanding	51,64,700
Face value per share (Rs.)	10

City Online Services Limited

Notes to Consolidated financial statements for the year ended March 31, 2015

(All amounts in Indian Rupees, unless otherwise stated)

33. Earnings in foreign currency

Particulars	For the year ended March 31, 2015
Bandwidth income	-
Income from co-location service	240,483
Hardware sale income	8,20,013
	10,60,496

34. Expenditure in foreign currency

Particulars	For the year ended March 31, 2015
Hardware (including VOIP charges)	1,94,69,187
	1,94,69,187

35. There is no balance confirmation available for the receivables and payables outstanding as on March 31, 2015 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.

For and on behalf of the Board

S. Raghava Rao
Chairman and Managing Director

R. Krishna Mohan
Director (Finance & Administration)

Sampada K. Joshi
Company Secretary

Place: Hyderabad

Date: May 29, 2015

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 16th Annual General Meeting of the company, to be held on the Monday of 28th September 2015 at 11.00 a.m. at 701, 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, 2015		
2.	Re-appointment of Shri S Raghava Rao, Director who retires by rotation and being eligible offers himself for re-appointment		
3.	Re-appointment of Shri R Krishna Mohan, 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.	Increase of Remuneration of Shri S. Raghava Rao, Chairman cum Managing Director		
6.	Increase of Remuneration of Shri Ch. Harinath, Executive Director		
7.	Increase of Remuneration of R. Krishna Mohan, Director (Finance & Administration)		
8.	Replacement of Articles with new set of Articles of Association		

Signed this _____ day of _____ 2015

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)

16th Annual General Meeting on 28th September 2015

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)

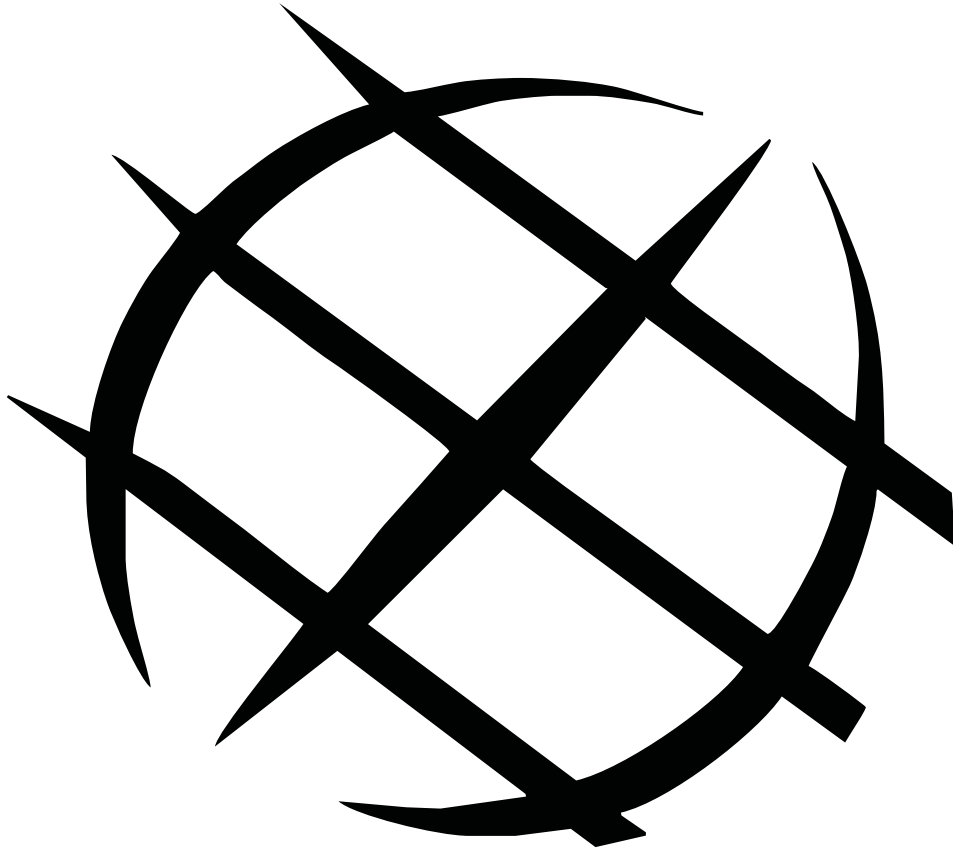
I hereby record my presence at the 16th Annual General Meeting of the City OnlineServices Limited, 701, Aditya Trade Centre, Ameerpet, Hyderabad - 500038, on Monday, the 28th September 2015 at 11.00 am.

(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, www.cityonlines.com

CIN No : L72200TG1999PLC032114