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Board Of Directors

Mr. S. Raghava Rao : Chairman and Managing Director
 Mr. Ch. Harinath : Executive Director
 Mr. R. Krishna Mohan : Director -Finance and Administration
 Mr. T. A. Choudary : Nominee Director (APIDC)
 Mr. D. Sivarama Prasad : Director
 Mr. Thamos. P. Nicodamus : Director
 Mr. M. Nageswara Rao : Director

Registered. Office : G 1, 8-2-248/A, Maharshi House
 Road No.3, Banjara Hills
 Hyderabad-500034.

Asst. Company Secretary : Rama Krishna Paruchuri

Auditors : G. P. Rao & Co.,
 Chartered Accountants
 6-3-1186/A/6, 3rd Floor
 Behind Blumoon Hotel
 Begumpet
 Hyderabad-500016.

Bankers : Oriental Bank of Commerce
 Hussaini Alam
 Koka Bazaar
 Hyderabad-500064

 Corporation Bank
 8-2-248/A., Road No. 3
 Banjara Hills
 Hyderabad-500 034

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

City Online Services Limited

Regd. Office: G 1, 8-2-248/A, Maharishi House, Road No.3, Banjara Hills, Hyderabad-500034.

PROXY FORM
Annual General Meeting, 2002-2003

Folio No. DP ID Client ID.

I/We of in the district of being a member /members of the above named Company, hereby appoint Mr./Ms/ Kum..... in the district ofas my / our proxy to attend and vote for me / us on my / our behalf at the Fourth Annual General Meeting of the Company to be held at Regd. Office: G 1, 8-2-248/A, Maharishi House, Road No.3, Banjara Hills, Hyderabad-500034 on Tuesday, September 30, 2003 at 11.00 AM. and at any adjournment thereof

Signed this..... day of.....2003

Address
.....
.....

Signed



Note: The proxy from duly completed must be deposited at Regd. Office not less than 48 hours before the time for holding the meeting. A proxy need not be a member of the Company

City Online Services Limited

Regd. Office: G 1, 8-2-248/A, Maharishi House, Road No.3, Banjara Hills, Hyderabad-500034

Attendance Slip

I hereby record my presence at the Fourth Annual General of the Company at Regd. Office: G 1, 8-2-248/A, Maharishi House, Road No.3, Banjara Hills, Hyderabad-500034, on Tuesday, September 30, 2003 at 11.00 AM.

.....
full name of the shareholder (in block letter) Signature

Folio No / DPID & Client ID No. of shares held

.....
Full name of the proxy (in block letters) Signature
(to be filled if the proxy attends instead of the member)

Note: shareholders attending the meeting in person or by proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall

NOTICE

Notice is hereby given that the Fourth Annual General Meeting of the Company will be held on Tuesday, September 30, 2003 at 11.00 AM at the Registered Office of the Company at #G1, 8-2-248/A, Road No.3, Banjara Hills, Hyderabad 500 034, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2003, the Profit and Loss account for the year ended on that date and the Reports of Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. D. Sivarama Prasad, who retires by rotation and being eligible, offers him-self for reappointment.
3. To appoint a Director in place of Mr. Thamous P. Nicodamus, who retires by rotation and being eligible, offers him-self for reappointment
4. To appoint M/s G. P. Rao & Co., Chartered Accountants, Hyderabad, as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and authorize the Board of Directors to fix their remuneration.

By order of the Board

Place : Hyderabad
Dated : September 2, 2003

Rama Krishna Paruchuri
Asst. Company Secretary

Notes:

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ELIGIBLE APPOINT A PROXY OR PROXIES WHO CAN ATTEND AND VOTE INSTEAD OF MEMBER AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
- 2) The Proxy Form duly completed must be lodged at the Registered Office of the Company at least 48 hours before the time fixed for the Meeting.
- 3) The Register of Members of the Company will remain closed from Thursday, September 25, 2003 to Tuesday, September 30, 2003, both days inclusive, for the purpose of Annual General Meeting
- 4) The members are requested to intimate immediately any change in their address quoting their Registered Folio enabling the Company to address future communication.
- 5) Members are requested to bring copies of the Annual Report, as no extra copies shall be provided at the Meeting. Shareholders desiring any information as regards to the Audited Accounts are requested to write to the Company at least one week before the Meeting enabling the Chairman to keep the information ready to reply at the meeting.

Directors Report

Dear Members

Your Directors have pleasure in presenting the Company's FOURTH DIRECTOR'S REPORT together with the Audited Accounts of the Company for the Year ended March 31, 2003 and the Auditor's Report thereon

Financial Results:

Particulars	31.03.2003	(Rs. In Lakhs) 31.03.2002
Income from operation	180.25	191.10
Income from software development	Nil	9.90
Other Income	3.11	4.04
Total Income	183.36	205.04
Expenditure (before Interest & Depreciation)	185.63	177.53
Profit before Interest and Depreciation	(2.27)	27.51
Interest	15.28	13.81
Profit before depreciation	(17.55)	13.69
Depreciation	27.44	24.11
Profit / Loss before Tax	(44.99)	(10.42)
Provision for Taxation	Nil	0.22
Profit /Loss after Tax	(44.99)	(10.65)
Balanced carried to Balance Sheet	(50.55)	(5.56)

Review and Prospects

During the Year 2002-03, your company has downsized its activities in software division due to sluggish conditions that prevailed in the software industry. There is a decline in the income from operations due to poor market conditions and price reduction in the ISP business. Despite adverse conditions, your company performed reasonably good.

Your company is expanded its network in the entire state of Andhra Pradesh with 3 branches at nodal towns like Vijayawada, Guntur, Ongole apart from corporate office at Hyderabad catering the needs of the Twin cities of Hyderabad, Secunderabad.

Your company is rapidly expanding its corporate clientele base in Bangalore and is also planning to expending in other parts of karnataka.

The Board of Directors are confident to achieve better results for 2003-04 as the outlook for the forth coming year is promising from all the fronts with the revival of economy globally. As a result of which, new companies and MNCs are coming up in India in the areas of software development and IT enabled services especially BPO.

Your company is endeavoring to implement innovative marketing strategies to tap the semi urban internet users where potential is increasing by setting up branches in different districts in Andhra Pradesh and Karnataka.

Dialup and Lease Line Services: -

Your Company has quite as good number of customer in dialup and ISDN segments. And also bagged leased line orders from reputed corporate customers.

Co-locations Server

Your Company has also been rendering dedicated and collocation server Services and has completed the projects bagged from reputed customers in this segment

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

SCHEDULE VI PART IV	Balance Sheet Abstract & Company's General Business Profile	THE COMPANIES ACT, 1956, (1 OF 1956)
I	Registration Details : Registration No. 32114	State Code 01 <small>(Refer Code List)</small>
		Balance Sheet Date 31. 03. 2003 <small>Date Month Year</small>
II	Capital raised during the year : (Amount in Rs. Thousands)	
	Public Issue NIL	Rights Issue NIL
	Bonus Issue NIL	Private Placement NIL
III	Position of Mobilisation and Deployment of Funds : (Amount in Rs. Thousands)	
	Total Liabilities 56,306	Total Assets 56,306
	Sources of Funds	
	Paid-up Capital 49,309	Reserves & Surplus NIL
	Secured Loans 6,997	Unsecured Loans NIL
	Application of Funds	
	Net Fixed Assets 29,599	Investments NIL
	Net Current Assets 20,476	Miscellaneous Expenditure 1,175
	Accumulated Losses 5,056	
IV	Performance of Company : (Amount in Rs. Thousands)	
	Turnover 18,336	Total Expenditure 22,835
	Profit/Loss before tax -	Profit/Loss after tax -
	(4,499)	(4,499)
	<small>(Please tick appropriate box + for Profit/for Loss)</small>	
	Earning per Share in Rs. (0.91)	Dividend rate % NIL
V	Generic Names of Three Principal Products / Services of Company: (As per monetary terms)	
	Item Code (ITC Code) N A	
	Product description Internet Service Provider	

Per our Report of Even Date

For G. P. Rao & Co.
Chartered Accountants

S. Raghava Rao
Chairman & Managing Director

G. PURNACHANDRA RAO
Proprietor

R. Krishna Mohan
Director Finance & Admin

Place: Hyderabad
Date: 02.09.2003

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2003

A. Cash Flow from Operating Activities

Net Profit before tax (4,499,320)

Adjustments For

Depreciation	2,744,126
Preliminary Expenses Written Off	391,866
Loss on Sale of Asset	247,050
Interest, Dividend received	(29,108)
Interest paid	<u>1,528,236</u>

4,882,170
382,850

Operating Profit Before Working Capital Changes

Increase in Trade and Other Receivables	(1,556,845)
Increase in Inventories	(63,292)
Decrease in Trade Payables and Provision	3,453,581
Increase in Loans and Advances	<u>(212,982)</u>

1,620,462

Cash Generated from Operations

Net Cash Flows from Operating Activities 2,003,312

B Cash Flows from Investing Activities

Increase in Advances for Capital Goods	702,120
Decrease in Paybles for Capital Goods	(366,588)
Increase in Fixed Assets	(709,467)
Interest , Dividend, etc Received	29,108
Sale of Fixed Assets	<u>200,000</u>

(144,827)

Net Cash Used for Investing Activities

C Cash Flows from Financing Activities

Proceeds from issue of Shares	52,580
Loans Borrowed/ (paid)	(1,260,475)
Interest Paid	<u>(1,528,236)</u>

(2,736,131)

Net Cash Flows From Financing Activities

Net Increase in Cash and Cash Equivalents during the year (877,646)

Cash and Cash Equivalents at the beginning of the year 1,526,923

Cash and Cash Equivalents at the end of the year 649,277

For G.P.Rao & Co.,
Chartered Accountants

S.RAGHAVA RAO
Chairman and Managing Director

(G.PURNACHANDRA RAO)
Proprietor.

R.KRISHNA MOHAN
Director - Finance and Admin.

Place : Hyderabad
Date : 02.09.2003

Dedicated Server

Under this segment your company will have a committed Bandwidth along with a server, which will be provided by your company

Web hosting/ designing

Your company has rendering web-hosting services to various customers by informing them the advantage of hosting their sites from your Company. Your Company has announced lucrative packages in this segment for customers.

FTP Services

Your company has already started and providing FTP download access service at its Registered Office for various customers to download files (data), which is not possible though dial up connectivity

Fixed Deposits: -

The company has not accepted any Fixed Deposits from the public and the provisions of Section 58A of the Companies Act, 1956 are not applicable to the Company

Directors: -

Mr. D. Sivarama Prasad and Mr. Thamous P. Nicodamus retires by rotation at the forthcoming Annual General Meeting and being eligible, offers them-self for re-appointment.

Directors responsibility statement

The Directors' responsibility statement setting out the compliance with the accounting and financial reporting requirements specified under Section 217 (2AA) of the Companies Act, 1956, in respect of the financial statements is as follows:

- (i) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) That 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 or loss of the company for that period;
- (iii) That 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;
- (Iv) The Directors have prepared annual accounts on a Going concern basis

Auditors

The Statutory Auditors of the company, M/s. G. P. Rao & Co. Chartered Accountants, Hyderabad retire at the conclusion of the ensuing Annual General Meeting and being eligible, offered themselves for re-appointment.

The Company has received letter from them to the effect that their appointment if made would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956.

Auditors Report

Your Directors reply to the Auditors report that

- a) The Company has set up Internal Monitoring committee and the said committee is looking after purchase of all Capital items and its usage.
- b) The Company has recruited highly professional/Technical-qualified persons to look after Internal control systems. The Company operations are very less and the Management has taken care of Internal Audit themselves. However for the coming financial year Internal Auditor will be appointed
- c) Company has undisputed amount payable in respect of Income tax Rs. 3.35 Lakhs, Service Tax 2.89 Lakhs and professional tax 0.11 Lakhs outstanding as at 31-03-2003 from the date they become payable. This occurred due to decrease in turnover, which was because of reduction in bandwidth prices payable to us. However our operating expenditure remain unaltered. We have taken steps to reduce the operating expense to manageable levels and have planned to clear all the statutory dues before 31-10-2003
- d) The Company has made payments to provident fund authorities with some delays due to financial problems there after the payments was done subsequently.

Corporate Governance:

The Company is taking necessary steps to comply with the provisions of Clause 49 of the Listing Agreement with the Hyderabad Stock Exchange Limited and Bangalore Stock Exchange Limited

Particulars Of Employees

In pursuance of the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules 1975, there is no employee who receives the limits mentioned under the Companies Act, 1956.

During the year under review, the Company maintained the cordial relations with the Employees

Additional Information:

Information as per Section 217(1)(e) read with Companies (Disclosure of particulars in the report of Board Of Directors) Rules, 1988 and forming part of report for the year ended March 31, 2003

Conservation of Energy, Technology absorption and Foreign Exchange earnings and Outgo: -

- A
- a) Conservation of energy measures taken : The Company uses electric energy for its equipment such as air conditioners, computer terminals, lighting and utilities in the work premises. All possible measures have been taken to conserve energy by incorporating energy-efficient equipment.
 - b) Additional investments and proposals, if any being implemented for the reduction of consumption of energy : There was no additional investments and proposals for reduction of consumption of energy
 - C) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of Production of goods

4 Managerial Remuneration:

	As on 31st Mar-03 Rs.	As on 31st Mar-02 Rs.
For Managing Director	420,000	395,000
For Other Directors	675,000	725,000
	<u>1,095,000</u>	<u>1,120,000</u>

5 Auditors' Remuneration:

Towards Statutory Audit	32,400	31,500
Towards Tax audits	18,825	15,750
Towards Certification Work	Nil	Nil
	<u>51,225</u>	<u>47,250</u>

6 Earnings In Foreign Currency

Nil US \$54,900

7 Expenditure In Foreign Currency:

(i) On Account of Licenses and Registrations	US\$ 2,500 (in Rs. 1.19 lacs)	US\$ 2,500 (in Rs. 1.21 lacs)
(ii) On Account of Hard ware purchases	US \$ 3,750 (in Rs. 1.84 lacs)	Nil
(iii) On Account of Bandwidth Charges	US\$ 37,496 (in Rs. 18.18 lacs)	US\$ 56,500 (in Rs.26.99 Lacs)

8 Additional Information Pursuant to the Provisions of Paragraph 3 of Part II of Schedule VI of the Companies Act,1956 (As certified by the management)

	Rs.	Rs.
a) Turnover		
Sale of Hardware Items	494,955	1,286,300

9 Sundry Debtors, creditors, advances for capital goods purchases and other advances are subject to confirmation.

10 Previous year's figures have been regrouped where ever necessary.

As per our Report of even date
For G.P.Rao & Co.,
Chartered Accountants

S.RAGHAVA RAO
Chairman and Managing Director

(G.PURNACHANDRA RAO)
Proprietor.

R.KRISHNA MOHAN
Director - Finance and Admin.

Place : Hyderabad
Date 02.09.2003

SCHEDULE-13

NOTES FORMING PART OF ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

a). General:

The Accounts are prepared on Historical Cost Convention and Generally Accepted Accounting Principles.

b).Fixed Assets:

Fixed Assets are stated at cost. The cost of Fixed Assets comprises of Pre-Operative expenditure directly related to the Assets up to the stage of commissioning of Operations.

c).Inventories:

The Stock of Inventories are Valued at Cost.

d).Revenue from Internet Services

The Internet Subscription and Service Charges are Accounted on the basis of Subscriptions received from Customers.

e).Depreciation:

Depreciation on Fixed Assets is provided on Straight Line Method at Rates Specified in accordance with Schedule XIV of the Companies Act,1956 from the Month of the succeeding date of acquisition of such Assets.

f). Gratuity Liability:

The Company has not provided for any Gratuity liability.

g).Preliminary Expenses:

Preliminary Expenses are written off Over a Period of Five Years.

2 Secured Loans:

Term Loan from Oriental Bank of Commerce, Old city Branch, Hyderabad is Secured by Hypothecation and Exclusive Charge on certain Fixed Assets of the Company and Personal Guarantee of Directors.

Term Loan from APIDC Ltd is Secured by Hypothecation and Exclusive Charge on Fixed Assets of the Company and Personal Guarantee of Directors).

Other Loan is from Maruthi Citi Car Fin. Secured by Hypothecation of Motor Vehicle

3 Contingent Liabilities:

Counter Guarantees Given to the Company Bankers For Bank Guarantees is issued by them to Department of Telecom (DOT) Government of India for Due Performance of ISP is Rs. 40,00,000/- (Previous Year Rs.43,00,000/-).

B	Research & Development and Technology Absorption	:	The Company has not setup separate R & D department. However our technical people who run the day-to-day operations of the Company are doing R & D work in the fields of Wireless connectivity and Optic Fiber Technology. No extra costs involved for the purpose of R & D.	
C	Foreign Exchange Earnings & outgo	:		
			2002-03	2001-02
			US\$	US\$
a)	Earnings	:	Nil	54,900
b)	Used	:		
i)	For Foreign Travel is	:	Nil	Nil
ii)	On Account of Licenses & Registration	:	2,500	2500
iii)	On account of Hardware purchase	:	3,750	Nil
iv)	On account of Bandwidth charges	:	37,496	56500
			Rs.21.21 Lakhs	Rs.28.20 Lakhs

Acknowledgement:

Your Directors wish to place on record their appreciation for the dedication, competence, hard work, co-operation and support extended by our young, dynamic and highly motivated employees of the Company who have enabled the Company to achieve a robust growth during the year.

Your Directors would like to express their sincere thanks to all the Shareholders who have reposed faith in the Company.

Your Directors specially thank the Central Government, State Governments, Department of Telecommunications, APIDC and Company's Bankers for their continuous support to the Company during the year and look forward to receive their continued support in all future endeavors.

For and on behalf of the Board of Directors

Place : Hyderabad
Date :September 2, 2003

S. Raghava Rao
Chairman and Managing Director

MANAGEMENT DISCUSSION & ANALYSIS REPORT

[Annexure to Report on Corporate Governance]

Pursuant to Clause 49 of the Listing Agreement, a Management Discussion & Analysis Report is given below:

Overview

Regarding Company Business

In the first half of this financial year there was a slight increase in the customer base for example Leased line customers went-up. But this is not reflected in the overall turnover due to decrease in bandwidth prices. In the later of the Financial Year we were able to rope in a good number of reputed software development and BPO companies both at Hyderabad and Bangalore. We are happy to inform you that most of deals were closed in the month of March 2003 and the same can be seen from the first quarter of 2003-04 Financial Year. For example in Bangalore we are providing 3.5 Mbps bandwidth to M/s Kshema Technologies from April 2003 and this is likely to increase to 9 Mbps in later part of the Year.

INTERNAL CONTROL SYSTEMS AND THEIR ACADEMY

The Company has adequate internal control systems commensurate with the size of its operations and for the purpose of exercising adequate controls of the day-to-day operations. Systems are regularly reviewed to ensure effectiveness.

Opportunities and Threats

Opportunities

With the improvement on IT industry globally we our-self are finding a good opportunity ahead as the number of new customers both in software development and BPO are coming to Hyderabad and Bangalore. This new customers are potential new clients. The Management is making efforts to attract the customers for our fold and also our existing customers are increasing

Threats

We see no major threat in the coming year other than what was before

Particulars	Projections	(Rs. In Lakhs)	
		2002-03	Actuals 2002-03
Sales & Other Income	: 1132.59		183.36
Total Expenses	: 480.28		185.63
Profit/Loss before Income-Tax	: 554.5		(44.99)
Profit/Loss after Income Tax	: 311.61		(44.99)
Dividend	: 175.00		Nil
Share Capital	: 700.00		493.09
Reserves & Surplus	: 386.45		Nil
Earnings Per Share (Rs.)	: 4.45		Nil
Book Value (Rs.)	: 15.04		
Book value (for Rs. 10/- paid up)	:		8.74
Book value (for Rs. 5/- paid up)	:		4.37
Book value (for Rs. 2.5/- paid up)	:		2.18

As the Company was not able to mobilize the entire amount in the public issue and as you are aware there are still dues to be collected from the shareholders as a result of it we were not able to set infrastructure as mentioned in the prospectus.

CITY ONLINE SERVICES LIMITED

	AS AT	AS AT
	31-MAR-03	31-MAR-02
	Amount Rs.	Amount Rs.

**SCHEDULE -8
OPERATING EXPENSES**

Communication Cost	8,607,020	6,084,184
Hardware costs	218,118	18,065
Freight Charges	2,630	-
Cyber Café Maintenance Exp	103,032	159,273
Repairs and Maintenance	303,538	222,688
Electricity Charges	993,190	954,272
	10,227,528	7,438,482

**SCHEDULE -9
PAYMENTS & BENEFITS TO EMPLOYEES**

Salaries,Wages and Other Benefits	2,691,885	3,656,023
Staff Welfare Expenses	139,535	296,544
	2,831,420	3,952,567

**SCHEDULE -10
ADMINISTRATIVE EXPENSES**

Rent	1,348,840	1,013,988
Postage and Telegrams	17,638	26,370
Telephone Expenses	601,296	854,008
Conveyance and Traveling	488,212	738,275
Printing and Stationery	126,187	132,191
License,Fees and Taxes	99,941	143,466
Insurance	34,214	96,433
Bank Charges	126,213	141,288
Office Maintenance Expenses	181,207	146,629
News papers and periodicals	9,584	15,351
Consultancy and Legal Expenses	20,875	133,345
Directors' Remuneration	1,095,000	1,000,000
Directors' sitting fees	1,000	
Auditors Remuneration:		
towards Statutory Audit	32,400	31,500
towards Tax Audits	18,825	15,750
Transport & others		13,936
Donation		21,052
Loss On Sale of Asset	247,050	45,173
Preliminary Expenses Written Off	391,866	391,866
Misc. & General Expenses	40,852	167,768
	4,881,200	5,128,389

**SCHEDULE -11
SALES PROMOTION EXPENSES**

Advertisement Charges	31,263	58,886
Business Promotion Expenses	30,304	131,743
Sales Commission	184,823	142,806
Discount on Sales	84,485	34,567
	330,875	368,002

**SCHEDULE -12
INTEREST**

On Term Loans	1,492,302	1,371,044
On Other Accounts	35,934	10,720
	1,528,236	1,381,764

CITY ONLINE SERVICES LIMITED

**AS AT
31-MAR-03
Amount Rs.**

**AS AT
31-MAR-02
Amount Rs.**

SCHEDULE -5

CURRENT ASSETS, LOANS AND ADVANCES

a) INVENTORIES

Stock of CD's	15,250	24,630
Stock of VOIP Boxes	<u>72,672</u>	
	<u>87,922</u>	<u>24,630</u>

b) SUNDRY DEBTORS:

Unsecured And Considered Good		
Outstanding for More than Six Months	9,216,143	7,167,602
Others	<u>1,724,884</u>	<u>2,216,580</u>
	<u>10,941,027</u>	<u>9,384,182</u>

c) CASH AND BANK BALANCES

At Schedule Banks:		
-In Current Account	76,996	67,539
-As Deposits Held as Security	400,000	700,000
-In Fixed Deposits		
Accrued Interest on Fixed Deposits	39,072	84,068
Cash in hand at H.O & Branches	<u>133,209</u>	<u>675,316</u>
	<u>649,277</u>	<u>1,526,923</u>

d) ADVANCES

Tax Deducted at Source	182,937	84,572
Advances for Expenses	1,228,463	893,008
Advances to Staff	21,072	12,404
Advances For Capital Goods	9,663,227	10,365,347
Other Deposits	4,324,318	4,573,694
Prepaid Expenses	<u>661,271</u>	<u>641,401</u>
	<u>16,081,288</u>	<u>16,570,426</u>

SCHEDULE -6

CURRENT LIABILITIES AND PROVISIONS

a) CURRENT LIABILITIES

Sundry Creditors		
For Capital Goods	263,930	630,518
For Expenses	2,566,807	1,432,618
For Others	505,140	95,140
Advances from Customers	959,740	20,170
Interest accrued but not due	<u>80,612</u>	
	<u>4,376,229</u>	<u>2,178,446</u>

b) PROVISIONS

For Expenses	2,907,164	2,017,954
	<u>2,907,164</u>	<u>2,017,954</u>

SCHEDULE -7

MISCELLANEOUS EXPENDITURE

Preliminary Expenses	229,549	286,936
Public Issue Expenses	1,337,914	1,672,393
Less: Written off During the Year	<u>391,866</u>	<u>391,866</u>
	<u>1,175,597</u>	<u>1,567,463</u>

And also the bandwidth price at the time of preparing prospectus was very high and it is slashed down to less than 50% of what it was in the year 2000-01. In addition to this, the software development industry is in sluggish conditions and forced company to down size software development activity hence could not add any turnover from this segment. All these factors mattered in achieving fewer turnovers.

Place : Hyderabad
Date : September 2, 2003

For and on behalf of the Board of Directors

S. Raghava Rao
Chairman & Managing Director

R. Krishna Mohan
Director- Finance and Administration

**Corporate Governance
(Mandatory Requirements)**

1) Company's Philosophy

Corporate Governance assumes a great deal of importance in the business life of City Online Services Limited. The driving forces of Corporate Governance at City Online Services Limited are its core values - Belief in People, Entrepreneurship, Customer Orientation and the Pursuit of Excellence. The Company's goal is to find creative and productive ways of delighting its stakeholders, i.e., Investors, Customers and Associates, while fulfilling the role of a responsible corporate representative committed to best practices.

2) Board of Directors

The current policy is to have an optimum combination of Executive and Non-executive Directors, to ensure the independent functioning of the Board. The Board consists of seven members, three of whom are Executive Directors and three Independent Directors and non-executive Director and one Nominee Director

Composition and Category of Directors:

Name Of Director	Category	Designation	No. Of Meetings held during the last Financial Year	No. Of Meetings attended	No. Of Memberships in the Board of other Companies	Attendance of each Director in the last AGM
Mr. S. Raghava Rao	Promoter and Executive Director	Chairman and Managing Director	6	6	2	Yes
Mr. Ch. Harinath	Promoter and Executive Director	Executive Director	6	6	Nil	Yes
Mr. R. Krishna Mohan	Executive Director	Director Finance and Administration	6	6	Nil	Yes

Name Of Director	Category	Designation	No. of Meetings held during the last Financial Year	No. of Meetings attended	No. of Memberships in the Board of other Companies	Attendance of each Director in the last AGM
Mr. J. Gram*	Promoter	Director	6	4	Nil	Yes
Mr. D. Sivarama Prasad	Independent and Non-Executive Director	Director	6	4	Nil	Yes
Mr. T. A. Choudary	APIDC Nominee	Director	6	2	10	Yes
Mr. M. Nageswara Rao	Independent and Non- Executive Director	Director	6	5	1	Yes
Mr. Thamous P. Nicodemus	Independent and Non- Executive Director	Director	6	1		Yes

*Mr. J. Gram resigned from the Board w.e.f April 29, 2003

None of the Directors hold membership(s) in committees of the other companies.

Meetings of the Board of Directors

During the financial year 2002-03 the Board of Directors met 6 times on the following dates: April 22, 2002, May 27, 2002, July 29, 2002, August 27, 2002(Meeting Adjourned due to lack of quorum) September 2, 2002, October 30, 2002, January 31, 2003

3) Audit Committee

As a measure of good Corporate Governance and to provide assistance to the Board of Directors in fulfilling the Board's oversight responsibilities, an Audit Committee has been constituted consisting of only Independent Directors as subcommittee to the Board. The functions of Audit Committee include:

- Reviewing the adequacy of internal control systems and the internal audit reports and their compliance thereof.
- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending the appointment of external auditors and fixation of their audit fee and also approval for payment for any other services.
- Reviewing with Management the quarterly and annual financial statements before submission to the Board.

CITY ONLINE SERVICES LIMITED Schedule of Fixed Assets as at 31st March 2003

SCHEDULE - 4

Sl No	Description	GROSS BLOCK		DEPRECIATION		NET BLOCK				
		As On 01-04-2002	Additions During the	Deductions During the	As On 31-03-2003	For the year	On Deductions	As On 31-03-2003	As On 31-03-2002	
1	Furniture and Fixtures	2,569,569	-	102,250	2,467,319	161,200	11,491	355,427	2,111,892	2,363,851
2	Computer Equipment	7,074,955	34,950	327,080	6,782,825	1,137,036	123,616	2,867,083	3,915,742	5,221,292
3	Vehicles	403,158			403,158	38,300		118,153	285,005	323,305
4	Office Equipment	3,329,123	105,038	97,209	3,336,952	174,198	9,720	567,120	2,769,832	2,926,481
5	Plant and Machinery	23,037,505	569,479	72,640	23,534,344	1,233,392	7,302	3,017,995	20,516,349	21,245,600
	TOTAL	36,414,310	709,467	599,179	36,524,598	2,744,126	152,129	6,925,778	29,598,820	32,080,529
	Previous year	28,551,013	7,960,037	96,740	36,414,310	2,411,878	6,361	4,333,781	32,080,529	2,662,749

CITY ONLINE SERVICES LIMITED

	AS AT 31-MAR-03 Amount Rs.	AS AT 31-MAR-02 Amount Rs.
SCHEDULE - 1		
SHARE CAPITAL		
Authorised Capital (77,00,000 Equity shares of Rs.10/- each)	77,000,000	77,000,000
Issued Capital 70,00,000 Equity Shares of Rs.10/- each	70,000,000	70,000,000
SUBSCRIBED, CALLED UP AND PAID UP CAPITAL		
Subscribed and Called Up Capital 69,25,000 Equity Shares of Rs.10/- Each	69,250,000	69,250,000
Paid Up Capital 42,50,400 Equity Shares of Rs.10/- Each (Of the above 3,57,500 Equity Shares of Rs.10/- each have been issued for consideration other than cash)	49,309,330	49,256,750
47,532 Equity Shares of Rs.5.00/- Each 26,27,068 Equity Shares of Rs.2.50/- Each		
	49,309,330	49,256,750
SCHEDULE - 2		
RESERVES AND SURPLUS		
PROFIT AND LOSS ACCOUNT		
Opening Balance	(556,323)	508,934
Loss for the year	(4,499,320)	(1,065,257)
	(5,055,643)	(556,323)
SCHEDULE - 3		
SECURED LOANS		
From Oriental Bank of Commerce (Secured by Hypothecation and Exclusive Charge on certain Fixed Assets of the Company and Personal Guarantee of Directors).	2,513,254	3,078,028
From APIDC (Secured by Hypothecation and Exclusive Charge on Fixed Assets of the Company and Personal Guarantee of Directors).	4,398,857	4,998,600
From Citicorp Maruti Finance Ltd (Secured by Hypothecation of Motor Vehicle)	84,740	180,698
	6,996,851	8,257,326

Composition and Other Details

The Audit Committee of the Company was constituted with three independent directors viz.,

Sl. No	Name of the Director	Designation
1)	Mr. D. Sivarama Prasad	Chairman
2)	Mr. M. Nageswara Rao	Director
3)	Mr. Thamous P. Nicodemus	Director

During the year under review, the Audit Committee met 5 times respectively on April 22, 2002, July 29, 2002, September 2, 2002, October 30, 2002 and January 28, 2003. Mr. D. Sivarama Prasad, Chairman and Mr. M. Nageswara Rao, Director, attended all the meetings and Mr. Thamous P. Nicodamus, Director attended 3 meetings and took leave of absence for 2 meetings.

The meetings of the Audit Committee were attended by the Director Finance and Administration and Manager- Accounts as invitees.

The quarterly and annual audited financial statements of the Company were reviewed by the Audit Committee before consideration and approval by the Board of Directors. The Committee reviewed the internal control systems and the conduct of internal audit.

The Chairman of the Committee Mr. D. Sivarama Prasad was present at the previous AGM to answer members' queries.

4) Remuneration Committee

The Remuneration Committee was set up to evaluate compensation and benefits for Executive Directors.

Composition and other details

Remuneration Committee was constituted with three Independent Directors, viz.

Sl. No	Name of the Member	Status
1)	Mr. M. Nageswara Rao	Chairman
2)	Mr. Thomas P. Nicodamus	Member
3)	Mr. D. Sivarama Prasad	Member

The Committee met one time during the year and noted that there was no change in the remuneration of the Executive Directors. Mr. M. Nageswara Rao, Chairman, Mr. Thomas P. Nicodamus, Director, and Mr. D. Sivarama Prasad attended the meeting.

The Remuneration Committee is responsible for devising policy for compensation and benefits for Executive Directors and frames policies and systems for Associate Stock Option Plans. Details of Annual Remuneration to Directors

Executive Directors

Sl. No	Name of the Executive Director	Elements of the Remuneration
1.	S. Raghava Rao	35,000 P.M
2.	Ch. Harinath	25,000 P.M
3.	J. Gram	25,000 P.M
4.	R. Krishna Mohan	25,000 P.M

5) Share Transfer Committee

In accordance with clause 49 Para VI (D) of the Listing agreement of the Stock Exchange, the Board has constituted a Share Transfer Committee.

Sl. No	Name of the Directors	Status
1.	Mr. R. Krishna Mohan	Chairman
2.	Mr. Ch. Harinath	Member
3.	Mr. Rama Krishna Paruchuri	Member

The Committee met 4 times during the year. Mr. R. Krishna Mohan, Chairman, and Mr. Ch. Harinath, Director, attended all the meetings

6) Investors' Grievance Committee

As a measure of good Corporate Governance and to focus on the shareholders' grievances towards strengthening investor relations, an Investors' Grievance Committee as sub-committee to the Board of Directors has been constituted.

Sl. No	Name of the Directors	Status
1.	Mr. Thomas P. Nicodamus	Chairman
2.	Mr. R. Krishna Mohan	Member
3.	Mr. J. Gram*	Member
4.	Mr. Rama Krishna Paruchuri	Secretary

*Mr. J. Gram resigned from the Board w.e.f. April 29, 2003

The functions of the Committee include:

To specifically look into redressal of investors' grievances pertaining to:

- Transfer of shares
- Dematerialization of shares
- Replacement of lost/stolen/mutilated share certificates
- Non-receipt of rights/bonus/split share certificates
- Other related issues

The Committee focuses on strengthening investor relations.

The Committee met onetime during the year and noted that there were no grievances or complaints received during the year.

7) Internal Monitoring Committee

The Internal Monitoring Committee of the Company was constituted on January 31, 2003 with the following members

SL.No	Name of the Director	Status
1.	Mr. R. Krishna Mohan	Chairman
2.	Mr. Ch. Harinath	Member
3.	Mr. D. Sivaramu*	Member
4.	Mr. D. Upendra	Member

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st March 2003.

	Sch. No.	For the year Ended 31st March 2003 Amount Rs.	For the year Ended 31st March 2002 Amount Rs.
I) INCOME			
a) Income from operations		17,529,424	17,823,933
b) From Software Development		-	990,093
c) Sale of Hardware		494,955	1,286,300
d) Other Income		108,257	404,245
f) Creditors Written Back		203,357	
TOTAL		18,335,993	20,504,571
II) EXPENDITURE			
a) Operating Expenses	8	10,227,528	7,438,482
b) Purchase of Hardware		291,928	866,014
b) Payments & Benefits To Employees	9	2,831,420	3,952,567
c) Administrative Expenses	10	4,881,200	5,128,389
d) Sales Promotion Expenses	11	330,875	368,002
TOTAL		18,562,951	17,753,454
III) PROFIT BEFORE INTEREST AND DEPRECIATION		(226,958)	2,751,117
Interest	12	1,528,236	1,381,764
IV) PROFIT BEFORE DEPRECIATION		(1,755,194)	1,369,353
Depreciation	4	2,744,126	2,411,878
V) PROFIT / (LOSS) BEFORE TAX		(4,499,320)	(1,042,525)
VI) PROVISION FOR TAXATION			
For Current Year		-	-
For Previous Years		-	22,732
PROFIT / (LOSS) AFTER TAX		(4,499,320)	(1,065,257)
Add: Balance Carried from Last year		(556,323)	508,934
BALANCE CARRIED OVER TO BALANCE SHEET		(5,055,643)	(556,323)
Basic and Dilutive Earnings Per Share		(0.91)	(0.26)

NOTES ON ACCOUNTS

As per our Report of even date
For G.P.Rao & Co.,
Chartered Accountants

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S.RAGHAVA RAO
Chairman and Managing Director

(G.PURNACHANDRA RAO)
Proprietor.
Place : Hyderabad
Date : 02.09.2003

R.KRISHNA MOHAN
Director - Finance and Admn.

BALANCE SHEET AS AT 31st March 2003.

	Sch. No.	As at 31.03.2003 Amount Rs.	As at 31.03.2002 Amount Rs.
I SOURCES OF FUNDS			
(1) SHARE HOLDERS' FUNDS			
(a) Share Capital	1	49,309,330	49,256,750
(B) Reserves and Surplus			
<i>Sub - Total</i>		49,309,330	49,256,750
(2) LOAN FUNDS			
(a) Secured Loans	3	6,996,851	8,257,326
TOTAL		56,306,181	57,514,076
II APPLICATION OF FUNDS			
(1) FIXED ASSETS			
(a) Gross Block	4	36,524,598	36,414,310
(b) Less : Depreciation		6,925,778	4,333,781
(c) Net Block		29,598,820	32,080,529
(2) CURRENT ASSETS, LOANS & ADVANCES			
(a) Inventories	5(a)	87,922	24,630
(b) Sundry Debtors	5(b)	10,941,027	9,384,182
(c) Cash & Bank Balances	5(c)	649,277	1,526,923
(d) Loans & Advances	5(d)	16,081,288	16,570,426
<i>Sub - Total</i>		27,759,514	27,506,161
Less : CURRENT LIABILITIES & PROVISIONS			
(a) Current Liabilities	6(a)	4,376,229	2,178,446
(b) Provisions	6(b)	2,907,164	2,017,954
<i>Sub - Total</i>		7,283,393	4,196,400
NET CURRENT ASSETS		20,476,121	23,309,761
(3) MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	7	1,175,597	1,567,463
(4) PROFIT AND LOSS ACCOUNT	2	5,055,643	556,323
TOTAL		56,306,181	57,514,076

NOTES ON ACCOUNTS

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As per our Report of even date
For G.P.Rao & Co.,
Chartered Accountants

S.RAGHAVA RAO
Chairman and Managing Director

(G.PURNACHANDRA RAO)
Proprietor.
Place : Hyderabad
Date : 02.09.2003

R. KRISHNA MOHAN
Director - Finance and Admn.

The Committee met 1 time during the year to review the operations including the commercial transactions of the Company. All the members present.

Mr. D. Sivaramu resigned from his job and Mr. B. V. Raghava Rao appointed to fill the vacancy

8) Others

- a) Name and Designation of Compliance officer : Mr. Rama Krishna Paruchuri
Asst. Company Secretary
- b) Details of complaints for the year 2002-03 :

Sl. No	Nature	Number			
		2002-03		2001-02	
		Received	Attended	Received	Attended
1.	Dematerialization/ Rematerialization	Nil	Nil	Nil	Nil
2.	Loss of shares/Duplicate Certificate	Nil	Nil	Nil	Nil
3.	Split	Nil	Nil	Nil	Nil
4.	Transfer of shares	Nil	Nil	Nil	Nil
5.	Others	Nil	Nil	Nil	Nil

c) There are no valid requests pending for share transfers as at the year-end.

d) Members may contact Secretarial Circle of the Company for their queries, if any, at Telephone No. + 91 40 -23356736, and Fax No. + 91 40 -23356737.

9) Venue and Time of the Last Three Annual General Meetings (AGM's)

Financial Year	Date	Venue	Time
1999-00	December 8, 2001	8-2-248/A, Maharshi House, Banjara Hills, Road No. 3, Hyderabad-34	11.00 AM
2000-01	September 26, 2002	8-2-248/A, Maharshi House, Banjara Hills, Road No. 3, Hyderabad-34	11.00 AM
2001-02	September 27, 2002	8-2-248/A, Maharshi House, Banjara Hills, Road No. 3, Hyderabad-34	11.00 AM

In the last AGM, there were no resolutions required to be passed through postal ballot. The resolutions were passed

On show of hands with requisite majority. The venue of AGM has been chosen for its central location, prominence and capacity.

10) Disclosures

There are no materially significant related party transactions i.e., transactions material in nature, with its promoters, the Directors or the Management, or relatives etc., having potential conflict with the interests of Company at large.

There have not been any non-compliance by the Company in general and no penalties or strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

The Company has complied with all mandatory requirements of Corporate Governance, as required by the Listing agreement.

11) Means of Communication

The audited quarterly, half-yearly and annual financial statements viz., Balance Sheet, Profit and Loss Account including Schedules and notes thereon, press releases, and presentations made to the institutional investors or analysts are posted on the Company's web site. www.cityonlines.com

The quarterly, half-yearly and annual audited financial results are generally published in The Business Standard, (the English newspaper), and in Andhra Bhoomi (the Telugu vernacular newspaper).

All material information about the Company is promptly sent through facsimile to the Indian Stock Exchanges where the Company's shares are listed and released to wire services and the press for information of public at large. Besides, the Company disseminates information through press meets and analyst meets.

As required by sub-clause V of Clause 49 of the listing agreement, management discussion and analysis report is provided elsewhere in the annual report.

12) General Shareholders Information

a) The Annual General Meeting of the Company will be held on September 30, 2003 at 11.00 a.m. at Registered Office, 8 -2 248/A, Maharshi House, Banjara Hills, Road No. 3, Hyderabad -500 034.

b) Financial calendar for the year 2002-03 (tentative):

Financial Calendar		
i)	Financial reporting for the quarter ending June 2002	July 29, 2002
ii)	Financial reporting for the Quarter ending September 30, 2002	October 30, 2002
iii)	Financial reporting for the quarter ending December 31, 2002	January 31, 2003
iv)	Financial reporting for the Year ending December 31, 2002	April 28, 2003

c) Dates of book closure for AGM: September 25, 2003 to September 30, 2003 for the financial year 2002-03 (both days inclusive)

d) Registered Office : G3, 8-2-248/A,
Maharshi House,
Banjara Hills,
Road No. 3
Hyderabad-34

e) Telephone & Fax : 040-23356736 & 23356737
Web site : www.cityonlines.com

f) Listing Details
The Shares of the Company are Listed on the Hyderabad and Bangalore Stock Exchanges. The listing fee for the period 2003-2004 has been paid to these Stock Exchanges

ANNEXURE TO THE AUDITORS' REPORT CITY ONLINE SERVICES LIMITED

The Annexure referred to in paragraph 3 of the Auditor's Report to the members of the City Online Services Limited (the company) for the year ended 31st March, 2003, We report as required under Section 227(4A) that:

- The Company has maintained proper records to show full particulars including quantitative details and situation of Fixed Assets. We are informed that the Fixed Assets of the Company have been physically verified by the management during the period and no significant discrepancies were noticed on such verification.
- None of the fixed assets have been revalued during the year.
- The Stock-in-trade of the Company has been physically verified by the management at reasonable intervals.
- The procedure of the physical verification of stocks followed by the management is in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
- No material discrepancies have been noticed on physical verification of stocks as compared to book records.
- The Company has not taken any loans secured or unsecured, from Companies and firms listed in the register maintained under Section 301 of the Companies Act, 1956.
- The Company has not granted any loans secured or unsecured to Companies, firms or other parties listed in the register maintained pursuant to Section 301 of the Companies Act, 1956.
- Since the Company has not given loans the question of the terms applicable, being in order for such loans does not apply.
- In our opinion the internal control procedures are to be strengthened commensurate with the size and nature of its business for the purchase of capital goods and expenditure of capital nature.
- The transactions of purchase and sale of goods, materials and services made in pursuance of agreements entered in the register maintained under Section 301 of the Companies Act, 1956 in respect of transaction aggregating to Rs. 50,000 or more during the year have been made at reasonable and at prevailing market prices for such goods and materials.
- There is a procedure for determination of damaged goods and the same has been properly dealt in the books.
- The Company has not accepted any deposits from the public.
- The Company has no realisable scrap at the year-end.
- The Company does not have formal internal audit system.
- The Company has undisputed amounts payable in respect of Income tax, Rs.3.35 Lakhs and Service Tax Rs.2.89 Lakhs professional Tax Rs. 0.11 Lakhs outstanding as at 31st March, 2003 for a period of more than six months from the date they became payable.
- In our opinion and on the basis of our examination, no personal expenses have been charged to revenue account.
- Maintenance of cost records has not been prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 for any of the job of the Company.
- The Company is complying with the provision of the Employees Provident Fund Act and however, we were informed that there were some delays in depositing the amounts due to the department.
- The Company is not a sick industrial company within the meaning of Section 3(1)(o) of the Sick Industrial Companies (Special Provision) Act, 1985.

For G.P. RAO & CO.
CHARTERED ACCOUNTANTS

G. PURNACHANDRA RAO
PROPRIETOR

Place: Hyderabad
Date: 02.09.2003

AUDITORS' REPORT

To

The Members of CITY ONLINE SERVICES LIMITED

1. We have audited the attached Balance Sheet of CITY ONLINE SERVICES LIMITED as at March 31, 2003 and the Profit and Loss Account of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
4. Further to our comments in the annexure referred to in paragraph (3) above we state that:
 - A) We have 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 appears from our examination of those books;
 - c) In our opinion, the Balance Sheet and the Profit and Loss account dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - d) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - E) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003; and
 - ii) In the case of the Profit and Loss Account, of the Profit of the Company for the period ended on that date.
 - f) On the basis of the written representations from the Directors, taken on record by the Board of Directors, none of the Directors are disqualified as on 31.3.2003 from being appointed as a Director under section 274 (1)(g) of the Companies Act, 1956.

for G.P. RAO & CO.
CHARTERED ACCOUNTANTS

G. PURNACHANDRA RAO
PROPRIETOR

Place: Hyderabad
Date : 02.09.2003

Address of the Exchange

The Hyderabad Exchange Limited
6-3-654, Opp. Erramanjil Bus Stop
Somajiguda
Hyderabad-500 082

The Bangalore Stock Exchange Limited
P. B. No. 27024, No. 51
Stock Exchange Towers, 1st Floor
J. C. Road, Bangalore-560 027

g) Stock Code : 6494, CITYON#(HSE)

H) Market Price data

Monthly	Average	
	Low	High
	Nil	Nil

- I) Performance in composition to BSE Index/CRISIL Index : The shares are infrequently traded and hence not applicable
- j) Registrars and Share Transfer Agents : The Company has engaged the M/s XL Softech Systems Limited, Road No 2, Banjara Hills, Sagar society, Hyderabad 500 034 Tel: 040-3553214 and Fax 040-23553214. SEBI registered Registrar, as the Share Transfer Agents for processing the Transfers, sub-division, consolidation, splitting of securities, etc., the Company's shares are compulsorily traded in Dematerialized form, request for Demat and Remat should be sent directly to M/s. XL Softech Systems Limited. Shareholders have the option to open their accounts either with NSDL or CDSL as the Company has entered into Agreements with both these Depositories

k) Dematerialization of Shares as on 31-3-2003 and liquidity

	NSDL	CDSL
Partly paid up shares	4,13,600	Nil
Fully paid up shares	12,13,396	2,00,004

l) Distribution of Shareholding as on March 31, 2003

Sl. No	Rs.	Rs.	No. of Shares	% to Total	No. of Holders	% to Total
1.	Upto	5000	47261	0.68	175	19.55
2.	5001	10000	35300	0.51	36	4.02
3.	10001	20000	42478	0.61	23	2.57
4.	20001	30000	712200	10.28	278	31.06
5.	30001	40000	416117	6.01	107	11.96
6.	40001	50000	724950	10.47	152	16.98
7.	50001	100000	546194	7.89	63	7.04
8.	100001	And Above	4400500	63.55	61	6.82
		Total	6925000	100.00	895	100.00

M) Pattern of Shareholding as on March 31, 2003

Sl. No	Category	Shares	
		Numbers	%
1.	Corporate Bodies	24,53,000	35.42%
2.	Indian Mutual Funds	Nil	Nil
3.	Non Resident Indians	20,000	0.29%
4.	Promoters	17,77,000	25.66%
5.	Resident Individuals	26,75,000	38.63%
Total		69,25,000	100.00%

- n) Address for correspondence : City Online Services Limited
8-2-248/A, Road No. 3
Banjara Hills,
Hyderabad- 500 034
Tel- 040-3356736,
Fax-040-3356737
- O) Contact Person : Rama Krishna Paruchuri, Asst. Company Secretary
E-mail : ramakrishna_Paruchuri@cityonlines.com
Website : www.cityonlines.com
- p) **The Company's Registrars are** : M/s X L Softech Systems Limited
Road No. 2
Sagar Society
Banjara Hills
Hyderabad- 500 034
Tel- 040-
Fax -040-3553214
- Contact Person** : Mr. Ramesh

Non Mandatory Requirements

- a) Chairman of the Board
The Company's Managing Director shall act as the Chairman for all the Board Meetings
- b) Shareholder Right
As the Company's financial results are published in major Newspapers (including regional language newspaper) having wide circulation and the same are posted on the Company's website (www.cityonlines.com). It is not considered necessary at this stage to send the same to the shareholders.
- c) Postal Ballot
The provisions regarding postal Ballot have been introduced recently by the Companies (Amendment) Act, 2000 and hence, the company had no occasion to make use of the same

Certificate

Auditors Certificate on compliance with the provisions of Corporate Governance pursuant to Clause 49 of Listing Agreement

We have examined the relevant records of City Online Services Limited for the year ended March 31, 2003 relating to compliance with provisions of Corporate Governance pursuant to Clause 49 of Listing Agreement entered by the Company with the Stock Exchanges, and state that in our opinion and to the best of our knowledge and according to the information and explanations given to us, the Company has complied with the Mandatory requirements contained in the said Clause of the Listing Agreement

Place : Hyderabad
Date : September 2, 2003

For G. P. Rao & Co
Chartered Accountants

G. Purnachandra Rao
Proprietor