

City Online

Services Limited

Internet Services with world class technology

**ANNUAL REPORT
2016 - 2017**

**ANNUAL REPORT
2016– 17**

Board of Directors

Mr. S. RaghavaRao	:	Chairman and Managing Director
Mr. Ch. Harinath	:	Executive Director
Mr. R. Krishna Mohan	:	Director (Finance & Administration)
MrV.Satyanarayana	:	Independent Director
Mr. Thomos P. Nicodemus	:	Independent Director
Mr. M. NageswaraRao	:	Independent Director
Mrs. S. Naga Durga	:	Woman Director
Compliance Officer	:	Mr. R. Krishna Mohan
Registered Office	:	701, 7 th Floor, Aditya TradeCenter, Ameerpet, Hyderabad –500 038
Website	:	www.cityonlines.com
CIN	:	L72200TG1999PLC032114
Statutory Auditors	:	M/s. Seshachalam & Co, Chartered Accountants Secunderabad
Internal Auditors	:	M/s. D Rambabu & Co. Chartered Accountants Hyderabad
Secretarial Auditors	:	M/s. VCSR & Associates Company Secretaries Hyderabad
Bankers	:	HDFC Bank, Hyderabad 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 18th Annual General Meeting of the Company will be held on Wednesday the 27th September 2017 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, 2017 and Balance Sheet as at that date together with Directors Report and Auditors Report thereon.
- 2) To appoint a director in place of Sri. S. RaghavaRaowho retires by rotation and being eligible offers himself for re-appointment.
- 3) To appoint a director in place of Sri. R. Krishna Mohanwho retires by rotation and being eligible offers himself for re-appointment.
- 4) Ratification of appointment of Auditors

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

“RESOLVED THAT pursuant to the provisions of Section 139 and all other applicable provisions, if any, of the Companies Act, 2013 (“Act”) and the Companies (Audit and Auditors) Rules, 2016 as amended from time to time, the Company hereby ratifies the appointment of M/s. Seshachalam& Co, Chartered Accountants, Secunderabad as Auditors of the Company to hold office from the conclusion of this Annual General Meeting (AGM) till the conclusion of the next AGM to be held in 2018 to examine and audit the accounts of the Company for the financial year 2017-18 at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Auditors.”

By Order of the Board of Directors

Place :Hyderabad
Date:14.08.2017

S. RaghavaRao
Managing Director
(DIN - 01441612)

NOTES

1. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 19th September, 2017 to Wednesday, 27th September, 2017 (both days inclusive) for the purpose of Annual General Meeting (AGM).
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 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 2017 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 2016-17 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 18th 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 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 18th Annual General Meeting and the Annual Report for the year 2016-17 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 the Listing Regulations 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., 20thSeptember, 2017 may cast their votes electronically.

The e-voting period commences at Saturday, September 23, 2017 (9.00 a.m. IST) and ends on Tuesday, September 26, 2017 (5.00 p.m. IST). The e-voting module shall be disabled by CDSL for voting thereafter.

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

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

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

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

The Results declared along with the Scrutinizer's Report shall be placed on the Company's website www.cityonlines.com 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*	<p>Enter your 10 digit alpha-numeric</p> <p>*PAN issued by Income Tax Department (in Capital) (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> • Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the last 8 digits of the demat account/folio number in the PAN field. • In case the folio number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with folio number 100 then enter RA00000100 in the PAN field.
DOB#	Enter the Date of Birth as recorded in your demat account or in the Bank records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details#	<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>

- (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

CITY ONLINE SERVICE LIMITED
CIN : L72200TG1999PLC032114

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.

By Order of the Board of Directors

Place: Hyderabad
Date: 14.08.2017

S. RaghavaRao
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 The Listing Regulations)

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	B.Tech	B.Tech
Shareholding in the company	6,84,500	2,70,600
List of Directorships held in other Companies (excluding foreign, private and Section 8 Companies)	1.M/s. Anu Digital Arts Private Limited 2.M/s. City Auto Parts Private Limited 3.M/S. City Online Digital Private Limited 4.M/s. City Online Media Private Limited	1.M/s. Andhra Lakshmi Industrial Co Ltd 2.M/S. City Online Digital Private Limited 3.M/s. City Online Media Private Limited
Memberships / Chairmanships of Audit and Stakeholders' Relationship Committees across Public Companies	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 18th Annual Report on the business and operations of the Company and the accounts for the Financial Year ended March 31, 2017.

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	2016-2017	2015-16
Gross Income	1760.66	1319.94
Profit Before Interest and Depreciation	50.47	46.76
Finance Charges	17.98	17.81
Gross Profit	32.49	28.95
Provision for Depreciation	22.46	52.56
Net Profit(Loss) Before Tax	10.02	(23.62)
Provision for Tax	6.36	(28.69)
Net Profit After Tax(Loss)	3.66	(52.31)
Balance of Profit brought forward	3.66	(52.31)
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	3.66	(52.31)

2. Performance:

Your company has extended its presence in the entire state of Andhra Pradesh, Telangana and in about 20 towns of Karnataka and is in the processes of entering in more small places in these states which has resulted in increase of revenue by the end of 2017-18 your company will have total presence in these states . Your company has entered into providing of triple play services in gated communities as of now your company has successfully implemented this service in twenty one gated communities the revenue from this sector is very encouraging , hence your company is targeting another ten complexes in this financial year i.e 10000 households. All this factors have helped your company to increase its turnover and the Board of Directors is confident that your company will show growth in financial year 2017-18. Your company started FTH SERVICES i.e.Fibre to Home in 5 gated communities at Bangalore this services will be extended to other cities in AP, Telangana and Karnataka.

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

6. Particulars of Employees

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

7. Meetings

A calendar of Meetings is prepared and circulated in advance to the Directors. During the year Four Board Meetings and Four 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 The Listing Regulations, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of its Audit, Nomination & Remuneration and Compliance Committees. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report.

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

Declaration by independent directors The Company has received necessary declaration from each independent director under Section 149(7) of the Companies Act, 2013, that he / she meets the criteria of independence laid down in Section 149(6) of the Companies Act, 2013 and Regulation 25 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2016.

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

10. Remuneration Policy

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

11. Details of Subsidiary/Joint Ventures/Associate Companies

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

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

12. Auditors

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

13. Auditors' Report

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

14. Secretarial Audit Report

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

15. Internal Audit & Controls

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

16. Vigil Mechanism

In pursuant to the provisions of section 177(9) & (10) of the Companies Act, 2013, a Vigil Mechanism for directors and employees to report genuine concerns has been established. The Vigil Mechanism Policy has been uploaded on the website of the Company at www.cityonlines.com 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 IV**.

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

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

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

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

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

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

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

22. Particulars of contracts or arrangements with related parties

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

23. Deposits

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

24. Corporate Governance Certificate

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

25. Corporate Social Responsibility

The Company is not required to constitute a Corporate Social Responsibility Committee as it does not fall within purview of Section 135(1) of the Companies Act, 2013 and hence it is not required to formulate policy on corporate social responsibility.

26. 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.	31.03.2017	City Online Digital Pvt Ltd	13,69,731	Business Need	On demand	14.11.2016	NA	Nil	Nil
2	09.09.2016	City Online Media P Ltd	1,36,000	Business Needs	On demand	14.11.2016	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	18.09.2016	M/s.City Online Digital Private Limited	100000	Business	18.09.2016	NA	NA
2	18.09.2016	M/s.City Online Media Private Limited	100000	Business	18.09.2016	NA	NA

During the year the company has not made any investments.

Details of Guarantee / Security Provided: NIL

27. Management Discussion And Analysis Report

The Management Discussion and Analysis Report forms part of this Annual Report for the year ended 31st March 2017.

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

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

(a) Conservation of energy: NIL

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

(b) Technology absorption: NIL

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

(c) Foreign exchange earnings and Outgo

During the year, the total foreign exchange used was Rs. 4, 08,817 and the total foreign exchange earned was NIL

29. 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.

30. Directors' Responsibility Statement

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

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) the directors had prepared the annual accounts on a going concern basis; and
- (e) the directors, in the case of a **listed company**, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

31. Listing with stock exchanges:

The Company confirms that it has paid the Annual Listing Fees for the year 2016-17 to BSE where the Company's Shares are listed.

32. Acknowledgements

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

For and on behalf of the Board of Directors

Place: Hyderabad
Date: 14.08.2017

S. RaghavaRao
Managing Director
(DIN - 01441612)

ANNEXURE INDEX

Annexure	Content
i	Particulars of Employee
ii	Details of subsidiary
iii	MR-3 Secretarial Audit Report
iv	Annual Return Extracts in MGT 9
v	AOC 2 – Related Party Transactions disclosure

ANNEXURE - I

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. RaghavaRao	Managing Director	Rs 1,55,000 P.M	B.Tech	31 Years	56	20/07/1999	Managing Director in City Auto Parts Pvt Ltd
2	Ch. Harinath	Executive Director	Rs 1,50,000 P.M	M.Tech	27 years	52	16/07/1999	Self Employed
3	R. Krishna Mohan	Executive Director	Rs 1,50,000 P.M	B Tech	31 Years	55	01/09/2001	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.

ANNEXURE - II

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

Name of Subsidiary Company	CITY ONLINE DIGITAL PRIVATE LIMITED	CITY ONLINE MEDIA PRIVATE LIMITED
Issued & Subscribed Capital	100000	100000
Reserves	(14,08,056)	(91,850)
Total Assets	44,34,772	1,51,628
Total Liabilities	44,34,772	1,51,628
Investments	0	0
Turnover	95,55,537	0
Profit/(Loss)before Tax	(15,01,761)	(39,199)
Provision for Tax	0	602
Profit/(Loss) After Tax	(15,01,761)	(38597)
Proposed Dividend	0	0

ANNEXURE-III

Form No. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31.03.2017

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

To
The Members,
CITY ONLINE SERVICES LIMITED,
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 me/us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my/our verification of the CITY ONLINE SERVICES LIMITED books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in my/our opinion, the company has, during the audit period covering the financial year ended on 31st March, 2017 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, 2017 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;

CITY ONLINE SERVICE LIMITED
CIN : L72200TG1999PLC032114

(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) Secretarial Standards issued by The Institute of Company Secretaries of India.

(ii) The Listing Agreements entered into by the Company with Bombay Stock Exchange(s), if applicable;

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

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The Company is required to Appoint Independent Director as per the Act. As per the Provisions of Section 203 of the Companies Act, 2013, the company is required to appoint Key Managerial Persons of the company. As explained to us, the Company is in the process of selecting suitable candidates for appointment of Company Secretary and Independent Director. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

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

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

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

For VCSR & Associates Company secretaries

(Ch.Veeranjaneyulu)

Partner

C P No.:6392

Place: Hyderabad

Date: 14.08.2017

Note: This report is to be read with our letter of even date which is annexed as Annexure and forms an integral part of this report.

'ANNEXURE'

To
The Members,
CITY ONLINE SERVICES LIMITED
Hyderabad, Telangana.

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

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

For VCSR & Associates
Company secretaries

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

Place: Hyderabad
Date: 14.08.2017

Annexure IV

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

As on financial year ended on 31.03.2017

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and 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	TELECOM SERVICES	99842909	100
2			

III. PARTICULARS OF HOLDING , SUBSIDIARY & ASSOCIATE COMPANIES

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

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as 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-2016]				No. of Shares held at the end of the year [As on 31-March-2017]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1)Indian									
a) Individual/ HUF	732200	29500	761700	14.75	732200	29500	761700	14.75	0.00
b) Central Govt									
c) State Govt(s)									
d) Bodies Corp.									
e) Banks / FI									
f) Any other									
Total Share Holding of Promoter (A)	732200	29500	761700	14.75	732200	29500	761700	14.75	0.00
B. Public Share Holding									
1. Institutions									
a) Mutual Funds	200000	0	200000	3.87	200000	0	200000	3.87	0.00
b) Banks / FI									
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIIs									
h) Foreign Venture Capital Funds									
i) Others (specify)									
Sub-Total (B)(1)	200000	0	200000	3.87	200000	0	200000	3.87	0.00
2. Non-Institutions									
a) Bodies Corp.	221414	34000	255414	4.95	243114	34000	277114	5.37	0.42
i) Indian									
ii) Overseas									
b) Individuals									

i) Individual shareholders holding nominal share capital up to Rs.2 lakh	633887	1382650	2016537	39.04	671266	1381650	2052916	39.75	0.75
ii) Individual shareholders holding nominal share capital in excess of Rs2 lakh	1548749	371000	1919749	37.17	1490070	371000	1861070	36.03	1.14
c) Others (specify)									
Non Resident Indians	1300	10000	11300	0.22	1300	10000	11300	0.22	0.00
Overseas Corporate Bodies									
Foreign Nationals									
Clearing Members									
Trusts									
Foreign Bodies - DR									
Sub-Total (B)(2):	2405350	1797650	4203000	81.38	2406350	1796650	4203000	81.38	0.00
Total Public Shareholding (B)=(B)(1)+ (B)(2)	2605350	1797650	4403000	85.25	2606350	1872650	4403000	85.25	0.00
C. Shares held by Custodian for GDRs & ADRs									
Grand Total (A+B+C)	3337550	1827150	5164700	100	3338550	1826150	5164700	100	0.00

B) Shareholding of Promoter

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	
1	Suryadevara Raghava Rao	6,84,500	13.25	0.00	6,84,500	13.25	0.00	0.00
2	Jonnalgadda Gram	47,700	0.92	0.00	47,700	0.92	0.00	0.00
3	GopalaKrishnaiah Chava	6,500	0.13	0.00	6,500	0.13	0.00	0.00
4	GopalaKrishnaiah Chava	4,500	0.09	0.00	4,500	0.09	0.00	0.00
5	GopalaKrishnaiah Chava	4500	0.09	0.00	4,500	0.09	0.00	0.00
6	GopalaKrishnaiah Chava	4,000	0.08	0.00	4,000	0.08	0.00	0.00
7	ChGopalaKrishnaiah	2500	0.05	0.00	2500	0.05	0.00	0.00
8	GopalaKrishnaiah Chava	2500	0.05	0.00	2500	0.05	0.00	0.00

9	Venkateswara Rao Ramineni	2500	0.05	0.00	2500	0.05	0.00	0.00
10	Gopala Krishnaiah Chava	2500	0.05	0.00	2500	0.05	0.00	0.00

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

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

**D) Shareholding Pattern of top ten Shareholders:
(Other than Directors, Promoters and Holders of GDRs and ADRs):**

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

E) Shareholding of Directors and Key Managerial Personnel:

Sl. No	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during theyear	
		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	1,38,59,692	NIL	NIL	1,38,59,692
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	NIL	NIL	NIL
Total (i+ii+iii)	1,38,59,692	NIL	NIL	1,38,59,692
Change in Indebtedness during the financial year				
* Addition	NIL	NIL	NIL	NIL
* Reduction	NIL	NIL	NIL	NIL
Net Change	NIL	NIL	NIL	NIL
Indebtedness at the end of the financial year				
i) Principal Amount	1,38,59,692	NIL	NIL	1,38,59,692
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	NIL	NIL	NIL
Total (i+ii+iii)	1,38,59,692	NIL	NIL	1,38,59,692

XI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL-

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sl. No.	Particulars of Remuneration	Name of MD/WTD/ Manager			Total Amount
		CHAVA HARINATH	KRISHNA MOHAN RAMINENI	RAGHAVA RAO SURYADEVARA	
1	Gross salary	Rs. 1,50,000 P.M	Rs. 1,50,000 P.M	Rs. 1,55,000 P.M	Rs. 4,55,000 P.M
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	Rs. 1,50,000 P.M	Rs.1,50,000 P.M	Rs. 1,55,000 P.M	Rs. 4,55,000 P.M
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0	0	0	0
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	0	0	0	0
2	Stock Option	0	0	0	0
3	Sweat Equity	0	0	0	0
4	Commission -as % of profit -others, specify...	0	0	0	0
5	Others, please specify	00	0	0	0
	Total (A)	1,50,000 P.M	1,50,000 P.M	Rs 1,55,000 P.M	455000 P.M
	Ceiling as per the Act				

B. Remuneration to other Directors

Sl. No.	Particulars of Remuneration	Name of Directors				Total Amount
		Naga Durga	Satyanarayana Vasireddy	Nicodemus Pradhan Thomas	Nageswara Rao Mandavilli	
1	Independent Directors	0	0	0	0	0
	Fee for attending board, committee meetings	6000	8000	4000	8000	26000
	Commission	0	0	0	0	0
	Others, please specify	0	0	0	0	0
	Total (1)	6000	8000	4000	8000	26000
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)	6000	8000	4000	8000	26000
	Total Managerial Remuneration	6000	8000	4000	8000	26000
	Overall Ceiling as per the Act					

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

Sl.No.	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	0	75000	0	75000
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0	0	0	0
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	0	0	0	00
2	Stock Option	0	0	0	0
3	Sweat Equity	0	0	0	0
4	Commission	0	0	0	0
	- as % of profit	0	0	0	0
	others, specify...	0	0	0	0
5	Others, please specify	0	0	0	0
	Total	0	75000	0	75000

XII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: NIL

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

ANNEXURE - V

Form No. AOC-2

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

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

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

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

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

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

Corporate Governance Report for the year ended on 31st March 2017

1 Company Philosophy:

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

2 Board of Directors:

Category	No.ofDirectors
Non-Executive & IndependentDirectors including the Chairman	3
Other Non-Executive Directors	1
Executive Director(CEO & Managing Director)	3
Total	7

The Chairman of the Board is an Executive Director.

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

Other Relevant details of Directors:

Name of Director	Date of Appointment	Category	No. of Directorship(s) held in Indian public & private Limited Companies (Including Eduworth)
S.RaghavaRao	20/07/1999	Managing Director (Executive)	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	Whole Time Director (Executive)	1.M/s. Pranav Tower Fabrications (I) Pvt Ltd 2.M/s. Krishi Engineers Private Limited 3.M/s. City Online Digital Private Limited 4.M/s. City Online Media Private Limited
R.Krishna Mohan	01/09/2001	Whole Time Director (Executive)	1.M/s. Andhra Lakshmi Industrial Co Ltd 2.M/s. City Online Digital Private Limited 3.M/s. City Online Media Private Limited
S.NagaDurga	29/09/2016	Non-Executive Director	M/s. Anu Digital Arts Private Limited M/s. City Auto Parts Private Limited
M.NageswaraRao	27/05/2002	Non-Executive & Independent Director	M/s. City Auto Parts Private Limited
Thomos P. Nicodemus	05/10/2001	Non-Executive & Independent Director	M/s. Venturetech India Private Limited M/s. KrishiMech Engineers Private Limited

V.Satyanarayana	31/05/2005	Non-Executive & Independent Director	NIL
Arun Prasad Kanuri*	14/08/2013	Non-Executive & Independent Director	M/s. Lakshmi Finance and Industrial corporation Limited

* vacated office w.e.f. 13.08.2016

Board Meetings held during the year;

Dates on which the Board Meetings were held	Total Strength of the Board	No. of Directors Present
30-05-2016	8	7
13-08-2016	8	7
14-11-2016	7	7
13-02-2017	7	7

Name of Director	Attendance at the Board Meetings held on				Attendance at the AGM held on 30 th Sep'16
	30-05-2016	13-08-2016	14-11-2016	13-02-2017	
S. RaghavaRao	Present	Present	Present	Present	Present
Ch. Harinath	Present	Present	Present	Present	Present
R. Krishna Mohan	Present	Present	Present	Present	Present
S. Naga Durga	Present	Present	Present	Present	Present
M. NageswaraRao	Present	Present	Present	Present	Present
Thomos P Nicodemus	Present	Present	Present	Present	No
V Satyanarayana	Present	Present	Present	Present	No
Arun Prasad Kanuri	Absent	Absent	Vacated	Vacated	No

3. COMMITTEES OF THE BOARD

(a) Audit Committee (mandatory committee)

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

The composition of the Audit Committee as at March 31, 2017 and details of the Members participation at the Meetings of the Committee are as under:

Name of Director	Category	Attendance at the Board Meetings held on			
		30-05-2016	13-08-2016	14-11-2016	13-02-2017
M. NageswaraRao	Chairman NE(I)D	Present	Present	Present	Present
Thomos P. Nicodemus	Member NE(I)D	Present	Present	Present	Present
R. Krishna Mohan	Member ED	Present	Present	Present	Present

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

* ED – Executive Director

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

Financial Reporting and Related Processes

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

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

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

(b) Nomination and Remuneration Committee

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 Nomination and Remuneration Committee as at March 31, 2017 and details of the Members participation at the Meetings of the Committee are as under:

Name of Director	Category	Attendance at the Board Meetings held on			
		30-05-2016	13-08-2016	14-11-2016	13-02-2017
Thomos P. Nicodemus	Chairman NE(I)D	Present	Present	Present	Present
M. NageswaraRao	Member NE(I)D	Present	Present	Present	Present
S. Naga Durga	Member NED	Present	Present	Present	Present

(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, 2017 and details of the Members participation at the Meetings of the Committee are as under:

Name of Director	Category	Attendance at the Board Meetings held on			
		30-05-2016	13-08-2016	14-11-2016	13-02-2017
M. NageswaraRao	Chairman NE(I)D	Present	Present	Present	Present
Thomos P. Nicodemus	Member NE(I)D	Present	Present	Present	Present
R. Krishna Mohan	Member ED	Present	Present	Present	Present

During the year, Zero complaints were received from shareholders, as on March 31, 2017, no investor grievance has remained unattended/ pending for more than thirty days.

Internal Complaints Committee:

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

Name	Designation	Category
S. Naga Durga	Chairman	NED
Ch. Harinath	Member	WTD
M. NageswaraRao	Member	NED (I)

Independent Directors' Meeting

During the year under review, the Independent Directors met on March 29, 2017 inter alia, to discuss:

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

PERFORMANCE EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and The Listing Regulations, 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.

DISCLOSURES

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 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 The Listing Regulations 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.

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	Company's Website

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 (Dematerialized share)
BSE Limited PhirozeJeejeebhoy Towers, Dalal Street, Mumbai 400001	538674, CITYON#	INE158C01014

Share Price on BSE vis-à-vis BSE Sensex April 2016 - March 2017

Month	BSE Sensex Close	Share Price			No. of shares traded during the month	Turnover
		High	Low	Close		
April	8.16	8.16	8.16	8.16	100	816
May	8.56	8.56	8.56	8.56	1	8
June	8.12	8.54	8	8.12	5150	43490
July	7.6	8	7.6	7.6	1130	8628
Aug	7.58	7.58	7.22	7.58	61	447
Sep	6.51	7.21	6.51	6.51	24	166
Oct	6.5	6.83	6.5	6.5	2882	18780
Nov	6.5	6.5	6.5	6.5	100	650
Dec	6.8	6.8	6.18	6.8	1611	10407
Jan	7.15	7.35	6.7	7.15	6501	45834
Feb	5.01	7.25	5.01	5.01	20345	129548
Mar	4.25	5.01	3.98	4.25	12281	53195

SHARE TRANSFER SYSTEM / DIVIDEND AND OTHER RELATED MATTERS

Share transfers

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

Nomination facility for shareholding

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

Permanent Account Number (PAN)

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

Pending Investors' Grievances

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

S. No.	Nature of Queries/Compliant	Pending as on April 1, 2016	Received during the year	Redressed during the year	Pending as on March 31, 2017
1	Transfer/Transmission of Duplicate Share Certificate	0	0	0	0
2	Non-receipt of Dividend	0	0	0	0
3	Dematerialisation/Rematerialisation of Shares	0	0	0	0
4	Complaints received from:	0	0	0	0
	SEBI	0	0	0	0
	Stock Exchanges/NSDL/CDSL	0	0	0	0
	ROC/MCA/Others	0	0	0	0
	Advocates	0	0	0	0
	Consumer Forum/Court Case	0	0	0	0
5	Others	0	0	0	0
	Grand Total	0	0	0	0

Reconciliation of Share Capital Audit

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

Dematerialisation of Shares and Liquidity

The break-up of equity shares held in Physical and Dematerialised form as on March 31, 2017, is given below:

Particulars	No. of Shares	Percentage
Physical Segment	18,26,150	35.36
Demat Segment		
NSDL	27,21,862	52.70
CDSL	6,16,688	11.94
Total	51,64,700	100

Shareholding Pattern of the company as on March 31, 2017 in detail is presented in MGT -9 enclosed to the Boards report as annexed to the report.

Distribution of Shareholding as on March 31, 2017

Particulars	Shareholders		Shareholding	
	Number	%	Value	%
Upto 5,000	144	21.40	200640	0.39
5,001-10,000	25	3.71	224440	0.43
10,001-20,000	28	4.16	475930	0.92
20,001-30,000	223	33.14	5675620	10.99
30,001-40,000	79	11.74	3046000	5.90
40,001-50,000	73	10.85	3494010	6.77
50,001-1,00,000	39	5.79	3371200	6.53
1,00,001 & above	62	9.21	35159160	68.08
Total	673	100.00	51647000	100.00

Statement showing Shareholding of more than 1% of the Capital as on March 31, 2017

Sl. No.	Name of the shareholders	No. of Shares	Percentage of Capital
1	Preetha S Nair	250000	4.84
2	ChHarinath	201750	3.91
3	Krishna Mohan Ramineni	153000	2.96
4	ChSunitha	123000	2.38
5	Ramineni Krishnamohan	117600	2.28
6	K Satyavathi	116000	2.25
7	QasimElyasSakriwala	100000	1.94
8	GeetikaSethi	100000	1.94
9	Adriam Francis Fernandes	99999	1.94
10	ShrikantMantri	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
15th	2014	At the Registered Office	29.09.2014	11.00 A.M.	NIL
16th	2015		28.09.2015	11.00 A.M.	Yes
17 th	2016		30.09.2016	11.00 A.M.	Yes

Extraordinary General Meeting (EGM)

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

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

FINANCIAL CALENDAR 2017:

AGM – Date, time and venue	DATE:27 th September, 2017Time: 11.00 A.M Venue: 701, 7 th Floor, Aditya Trade Centre, Ameerpet, Hyderabad – 500038.
Financial Year	1 st April 2016 to 31 st March 2017
Book Closure Date	23 rd September 2017 to 27 th September2017
Dividend Payment Date	Not Applicable
Listing of Eq. shares on stock exchanges.	Bombay Stock Exchange
Stock Code	538674
Market Price Data and other related information's	--
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, 2017 and recommendation of dividend	30.05.2017

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 & Karnataka to cater this segment , apart from regular activities of the company. The digital headed 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 2016-17 are Rs. 1760.66 Lakhs as compared to Rs. 1319.94 Lakhs 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 2016-17	1760.66
Provision for taxation	6.36
Profit after tax	3.66
Paid up equity share capital as on 31 st Mar'2017	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 labor negotiations.

By Order of the Board of Directors

Place: Hyderabad
Date: 14.08.2017

S. RaghavaRao
Managing Director
(DIN - 01441612)

R. Krishna Mohan
Director (Fin & Admin)
(DIN: 01678152)

CITY ONLINE SERVICE LIMITED
CIN : L72200TG1999PLC032114

DECLARATION BY THE MANAGING DIRECTOR UNDER THE LISTING REGULATIONS

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, 2017.

For CITY ONLINE SERVICES LIMITED

(RAGHAVA RAO SURYADEVARA)
Chairman & Managing Director
Date: 14.08.2017
Place: Hyderabad

COMPLIANCE WITH CODE OF BUSINESS CONDUCT AND ETHICS

As provided under The Listing Regulations 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, 2017.

For City Online Services Limited

(RAGHAVA RAO SURYADEVARA)
Chief Executive Officer & Managing Director
Date: 14.08.2017
Place: Hyderabad

CERTIFICATION BY CEO/CFO AS PER THE LISTING REGULATIONS

The Board of Directors,
CITY ONLINE SERVICES LIMITED.

We have reviewed the financial statements and the cash flow statement of CITY ONLINE SERVICES LIMITED for the year ended March 31, 2017 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 there in, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

KRISHNA MOHAN RAMINENI
Chief Financial Officer

RAGHAVARAO SURYADEVARA
Chairman & Managing Director

Date: 14.08.2017

Place: Hyderabad

CITY ONLINE SERVICE LIMITED
CIN : L72200TG1999PLC032114

CERTIFICATE OF CORPORATE GOVERNANCE

To
The Members,
CITY ONLINE SERVICES LIMITED.

We have examined the compliance of conditions of Corporate Governance by CITY ONLINE SERVICES LIMITED for the financial years ended March 31, 2017 as stipulated in the Listing Regulations of the said Company with the Stock Exchange(s).

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

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

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

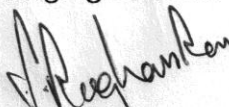

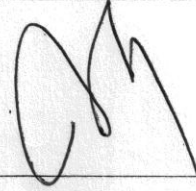

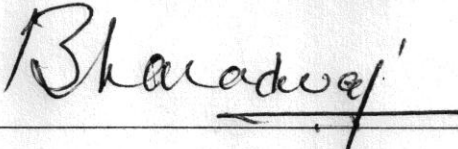

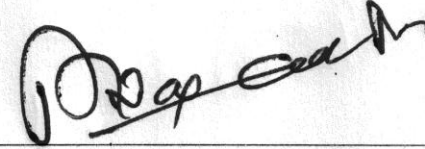

For VCSR & Associates
Company secretaries

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

Date: 14.08.2017
Place: Hyderabad

FORM A

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

1.	Name of the company	CITY ONLINE SERVICES LIMITED
2.	Annual financial statements for the year ended	31 st March, 2017
3.	Type of Audit observation	Un-qualified
4.	Frequency of observation	NIL
5.	To be signed by:	
	Managing Director 	
	CFO 	
	Auditor of the Company 	
	Audit Committee Chairman 	

STANDALONE FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CITY ONLINE SERVICES LIMITED

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of City Online Services Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India

of the state of affairs of the Company as at March 31, 2017, its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016;
 - (e) On the basis of written representations received from the directors as on March 31, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, from being appointed as a director in terms of section 164 (2) of the Act;
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure 2 to this report;
 - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - (i) The Company does not have any pending litigations which would impact its financial position
 - (ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - (iii) There are no amounts which are required to be transferred to the Investor Education and Protection Fund by the Company.
 - (iv) The Company has provided requisite disclosures in its standalone financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November, 2016 to 30 December, 2016 and these are in accordance with the books of accounts maintained by the Company. Refer Note 32 to the standalone financial statements.

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

T Bharadwaj
Partner
Membership No. 201042

Hyderabad, May 30, 2017

Annexure 1 to the Independent Auditors' Report

Re: City Online Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) According to the information and explanations given to us, the Company has no immovable property. Accordingly, the provisions of clause 3(i) (c) of the Order are not applicable to the Company and hence not commented upon.
- (ii) The inventory has been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities granted in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits from the public.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under section 148(1) of the Companies Act, 2013, for the products/services of the Company.
- (vii) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, service tax, duty of custom, value added tax and other statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, duty of custom, value added tax and other statutory dues which were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, duty of custom, value added tax and other statutory 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 involved	Nature of Dues	Period to which the amount relates	Amount
Income Tax Act, 1961	Income Tax	2013-14	2,67,217
Income Tax Act, 1961	Income Tax	2015-16	568
Finance Act, 1994	Service Tax	2011-12	16,09,013
Finance Act, 1994	Service Tax	2015-16	10,15,700
Professional tax Act, 1987	Professional tax	2015-16	10,850
Professional tax Act, 1987	Professional tax	2016-17	17,050
Department of Telecommunications	Dot Charges	2016-17	9,87,239

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions except as under:

Lender Name	Principal	Period of Default In days	Interest	Period of Default In days
Volkswagen Jetta	1,19,874	1 - 17 days	39,046	1 - 17 days

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

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

T Bharadwaj
Partner
Membership No. 201042

Hyderabad, May 30, 2017

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

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

TO THE MEMBERS OF CITY ONLINE SERVICES LIMITED

We have audited the internal financial controls over financial reporting of City Online Services Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

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

Meaning of Internal Financial Controls over Financial Reporting

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

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Explanatory paragraph

We also have audited, in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act, the standalone financial statements of the Company, which comprise the Balance Sheet as at March 31, 2017, and the related Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, and our report dated May 30, 2017 expressed an unqualified opinion.

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

T Bharadwaj
Partner
Membership No. 201042

Hyderabad, May 30, 2017

City Online Services Limited

Balance Sheet as at March 31, 2017

CIN: L72200TG1999PLC032114

(All amounts in Indian Rupees, unless otherwise stated)

Particulars		Note	As at March 31, 2017	As at March 31, 2016
I	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	(a) Share capital	3	56,098,330	56,098,330
	(b) Reserves and surplus	4	(23,977,571)	(24,343,450)
2	Non-current liabilities			
	(a) Long term borrowings	5	-	836,698
	(b) Long term provisions	6	1,923,000	1,086,000
3	Current liabilities			
	(a) Short-term borrowings	7	13,026,445	17,503,533
	(b) Trade payables			
	Total outstanding dues of micro and small enterprises			
	Total outstanding dues of creditors other than micro and small enterprises	8	36,312,765	19,756,630
	(c) Other current liabilities	9	19,707,615	14,045,410
	Total		103,090,584	84,983,151
II	ASSETS			
1	Non-current assets			
	(a) Property, plant and equipment			
	(i) Tangible assets	10	15,233,292	16,835,824
	(b) Intangible assets	10A	63,868	142,748
	(c) Non-current investments	11	1,491,681	925,855
	(d) Deferred tax assets	12	78,507	714,505
	(e) Long term loans and advances	13	2,080,409	2,292,810
2	Current assets			
	(a) Inventories	14	17,783,711	16,665,590
	(b) Trade receivables	15	38,833,198	28,844,161
	(c) Cash and bank balances	16	8,441,483	4,469,459
	(d) Short-term loans and advances	17	18,378,164	13,696,265
	(e) Other current assets	18	706,271	395,934
	Total		103,090,584	84,983,151
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		For and on behalf of the Board of Directors		
Chartered Accountants				
Firm Registration Number: 003714S				
T. Bharadwaj		S. Raghava Rao	R. Krishna Mohan	
Partner		Chairman and Managing Director	Director	
Place: Hyderabad				
Date: May 30, 2017				

City Online Services Limited

Statement of Profit and Loss for the year ended March 31, 2017

CIN: L72200TG1999PLC032114

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note	For the year ended March 31, 2017	For the year ended March 31, 2016
I. Revenue from operations (net)	19	176,065,835	131,994,037
II. Other income	20	1,412,201	1,980,340
III. Total revenue		177,478,036	133,974,377
IV. Expenses:			
Operating expenses	21	130,885,645	93,769,110
Employee benefit expenses	22	14,770,291	11,713,138
Finance cost	23	1,798,235	1,781,927
Depreciation and amortisation expenses	10	2,246,825	5,256,050
Other expenses	24	26,775,163	23,816,531
V. Total expenses		176,476,159	136,336,756
VI. Profit/ (Loss) Before Tax (III-V)		1,001,877	(2,362,379)
VII. Tax expense			
- Current tax		-	-
- Deferred tax	12	635,998	(2,869,061)
VIII. Profit/ (Loss) for the year		365,879	(5,231,440)
IX. Earnings per equity share - Face value Rs. 10			
Basic and diluted	30	0.07	(1.01)
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		For and on behalf of the Board of Directors	
Chartered Accountants			
Firm Registration Number: 003714S			
T. Bharadwaj		S. Raghava Rao	R. Krishna Mohan
Partner		Chairman and Managing Director	Director
Place: Hyderabad			
Date: May 30, 2017			

City Online Services Limited

Notes forming part of the Financial Statements

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note	Year ended March 31, 2017	Year ended March 31, 2016
A. Cash flow from operating activities			
Profit before tax		1,001,877	(2,362,379)
Adjustments:			
Depreciation and amortisation		2,246,825	5,256,050
Interest expense		1,798,235	1,781,927
Interest income		(1,075,432)	-242,263
Cash generated before working capital changes		3,971,505	4,433,335
Increase in trade payables		16,556,135	7,849,551
Increase in other current liabilities		5,662,205	3,199,575
Increase in long term provisions		837,000	248,000
Increase in inventories		(1,118,121)	(3,091,858)
Increase in trade receivables		(9,989,037)	(2,255,570)
Increase in short term loans and advances		(4,681,899)	(9,126,104)
Increase in other current assets		(310,337)	(219,436)
Cash generated from operations		10,927,451	1,037,493
Direct taxes refund/ (paid)		212,401	(891,166)
Net cash flow from operating activities (A)		11,139,852	146,327
B. Cash flows from investing activities			
Purchase of property, plant and equipment, including intangible assets		(565,413)	(1,162,923)
Investment in fixed deposits		(5,060,000)	-
Increase in non current investments		(565,826)	(575,855)
Net cash flow used in investing activities (B)		(6,191,239)	(1,738,778)
C. Cash flows from financing activities			
Repayment of long term borrowings		(836,698)	(994,320)
(Repayment of) / Proceeds from working capital borrowings		(4,477,088)	4,762,013
Interest received		1,075,432	242,263
Interest paid		(1,798,235)	(1,781,927)
Net cash flow (used in)/ from financing activities (C)		(6,036,589)	2,228,029
D. Net (Decrease) /Increase in cash and cash equivalents (A+B+C)		(1,087,976)	635,578
E. Cash and cash equivalents [Refer Note 2(o) and 14]			
at the beginning of the year		1,859,459	1,223,881
at the end of the year		771,483	1,859,459
Corporate information	1		
Summary of significant accounting policies	2		
Accompanying notes forming an integral part of the financial statements	1 to 35		
<p>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.</p> <p>As per our report on even date</p>			
For Seshachalam & Co		For and on behalf of the Board	
Chartered Accountants			
Firm Registration Number: 003714S			
T. Bharadwaj		S. Raghava Rao	R. Krishna Mohan
Partner		Chairman and Managing Director	Director
Place: Hyderabad			
Date: May 30, 2017			

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, 2017		As at March 31, 2016	
	Number of Shares	Amount	Number of Shares	Amount
Authorised Equity shares of Rs.10 each	7,700,000	77,000,000	7,700,000	77,000,000
Issued Equity shares of Rs.10 each	7,000,000	70,000,000	7,000,000	70,000,000
Subscribed and called up Equity shares of Rs.10 each	6,925,000	69,250,000	6,925,000	69,250,000
Paid up capital Equity shares of Rs.10 each, fully paid-up	5,164,700	51,647,000	5,164,700	51,647,000
Share forfeiture account Equity shares of Rs.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, 2017		As at March 31, 2016	
	Number	Amount	Number	Amount
Balance at the beginning of the period	5,164,700	51,647,000	5,164,700	51,647,000
Add: Issued during the period	-	-	-	-
Less: Bought back during the period	-	-	-	-
Balance at the end of the period	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, 2017		As at March 31, 2016	
	Number of Shares	% Held	Number of Shares	% Held
S. Raghava Rao	684,500	13.25	684,500	13.25

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

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

(All amounts in Indian Rupees, unless otherwise stated)

4. Reserves and surplus

Particulars	As at March 31, 2017	As at March 31, 2016
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	(24,743,450)	(19,512,010)
Add: Profit / (Loss) for the year	365,879	(5,231,440)
At the end of the year	(24,377,571)	(24,743,450)
Total	(23,977,571)	(24,343,450)

5. Long-term borrowings

Particulars	As at March 31, 2017		As at March 31, 2016	
	Non-current	Current	Non-current	Current
Term Loans				
From Banks				
Secured [Refer note(i) below]	-	833,246	836,698	545,626
Total	-	833,246	836,698	545,626

Note(i)

1. The term loan taken from Oriental Bank of Commerce is secured by way of hypothecation of vehicle purchased. The loan is repayable in 60 equal monthly installments. The applicable interest rate is 11.25%. The period of maturity with respect to balance sheet date is 6 installments.

2. The term loan taken from Volkswagen Finance is secured by way of hypothecation of vehicle purchased. The loan is repayable in 60 equal monthly installments. The applicable interest rate is 10.25%. The period of maturity with respect to balance sheet date is 25 installments.

3. Delays ranging from 1 to 17 days were noted in repayment of the Volkswagen Jetta

6. Long term provisions

Particulars	As at March 31, 2017	As at March 31, 2016
Provision for employee benefits		
Gratuity [Refer Note 26]	1,923,000	1,086,000
Total	1,923,000	1,086,000

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, 2017	As at March 31, 2016
Loans Repayable on Demand		
From Banks		
Secured [Refer note below]	13,026,445	17,190,721
From Others		
Unsecured	-	312,812
Total	13,026,445	17,503,533

Note : Overdraft from Oriental Bank of Commerce is secured by hypothecation of stocks of raw materials, stock-in-process, finished goods, stores & spares and receivables on pari-passu basis.

8. Trade payables [Refer Note 32 and 33]

Particulars	As at March 31, 2017	As at March 31, 2016
Creditors-Suppliers	34,010,998	17,890,393
Creditors-Other services	2,301,767	1,866,237
Total	36,312,765	19,756,630

9. Other current liabilities

Particulars	As at March 31, 2017	As at March 31, 2016
Current maturities of long-term debt	833,246	545,626
Other payables :		
Statutory remittances	11,966,481	8,506,433
Security deposits	73,900	93,900
Advance from customers	6,833,988	4,899,451
Total	19,707,615	14,045,410

11. Non-current investments

Particulars	As at March 31, 2017	As at March 31, 2016
Trade Investments- unquoted - valued at cost- Long term		
Investment in equity shares of subsidiaries:		
[Refer Note 28(c)]		
City Online Digital Private Limited [10,000 shares (31.03.2016: 10,000) of Rs. 10 each]	100,000	100,000
City Online Media Private Limited [10,000 shares (31.03.2016: 10,000) of Rs. 10 each]	100,000	100,000
Others:		
National savings certificates [Refer Note (i) below] [5 Bonds (31.03.2016: Rs.50,000) of Rs. 10,000 each]	50,000	50,000
Investment in partnership firms [Refer Note (ii) below]	1,241,681	675,855
Total	1,491,681	925,855

Note (i) : National Savings Certificate has been deposited with the Entertainment Tax Department by the company as a deposit for the purpose of procurement of Entertainment License.

Note (ii)

Name of the firm	As at March 31, 2017			As at March 31, 2016		
	Name of partners in the firm	Total Capital	Share of each partner in the profits of the firm	Name of partners in the firm	Total Capital	Share of each partner in the profits of the firm
Broadway City Online Consortium	City Online Services Limited	6,75,855	50%	City Online Services Limited	6,75,855	50%
	Broadway Communications	8,53,951	50%	Broadway Communications	8,53,951	50%
In-fo City Online consortium	City Online Services Limited	5,65,826	50%	City Online Services Limited	1,96,738	50%
	In-fo City Solutions Private Limited	-	50%	In-fo City Solutions Private Limited	-	50%

City Online Services Limited
Statutory audit for the financial ended March 31, 2017
Property, plant and equipment

Note 10 : Tangible assets

Particulars	Gross Block			Depreciation			Net Block		
	As at April 01, 2016	Additions	Deletions	As at March 31, 2017	As at April 01, 2016	For the year	On deletions	As at March 31, 2017	As at March 31, 2016
Plant and machinery									
- General	49,094,497	-	-	49,094,497	37,850,010	1,200,281	-	39,050,291	11,244,487
- Computers & Data Processing Units	11,821,514	207,224	-	12,028,738	9,363,253	135,503	-	9,498,756	2,458,261
• End user devices									
- Vehicles	48,238	63,150	-	111,388	11,644	9,755	-	21,399	36,594
• Motor cycles	3,365,980	-	-	3,365,980	1,531,466	527,621	-	2,059,087	1,834,514
• Motor cars	824,103	-	-	824,103	208,230	58,374	-	266,604	615,873
Furniture and Fixtures	3,839,569	284,691	-	4,124,260	3,193,474	226,063	-	3,419,537	646,095
Office equipment									
Total	68,993,901	555,065	-	69,548,966	52,158,077	2,157,597	-	54,315,674	16,835,824
Previous year	67,843,670	1,150,231	-	68,993,901	46,990,638	5,167,438	-	52,159,077	20,853,032

Note 10A : Intangible assets

Particulars	Gross Block			Amortisation			Net Block		
	As at April 01, 2016	Additions	Deletions	As at March 31, 2017	As at April 01, 2016	For the period	On deletions	As at March 31, 2017	As at March 31, 2016
Computer software	266,636	10,348	-	276,984	123,888	89,228	-	213,116	142,748
Total	266,636	10,348	-	276,984	123,888	89,228	-	213,116	142,748
Previous year	253,944	12,692	-	266,636	35,276	88,612	-	123,888	218,668
Current year	69,260,537	565,413	-	69,825,950	52,281,965	2,246,825	-	54,528,790	16,978,572
Previous year	68,097,614	1,162,923	-	69,260,537	47,025,914	5,256,051	-	52,281,965	21,071,700

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, 2017	As at March 31, 2016
Deferred tax Asset:		
Employee benefits	264,426	76,632
Deferred tax Liability:		
Depreciation	185,919	637,873
Total	78,507	714,505

13. Long term loans and advances

Particulars	As at March 31, 2017	As at March 31, 2016
Tax deducted at source	2,080,409	2,292,810
Total	2,080,409	2,292,810

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

Particulars	As at March 31, 2017	As at March 31, 2016
Stock in trade	17,783,711	16,665,590
Total	17,783,711	16,665,590

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

(All amounts in Indian Rupees, unless otherwise stated)

15. Trade receivables [Refer note 32]

Particulars	As at March 31, 2017	As at March 31, 2016
Outstanding for a period exceeding six months	7,284,886	6,654,905
Others	31,548,313	22,189,256
Total	38,833,198	28,844,161

16. Cash and bank balances

Particulars	As at March 31, 2017	As at March 31, 2016
Cash and cash equivalents:		
Cash on hand	90,718	206,115
Balances with banks - in current accounts	680,765	1,653,344
	771,483	1,859,459
Other bank balances		
Margin money deposits with banks with maturity period more than 3 months but less than 12 months	7,670,000	2,610,000
	7,670,000	2,610,000
Total	8,441,483	4,469,459

17. Short-term loans and advances

Unsecured, considered good

Particulars	As at March 31, 2017	As at March 31, 2016
Advances to related parties [Refer note 28(c)]	5,345,500	2,326,714
Salary advances	103,740	214,071
Security deposits	2,293,881	1,921,381
Prepaid expenses	10,003,439	7,738,746
Advance to suppliers	631,605	1,495,353
Total	18,378,164	13,696,265

18. Other current assets

Unsecured, considered good

Particulars	As at March 31, 2017	As at March 31, 2016
Interest accrued on fixed deposits with bank	706,271	395,934
Total	706,271	395,934

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

(All amounts in Indian Rupees, unless otherwise stated)

19. Revenue from operations (net)

Particulars	For the period ended March 31, 2017	For the year ended March 31, 2016
Income from internet services	174,057,442	129,126,774
Income from VOIP services	597,464	745,181
Income from sale of Hardware	1,410,929	2,122,082
Total	176,065,835	131,994,037

20. Other income

Particulars	For the period ended March 31, 2017	For the year ended March 31, 2016
Share of profit from Partnership firm	517,886	-
Excess provisions written back	129,421	466,053
Interest income:		
-On deposits with bank	344,818	242,263
-On Income tax refund	212,728	-
-On Capital in the Partnership firm	32,940	
Rent	-	65,790
Miscellaneous income	174,408	1,206,234
Total	1,412,201	1,980,340

21. Operating expenses

Particulars	For the period ended March 31, 2017	For the year ended March 31, 2016
Bandwidth charges	118,635,072	76,438,175
Repairs and maintenance	2,556,463	3,383,976
VOIP activation charges	54,391	126,135
Electricity [Refer Note 28(b)]	3,276,071	2,626,683
Rent networking	1,754,077	1,731,258
Cost of sales	6,413	1,328,940
Cable line expenses	396,429	468,893
Installation expenses	1,884,014	2,008,653
Last mile charges	2,177,159	5,565,988
Other operating expenses	145,556	90,409
Total	130,885,645	93,769,110

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 period ended March 31, 2017	For the year ended March 31, 2016
Salaries [Refer Note 28(b)]	12,967,862	10,853,704
Contribution to provident fund	1,446,814	713,026
Staff welfare	355,615	146,408
Total	14,770,291	11,713,138

23. Finance costs

Particulars	For the period ended March 31, 2017	For the year ended March 31, 2016
Interest expense on		
-Term loans	89,516	117,838
-Working capital borrowings	1,229,189	1,353,813
Bank charges	479,530	310,276
Total	1,798,235	1,781,927

24. Other expenses

Particulars	For the period ended March 31, 2017	For the year ended March 31, 2016
Rent [Refer Note 28(b) and 29]	2,603,102	2,044,809
Rates and taxes	4,243,470	4,244,606
Director's remuneration [Refer note 28(b)]	5,460,000	4,469,000
Sales commission [Refer Note 28(b)]	2,881,775	2,196,999
Insurance	91,253	110,299
Auditors' remuneration:		
Statutory audit	400,000	300,000
Tax audit	50,000	50,000
Limited review	50,000	50,000
Travelling and conveyance [Refer Note 28(b)]	1,409,779	1,322,689
Legal and professional charges	479,500	469,450
Advertisement expenses	107,428	113,209
Communication cost	937,090	887,936
Bad debts written off	4,556,789	4,808,571
Printing and stationery	226,798	302,233
Repairs and maintenance		
Building	197,833	185,104
Others	1,912,905	914,291
Business promotion	-	298,000
Postage and courier	479,515	414,972
Net loss on foreign currency transaction	4,214	2,974
Miscellaneous expenses	683,712	631,391
Total	26,775,163	23,816,531

1. Corporate Information:

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

2. Significant Accounting Policies

a) Basis of preparation of financial statements

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

These financial statements are prepared in accordance with Indian Accounting Standards (AS) under the historical cost convention on the accrual basis, the provisions of the Companies Act, 2013 ('Act') (to the extent notified) and guidelines issued by the Securities and Exchange Board of India (SEBI) and pronouncements of The Institute of Chartered Accountants of India ('ICAI').

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

b) Use of estimates

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

c) Revenue Recognition

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

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

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

d) Property, Plant and Equipment:

Tangible Assets:

Property, plant and equipment 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 property, plant and equipment is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance.

Intangible Assets:

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

e) Depreciation/ Amortization

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

Individual property, plant and equipment costing Rs. 5,000 and below are fully depreciated in the year of purchase.

f) Leases

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

g) Inventories

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

h) Foreign currency Transactions

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

Provident Fund:

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

k) Earnings Per Share

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

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

l) Taxation

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

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

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

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

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.

o) Cash and cash equivalents

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

25. Contingent Liabilities

Particulars	As at March 31, 2017	As at March 31, 2016
Performance Guarantee	64,52,000	135,00,000

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, 2017	March 31, 2016
Current service cost	43,000	17,000
Interest cost on benefit obligation	87,000	67,000
Past Service cost – vested benefits	-	-
Expected return on plan assets	-	-
Net actuarial loss/(gain) recognized in the year	7,57,000	1,83,000
Net benefit expense	8,87,000	2,67,000

Balance sheet**Benefit liability**

	March 31, 2017	March 31, 2016
Present value of defined benefit obligation	19,23,000	10,86,000
Fair value of plan assets	-	-
Plan liability	19,23,000	10,86,000

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

	March 31, 2017	March 31, 2016
Opening defined benefit obligation	10,86,000	8,38,000
Current service cost	43,000	17,000
Interest cost	87,000	67,000
Past Service cost – vested benefits	-	-
Benefits paid	(50,000)	(19,000)
Actuarial losses on obligation	7,57,000	1,83,000
Closing defined benefit obligation	19,23,000	10,86,000

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

	March 31, 2017	March 31, 2016
Opening fair value of plan assets	-	-
Expected return	-	-
Contributions by employer	-	-
Benefits paid	(50,000)	(19,000)
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, 2017	March 31, 2016
Discount rate (%)	8%	8%
Expected rate of return on assets (%)	-	-
Salary escalation (%)	7%	7%
Attrition rate (%)*	5%	5%

***Rates of Attrition:**

Age at valuation date	Withdrawal Rate	
	FY 2016-17	FY 2015-16
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 Disclosure

(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, 2017	For the year ended March 31, 2016
Managerial Remuneration:		
S Raghava Rao	18,60,000	16,10,000
R Krishna Mohan	18,00,000	15,50,000
ChHarinath	18,00,000	15,50,000
Sales to:		
City Online Digital Private Limited	-	60,952
Loans and advances given to related parties:		
City Online Digital Private Limited	13,69,731	33,98,022
City Online Media Private Limited	1,36,000	-
Loans and advances recovered:		
City Online Digital Private Limited	6,50,225	10,91,000
Sharing of Expenses:		
Salaries:		
City Online Digital Private Limited	12,96,000	11,35,000
Electricity and maintenance:		
City Online Digital Private Limited	60,000	60,000
Rent:		
City Online Digital Private Limited	6,12,000	6,12,000
Sales Commission:		
City Online Digital Private Limited	-	2,00,000
Conveyance and travelling:		
City Online Digital Private Limited	-	1,80,000
Other expenses:		
City Online Digital Private Limited	-	2,40,000

(c) Related party balances:

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Non Current Investments:		
City Online Media Private Limited	100,000	100,000
City Online Digital Private Limited	100,000	100,000
Loans and advances given/(taken):		
City Online Digital Private Limited	50,34,220	23,46,714
City Online Media Private Limited	1,16,000	(20,000)
Anu Digital Arts Private Limited	1,95,280	1,95,280

29. Lease obligation as Lessee:

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

30. Earnings per share:

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Profit /(Loss) after tax	3,65,879	(5,231,440)
Basic and diluted	0.07	(1.01)
Weighted average number of shares out standing	51,64,700	51,64,700
Face value per share (Rs.)	10	10

31. Expenditure in foreign currency

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Hardware (including VOIP charges)	-	348,343
Membership fee	4,08,817	257,917
Total	4,08,817	606,260

32. There is no balance confirmation available for the all the receivables and payables outstanding as on March 31, 2017 and such balances are subject to confirmation.

33. The principal amount remaining unpaid as at March 31, 2017 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.

34. Disclosure of Specified Bank Notes (SBNs):

During the year, the Company had specified bank notes or other denomination note as defined in the MCA notification G.S.R. 308(E) dated March 31, 2017 on the details of Specified Bank Notes (SBN) held and transacted during the period from November 08, 2016 to December 30, 2016, the denomination wise SBNs and other notes as per the notification is given below:

Particulars	SBNs[#]	Other denomination notes	Total
Closing cash in hand as on November 08, 2016	27,14,000	90,641	28,04,641
Add: Permitted receipts@	-	42,000	42,000
Less: Permitted payments@@	-	-	-
Less: Amounts deposited in Banks	27,14,000	17,041	27,31,041
Closing cash in hand as on December 30, 2016	-	-	1,15,600

[#]The term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated the 8th November, 2016.

@Receipts include amounts withdrawn from bank

@@ Includes amounts paid for day to day expenses and cash deposited

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

For and on behalf of the Board

S Raghava Rao
Chairman and Managing Director
DIN: 0144161

R Krishna Mohan
Director
DIN: 01678152

Place: Hyderabad
Date: May 30, 2017

CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditor's Report on the Consolidated Financial Statements

TO THE MEMBERS OF CITY ONLINE SERVICES LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of City Online Services Limited (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") comprising of the Consolidated Balance Sheet as at March 31, 2017, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2017, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
 - b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
 - c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
 - d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, as applicable.
 - e) On the basis of the written representations received from the directors of the Holding Company and subsidiary companies as on March 31, 2017 taken on record by the Board of Directors of the Holding Company and subsidiary companies, none of the directors of the Group companies is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
 - f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls; refer to our separate Report in "Annexure A", which is based on the auditors' reports of the Holding company and subsidiary companies. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Holding company's and subsidiary company's internal financial controls over financial reporting.
 - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - ii) the Group does not have any pending litigations which would impact its financial position.
 - iii) the Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iv) 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

Hyderabad, May 30, 2017

ANNEXURE "A" TO THE INDEPENDENT AUDITORS' REPORT

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

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

In conjunction with our audit of the consolidated financial statements of the Group as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of City Online Services Limited (hereinafter referred to as "the Holding Company") and its subsidiary companies as of that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

Meaning of Internal Financial Controls Over Financial Reporting

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

the transactions and dispositions of the assets of the company;(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the Holding Company and its subsidiary companies have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the respective companies, as adopted by each company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Explanatory paragraph

We also have audited, in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act, the Consolidated financial statements of the Group, which comprise the Balance Sheet as at March 31, 2017, and the related Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, and our report dated May 30, 2017 expressed an unqualified opinion.

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

T Bharadwaj
Partner
Membership No. 201042

Hyderabad, May 30, 2017

City Online Services Limited

Consolidated Balance Sheet as at March 31, 2017

CIN: L72200TG1999PLC032114

(All amounts in Indian Rupees, unless otherwise stated)

Particulars		Note	As at March 31, 2017	As at March 31, 2016
I	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	(a) Share capital	3	56,098,330	56,098,330
	(b) Reserves and surplus	4	(25,477,473)	(24,302,985)
2	Non-current liabilities			
	(a) Long term borrowings	5	-	836,698
	(b) Deferred tax liability	6	4,478	5,079
	(c) Long term provisions	7	1,923,000	1,086,000
3	Current liabilities			
	(a) Short-term borrowings	8	13,026,445	17,503,533
	(b) Trade payables			
	Total outstanding dues of micro and small enterprises			
	Total outstanding dues of creditors other than micro and small enterprises	9	36,378,185	19,948,046
	(c) Other current liabilities	10	20,350,799	19,156,483
	Total		102,303,764	90,331,184
II	ASSETS			
1	Non-current assets			
	(a) Fixed assets			
	(i) Tangible assets	11A	15,254,329	16,867,380
	(ii) Intangible assets	11B	63,867	142,748
	(b) Non-current investments	12	3,991,681	2,225,855
	(c) Deferred tax assets	13	78,508	714,505
	(d) Long term loans and advances	14	2,080,409	2,292,810
2	Current assets			
	(a) Inventories	15	17,783,711	16,665,590
	(b) Trade receivables	16	40,171,917	29,184,159
	(c) Cash and bank balances	17	8,538,055	4,668,331
	(d) Short-term loans and advances	18	13,635,016	17,173,873
	(e) Other current assets	19	706,271	395,934
	Total		102,303,764	90,331,184
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		For and on behalf of the Board of Directors		
Chartered Accountants				
Firm Registration Number: 003714S				
T. Bharadwaj		S. Raghava Rao		R. Krishna Mohan
Partner		Chairman and Managing Director		Director
Place: Hyderabad				
Date: May 30, 2017				

City Online Services Limited

Consolidated Statement of Profit and Loss for the year ended March 31, 2017

CIN: L72200TG1999PLC032114

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note	For the year ended March 31, 2017	For the year ended March 31, 2016
I. Revenue from operations	20	185,621,372	136,425,616
II. Other income	21	1,775,010	2,680,621
III. Total revenue		187,396,381	139,106,238
IV. Expenses:			
Operating expenses	22	139,539,469	95,659,437
Employee benefit expenses	23	21,534,851	17,557,138
Finance cost	24	1,830,483	1,823,702
Depreciation and amortisation expenses	11	2,257,343	5,274,048
Other expenses	25	22,773,317	21,190,270
V. Total expenses		187,935,463	141,504,595
VI. Loss Before Tax (III-V)		(539,082)	(2,398,357)
VII. Tax expense			
- Current tax		-	-
- Deferred tax	13	(635,397)	(2,870,512)
VIII. Loss for the year		(1,174,479)	(5,268,869)
IX. Earnings per equity share - Rs. 10			
Basic and diluted	31	(0.23)	(1.02)
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	S. Raghava Rao	R. Krishna Mohan	
Partner	Chairman and Managing Director	Director	
Place: Hyderabad			
Date: May 30, 2017			

City Online Services Limited

Consolidated Cash Flow Statement of Profit and Loss for the year ended March 31, 2017

CIN: L72200TG1999PLC032114

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note	Year ended March 31, 2017	Year ended March 31, 2016
A. Cash flow from operating activities			
Loss before tax		(539,082)	(2,398,357)
Adjustments:			
Depreciation and amortisation		2,257,343	5,274,048
Interest expense		1,830,483	1,823,702
Dividend income		(148,878)	(362,180)
Interest income		(590,486)	(242,263)
Cash generated before working capital changes		2,809,380	4,094,950
Increase in trade payables		16,430,139	8,012,878
Increase in other current liabilities		1,194,316	8,107,320
Decrease in long term loans and advances		-	27,923
Increase in long term provisions		837,000	248,000
Increase in inventories		(1,118,121)	(3,091,858)
Increase in trade receivables		(10,987,758)	(2,470,752)
Decrease/ (Increase) in short term loans and advances		3,538,856	(12,603,710)
Increase in other current assets		(310,337)	(219,437)
Cash generated from operations		12,393,475	2,105,315
Direct taxes refund/ (paid)		212,392	(934,119)
Net cash flow from operating activities (A)		12,605,867	1,171,196
B. Cash flows from investing activities			
Purchase of property, plant and equipment, including intangible assets		(565,413)	(1,162,923)
Interest received		590,486	242,263
Dividend received		148,878	362,180
Increase in non current investments		(1,765,826)	(1,775,855)
Net cash flow used in investing activities (B)		(1,591,875)	(2,334,335)
C. Cash flows from financing activities			
Repayment of long term borrowings		(836,698)	(994,320)
(Repayment) / Proceeds from working capital borrowings		(4,477,088)	4,782,013
Interest paid		(1,830,483)	(1,823,702)
Net cash flow (used in)/ from financing activities (C)		(7,144,268)	1,963,990
D. Net Increase in cash and cash equivalents (A+B+C)		3,869,724	800,851
E. Cash and cash equivalents [Refer Note 2(n)]			
at the beginning of the year		4,668,338	3,867,487
at the end of the year		8,538,062	4,668,338
Corporate information	1		
Summary of significant accounting policies	2		
Accompanying notes forming an integral part of the financial statements	1 to 35		

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.

As per our report on even date

For Seshachalam & Co

Chartered Accountants

Firm Registration Number: 003714S

For and on behalf of the Board of Directors

T. Bharadwaj
Partner

S. Raghava Rao
Chairman and Managing Director

R. Krishna Mohan
Director

Place: Hyderabad

Date: May 30, 2017

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, 2017		As at March 31, 2016	
	Number of Shares	Amount	Number of Shares	Amount
Authorised Equity shares of Rs.10 each	7,700,000	77,000,000	7,700,000	77,000,000
Issued Equity shares of Rs.10 each	7,000,000	70,000,000	7,000,000	70,000,000
Subscribed and called up Equity shares of Rs.10 each	6,925,000	69,250,000	6,925,000	69,250,000
Paid up capital Equity shares of Rs.10 each, fully paid-up	5,164,700	51,647,000	5,164,700	51,647,000
Share forfeiture account Equity shares of Rs.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, 2017		As at March 31, 2016	
	Number	Amount	Number	Amount
Balance at the beginning of the period	5,164,700	51,647,000	5,164,700	51,647,000
Add: Issued during the period	-	-	-	-
Less: Bought back during the period	-	-	-	-
Balance at the end of the period	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, 2017		As at March 31, 2016	
	Number of Shares	% Held	Number of Shares	% Held
S. Raghava Rao	684,500	13.25	684,500	13.25

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

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

(All amounts in Indian Rupees, unless otherwise stated)

4. Reserves and surplus

Particulars	As at March 31, 2017	As at March 31, 2016
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	(24,702,994)	(19,434,127)
Add: Loss for the year	(1,174,479)	(5,268,858)
At the end of the year	(25,877,473)	(24,702,985)
Total	(25,477,473)	(24,302,985)

5. Long-term borrowings

Particulars	As at March 31, 2017		As at March 31, 2016	
	Non-current	Current	Non-current	Current
Term Loans				
From Banks				
Secured [Refer note(i) below]	-	833,246	836,698	545,626
Total	-	833,246	836,698	545,626

Note(i)

(i). The term loan taken from Oriental Bank of Commerce is secured by way of hypothecation of vehicle purchased. The loan is repayable in 60 equal monthly installments. The applicable interest rate is 11.25%. The period of maturity with respect to balance sheet date is 6 installments.

(ii). The term loan taken from Volkswagen Finance is secured by way of hypothecation of vehicle purchased. The loan is repayable in 60 equal monthly installments. The applicable interest rate is 10.25%. The period of maturity with respect to balance sheet date is 25 installments.

6. Deferred tax liability

Components of deferred tax liability are as follows:

Particulars	As at March 31, 2017	As at March 31, 2016
Deferred tax liability		
Depreciation	4,478	5,079
Total	4,478	5,079

7. Long term provisions

Particulars	As at March 31, 2017	As at March 31, 2016
Provision for employee benefits		
Gratuity [Refer Note 27]	1,923,000	1,086,000
Total	1,923,000	1,086,000

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

(All amounts in Indian Rupees, unless otherwise stated)

8. Short-term borrowings

Particulars	As at March 31, 2017	As at March 31, 2016
Loans Repayable on Demand		
From Banks		
Secured [Refer note below]	13,026,445	17,190,721
From Others		
Unsecured	-	312,812
Total	13,026,445	17,503,533

Note : Overdraft from Oriental Bank of Commerce is secured by way of hypothecation of stock of raw material, stock in process, finished goods, stores & spares and receivables on pari-passu basis.

9. Trade payables

Particulars	As at March 31, 2017	As at March 31, 2016
Trade payables [Refer note 33 and 34]	36,378,185	19,948,046
Total	36,378,185	19,948,046

10. Other current liabilities

Particulars	As at March 31, 2017	As at March 31, 2016
Current maturities of long-term debt [Refer note 5]	833,246	545,626
Other payables :		
Statutory remittances	12,162,455	8,618,399
Security deposits	73,900	93,900
Advance from customers	7,247,588	9,898,558
Loans and advances	33,610	-
Total	20,350,799	19,156,483

City Online Services Limited

Note: 11 Fixed assets

Fixed Assets Schedule as on March 31, 2017

Note 11A : Tangible assets

Particulars	Gross Block			Depreciation			Net Block		
	As at April 01, 2016	Additions	Deletions	As at March 31, 2017	As at April 01, 2016	For the period	On deletions	As at March 31, 2017	As at March 31, 2016
Plant and machinery									
- General	49,094,497	-	-	49,094,497	37,850,010	1,200,281	-	10,044,207	11,244,487
- Computers & Data Processing Units	-	207,224	-	12,082,728	9,385,688	146,021	-	2,551,019	2,489,816
• End user devices	11,875,504	-	-	-	-	-	-	-	-
- Vehicles	-	-	-	-	-	-	-	-	-
• Motor cycles	48,238	63,150	-	111,388	11,644	9,755	-	89,989	36,594
• Motor cars	3,365,980	-	-	3,365,980	1,531,466	527,621	-	1,306,892	1,834,514
Furniture and Fixtures	824,103	-	-	824,103	208,230	58,374	-	557,499	615,873
Office equipment	3,839,569	284,691	-	4,124,260	3,193,474	226,063	-	704,723	646,095
Total	69,047,891	555,065	-	69,602,956	52,180,511	2,168,115	-	15,254,329	16,867,380
Previous year	67,897,660	1,150,231	-	69,047,891	46,995,076	5,185,435	-	16,867,380	20,902,584

Note 11B : Intangible assets

Particulars	Gross Block			Amortisation			Net Block		
	As at April 01, 2016	Additions	Deletions	As at March 31, 2017	As at April 01, 2016	For the period	On deletions	As at March 31, 2017	As at March 31, 2016
Computer software	266,636	10,348	-	276,984	123,888	89,228	-	63,867	142,748
Total	266,636	10,348	-	276,984	123,888	89,228	-	63,867	142,748
Previous year	253,944	12,692	-	266,636	35,276	88,612	-	142,748	218,668
Current year	69,314,527	565,413	-	69,879,940	52,304,400	2,257,343	-	15,318,196	17,010,127
Previous year	68,151,604	1,162,923	-	69,314,527	47,030,352	5,274,048	-	17,010,127	21,121,252

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

(All amounts in Indian Rupees, unless otherwise stated)

12. Non-current investments

Particulars	As at March 31, 2017	As at March 31, 2016
Non - Trade investments- unquoted- valued at cost		
National savings certificates [5 Bonds (31.03.2016: Rs.50,000) of Rs. 10,000 each]	50,000	50,000
Investment in partnership firm	1,241,681	675,855
Trade investments- unquoted- valued at cost		
Margdarshi Chit Fund Private Limited	2,700,000	1,500,000
Total	3,991,681	2,225,855

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

Particulars	As at March 31, 2017	As at March 31, 2016
Deferred tax Liability		
Depreciation	185,919	637,873
Deferred tax asset		
Employee benefits	264,427	76,632
Total	78,508	714,505

14. Long term loans and advances

Particulars	As at March 31, 2017	As at March 31, 2016
Tax deducted at source	2,080,409	2,292,810
Total	2,080,409	2,292,810

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

Particulars	As at March 31, 2017	As at March 31, 2016
Stock in trade	17,783,711	16,665,590
Total	17,783,711	16,665,590

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 33]

Particulars	As at March 31, 2017	As at March 31, 2016
Outstanding for a period exceeding six months	7,284,886	6,654,914
Others	32,887,031	22,529,245
Total	40,171,917	29,184,159

17. Cash and bank balances

Particulars	As at March 31, 2017	As at March 31, 2016
Cash and cash equivalents:		
Cash on hand	90,717	225,865
Balances with banks - in current accounts	777,338	1,832,466
	868,055	2,058,331
Other bank balances		
Margin money deposits with banks with maturity period more than 3 months but less than 12 months	7,670,000	2,610,000
	7,670,000	2,610,000
Total	8,538,055	4,668,331

18. Short-term loans and advances

Unsecured, considered good

Particulars	As at March 31, 2017	As at March 31, 2016
Advances to related parties	195,280	-
Salary advances	103,740	214,072
Security deposits	2,293,881	1,921,381
Prepaid expenses	10,003,439	7,738,746
Advance to suppliers	988,624	7,299,673
Balance with Government Authorities	50,052	-
Total	13,635,016	17,173,873

19. Other current assets

Unsecured, considered good

Particulars	As at March 31, 2017	As at March 31, 2016
Interest accrued on fixed deposits with bank	706,271	395,934
Total	706,271	395,934

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

(All amounts in Indian Rupees, unless otherwise stated)

20. Revenue from operations(net)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Income from internet services	174,057,442	129,126,774
Income from VOIP services	597,464	745,181
Income from sales	10,966,466	6,553,661
Total	185,621,372	136,425,616

21. Other income

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Share of profit from Partnership firm	517,886	-
Excess provisions written back	129,421	466,053
Interest income:		
-On deposits with bank	344,818	242,263
-On Income tax refund	212,728	-
-On Capital in the Partnership firm	32,940	-
Rent	-	65,790
Miscellaneous income	174,408	1,206,234
Chit fund dividend	148,878	362,180
Freight charges (Recovered)	105,743	-
Balances written Off	108,188	-
Net gain on foreign currency transactions	-	2,002
Annual Maintenance charges	-	219,099
Installation charges	-	117,000
Total	1,775,010	2,680,621

22. Operating expenses

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Bandwidth charges	118,635,072	76,438,175
Repairs and maintenance	2,556,463	3,383,976
VOIP activation charges	54,391	126,135
Electricity	3,276,071	2,626,683
Rent networking	1,754,077	1,731,258
Cost of sales	6,413	1,328,940
Cable line expenses	396,429	468,893
Installation expenses	1,884,014	2,008,653
Last mile charges	2,177,159	5,565,988
Other operating expenses	145,556	90,409
Purchases	8,653,824	1,890,327
Total	139,539,469	95,659,437

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

(All amounts in Indian Rupees, unless otherwise stated)

23. Employee benefit expenses

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Salaries [Refer Note 29(b)]	19,723,862	16,697,704
Contribution to provident fund	1,446,814	713,026
Staff welfare	364,175	146,408
Total	21,534,851	17,557,138

24. Finance costs

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Interest expense on		
-Term loans	89,516	117,838
-Working capital borrowings	1,229,189	1,353,813
Bank charges	511,778	352,051
Total	1,830,483	1,823,702

25. Other expenses

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Rent [Refer note 30]	3,215,102	2,656,809
Rates and taxes	4,243,470	4,414,940
Sales commission	2,881,775	2,196,999
Insurance	91,253	110,299
Auditors' remuneration:		
Statutory audit	457,500	334,350
Tax audit	50,000	50,000
Fees for limited review	50,000	50,000
Travelling and conveyance	1,495,686	1,540,682
Legal and professional	479,500	469,450
Advertisement expenses	107,428	113,209
Communication cost	937,090	1,087,936
Bad debts written off	4,556,789	4,808,571
Printing and stationery	226,798	302,233
Repairs and maintenance		
Building	197,833	185,104
Others	2,340,309	1,084,379
Business promotion	-	348,000
Postage and courier	694,358	685,953
Electricity & Maintenance charges	60,000	60,000
Net loss on foreign currency transaction	4,214	-
Miscellaneous expenses	684,212	691,357
Total	22,773,317	21,190,270

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.

These financial statements are prepared in accordance with Indian Accounting Standards (AS) under the historical cost convention on the accrual basis, the provisions of the Companies Act, 2013 ('Act') (to the extent notified) and guidelines issued by the Securities and Exchange Board of India (SEBI) and 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.

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

Names of the consolidating entities	Country of Incorporation	Percentage holding /interest (%)	
		As at 31 March	
		2017	2016
City Online Digital Private Limited	India	100.00	100.00
City Online Media Private Limited	India	100.00	100.00

Basis of consolidation

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

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

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

2. Significant Accounting Policies**a) Use of estimates**

The preparation of financial statements in conformity with Generally Accepted Accounting principles (Indian GAAP) requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent

liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reported year. Examples of such estimates include future obligations under employee retirement benefit plans, provision for doubtful receivables, employee benefits, provision for income taxes, useful life of depreciable fixed assets and provision for impairment. Future results could differ due to changes in these estimates and the difference between the actual result and the estimates are recognized in the period in which the results are known/materialize.

a) Revenue Recognition

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

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

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

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

b) Fixed Assets:

Tangible Assets:

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

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

Intangible Assets:

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

c) Depreciation/ Amortization

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

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

d) 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.

e) 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.

f) 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.

g) 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.

h) Employee Benefits

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

Gratuity:

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

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

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

Provident Fund:

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

i) 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.

j) Taxation

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

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

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

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

l) Impairment of Assets

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

The recoverable amount is the greater of the asset's net selling price and value in use, which is determined, based on the estimated future cash flow discounted to their present

values. An impairment loss of an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after such loss was recognized.

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

m) Provisions, Contingent Liabilities and Contingent assets

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

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

n) Cash and cash equivalents

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

26. Contingent Liabilities

Particulars	As at March 31, 2017	As at March 31, 2016
Performance Guarantee	64,52,000	135,00,000

27. Employee Benefit Plans:

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

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

Statement of profit and loss**Net employee benefit expenses recognized in the employee cost**

	March 31, 2017	March 31, 2016
Current service cost	43,000	17,000
Interest cost on benefit obligation	87,000	67,000
Past Service cost – vested benefits	-	-
Expected return on plan assets	-	-
Net actuarial loss/(gain) recognized in the year	7,57,000	1,83,000
Net benefit expense	8,87,000	2,67,000

Balance sheet**Benefit liability**

	March 31, 2017	March 31, 2016
Present value of defined benefit obligation	19,23,000	10,86,000
Fair value of plan assets	-	-
Plan liability	19,23,000	10,86,000

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

	March 31, 2017	March 31, 2016
Opening defined benefit obligation	10,86,000	8,38,000
Current service cost	43,000	17,000
Interest cost	87,000	67,000
Past Service cost – vested benefits	-	-
Benefits paid	(50,000)	(19,000)
Actuarial losses on obligation	7,57,000	1,83,000
Closing defined benefit obligation	19,23,000	10,86,000

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

	March 31, 2017	March 31, 2016
Opening fair value of plan assets	-	-
Expected return	-	-
Contributions by employer	-	-
Benefits paid	(50,000)	(19,000)
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, 2017	March 31, 2016
Discount rate (%)	8%	8%
Expected rate of return on assets (%)	-	-
Salary escalation (%)	7%	7%
Attrition rate (%)*	5%	5%

***Rates of Attrition:**

Age at valuation date	Withdrawal Rate	
	FY 2016-17	FY 2015-16
18-30	10%	10%
31-40	5%	5%
41 & +	1%	1%

28. Segment Information

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

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

29. Related Party Disclosures

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

Names of the related parties and nature of relationship:

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

(b) Transactions with related parties:

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Managerial Remuneration:		
S Raghava Rao	18,60,000	16,10,000
R Krishna Mohan	18,00,000	15,50,000
Ch Harinath	18,00,000	15,50,000

30. Lease obligation as Lessee:

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

31. Earnings per share:

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Loss after tax	(11,74,479)	(52,68,869)
Basic and diluted	(0.23)	(1.02)
Weighted average number of shares outstanding	51,64,700	51,64,700
Face value per share (Rs.)	10	10

32. Expenditure in foreign currency

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Hardware (including VOIP charges)	-	348,343
Membership fee	408,817	257,917
Total	408,817	606,260

33. There is no balance confirmation available for the receivables and payables outstanding as on March 31, 2017 and such balances are subject to confirmation.

34. The principal amount remaining unpaid as at March 31, 2017 in respect of enterprises covered under "Micro, Small and Medium Enterprises Development Act, 2006" (MSMEDA) is Rs. Nil. In respect of transactions with "Suppliers" who constitute Micro, Small and Medium Enterprises under Micro, Small and Medium Enterprises Development Act, 2006 disclosures relating to interest paid/payable are not applicable.

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

For and on behalf of the Board

S Raghava Rao
Chairman and Managing Director
DIN: 01441612

R Krishna Mohan
Director
DIN: 01678152

Place: Hyderabad

Date: May 30, 2017.

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 18th Annual General Meeting of the company, to be held on the Wednesday of 27th September 2017 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, 2017		
2.	Re-appointment of Mr. S RaghavaRao, Director who retires by rotation and being eligible offers himself for re-appointment		
3.	Re-appointment of Mr. 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		

Signed this _____ day of _____ 2017

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)

18th Annual General Meeting on 27th September 2017

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 18th Annual General Meeting of the City Online Services Limited, 701, Aditya Trade Centre, Ameerpet, Hyderabad - 500038, on Wednesday, the 27th September 2017

(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