



# City Online

Services Limited

Internet Services with world class technology

## **ANNUAL REPORT 2017-2018**



# CORPORATE INFORMATION

BOARD OF DIRECTORS	
<b>Mr. S. Raghava Rao</b>	Chairman & Managing Director (DIN: 01441612)
<b>Mr. M. Nageswara Rao</b>	Non Executive & Independent Director (DIN: 03267864)
<b>Mr. Thomos P. Nicodemus</b>	Non Executive & Independent Director (DIN: 00444241)
<b>Mr. V Satyanarayana</b>	Non Executive & Independent Director (DIN: 03267751)
<b>Mrs. S. Naga Durga</b>	Non Executive Director (DIN: 06697556)
<b>Mr. Ch. Harinath</b>	Executive Director (DIN: 01441704)
<b>Mr. R. Krishna Mohan</b>	Executive Director cum CFO (DIN: 01678152)

**COMPANY SECRETARY AND COMPLIANCE OFFICER – Ms. Kriti Singh**

## REGISTERED OFFICE

701, 7<sup>th</sup> Floor, Aditya Trade Center,  
Ameerpet, Hyderabad,  
Telangana – 500038.  
Ph No 040-66416882, Fax: 66416891

## STATUTORY AUDITORS

M/s. Seshachalam & Co  
Chartered Accountants  
Secunderabad.

## INTERNAL AUDITORS

M/s. D. Rambabu & Co  
Chartered Accountants  
Secunderabad.

## SECRETARIAL AUDITORS

Vivek Surana & Associates  
Practicing Company Secretaries  
Hyderabad.

## BANKERS

HDFC Bank Ltd, Hyderabad  
Oriental Bank of Commerce, Hyderabad  
ICICI Bank Ltd, Hyderabad  
State Bank of India, Vijayawada

## AUDIT COMMITTEE

Mr. M. Nageswara Rao - Chairman  
Mr. Thomos P. Nicodemus - Member  
Mr. R. Krishna Mohan - Member

## NOMINATION & REMUNERATION COMMITTEE

Mr. Thomos P. Nicodemus - Chairman  
Mr. M. Nageswara Rao - Member  
Mrs. S. Naga Durga - Member

## STAKEHOLDERS RELATIONSHIP COMMITTEE

Mr. M. Nageswara Rao - Chairman  
Mr. Thomos P. Nicodemus - Member  
Mr. R. Krishna Mohan - Member

## INTERNAL COMPLAINTS COMMITTEE:

Mrs. S. Naga Durga - Chairperson  
Mr. Ch. Harinath - Member  
Mr. M. Nageswara Rao - Member

## INDEPENDENT DIRECTORS:

Mr. M. Nageswara Rao  
Mr. Thomos P. Nicodemus  
Mr. V Satyanarayana

## REGISTRAR & SHARE TRANSFER AGENTS

M/s. XL Softech Systems Limited,  
3, Sagar Society, Road No.3,  
Banjara Hills, Hyderabad – 500034  
Phone Number: 040-23545913,  
Fax: 040-235532214  
E-mail: xlfield@gmail.com

Listed At : BSE Limited.  
ISIN : INE158C01014  
Website : www.cityonlines.com  
Investor E-Mail Id : corp@cityonlines.com  
Corporate Identity Number : L72200TG1999PLC032114

## NOTICE

Notice is hereby given that the 19<sup>th</sup> Annual General Meeting of the Shareholders of City Online Services Limited will be held on Friday, 28<sup>th</sup> of September, 2018 at 11.00 A.M. at the Registered Office of the Company at 701, 7<sup>th</sup> Floor, Aditya Trade Centre, Ameerpet, Hyderabad – 500038, Telangana to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31<sup>st</sup>, 2018, the Statement of Profit & Loss and Cash Flow Statement (including the consolidated financial statements) for the year ended on that date together with the Notes attached thereto, along with the Reports of Auditors and Directors thereon.
2. To appoint a director in place of Mrs. S. Naga Durga (DIN: 06697556) who retires by rotation and being eligible, offers herself for re-appointment.

For and on behalf of the Board  
For **City Online Services Limited**

Place: Hyderabad  
Date: 14.08.2018

Sd/-  
**S. Raghava Rao**  
Chairman & Managing Director  
(DIN: 01441612)

## Route Map Venue for Annual General Meeting



## NOTES:

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.** The instrument of Proxy in order to be effective shall be deposited at the Registered Office of the Company by not less than 48 hours before the commencement of the Meeting.

Pursuant to the provisions of Section 105 of the Companies Act, 2013, a person can act as a proxy on behalf of not more than fifty (50) members and holding in aggregate not more than 10% of the total share capital of the Company carrying voting rights. A member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as proxy, who shall not act as a proxy for any other person or shareholder. The appointment of proxy shall be in the Form No. MGT.11 annexed herewith.

2. The Register of Members and Share Transfer Books of the Company will remain closed from 22.09.2018 to 28.09.2018 (Both days inclusive).
3. Members holding shares in the electronic form are requested to inform any changes in address/bank mandate directly to their respective Depository Participants.
4. Members are requested to hand over the enclosed Attendance Slip, duly signed in accordance with their specimen signature(s) registered with the Company for admission to the meeting hall. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID Numbers for identification.
5. Corporate Members are requested to send to the Company's Registrar & Transfer Agent, a duly certified copy of the Board Resolution authorizing their representative to attend and vote at the Annual General Meeting.
6. In case of joint holders attending the Meeting, only such joint holders who are higher in the order of names will be entitled to vote.
7. The Securities and Exchange Board of India issued a circular for submission of PAN/Aadhar number by every participant in securities market. Members holding shares in demat form are, therefore, requested to submit PAN/Aadhar card details to the Depository Participants with whom they have demat accounts. Members holding shares in physical form can submit their PAN/Aadhar card details to the Company/ Registrar and Share Transfer Agents (M/s. XL Softech Systems Limited.)
8. As a measure of austerity, copies of the annual report will not be distributed at the Annual General Meeting. Members are therefore, requested to bring their copies of the Annual Report to the Meeting.
9. Members holding shares in the same name under different ledger folios are requested to apply for Consolidation of such folios and send the relevant share certificates to **xfield@gmail.com**, Share Transfer Agents of the Company for their doing the needful.
10. Members are requested to send their queries at least 10 days before the date of meeting so that information can be made available at the meeting.
11. In respect of shares held in physical mode, all shareholders are requested to intimate changes, if any, in their registered address immediately to the registrar and share transfer agent of the company and correspond with them directly regarding share transfer/transmission /transposition, Demat / Remat, change of address, issue of duplicate shares certificates, ECS and nomination facility.
12. In terms of Section 72 of the Companies Act, 2013, a member of the company may nominate a person on whom the shares held by him/her shall vest in the event of his/her death. Members desirous of availing this facility may submit nomination in prescribed Form-SH-13 to the company/RTA in case shares are held in physical form, and to their respective depository participant, if held in electronic form.
13. Electronic copy of the Annual Report for 2017-18 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 2017-18 is being sent in the permitted mode.
14. Members may also note that the Notice of the 19<sup>th</sup> Annual General Meeting and the Annual Report for 2017-18 will also be available on the Company's website [www.cityonlines.com](http://www.cityonlines.com) for their download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office 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: [corp@cityonlines.com](mailto:corp@cityonlines.com).

## 15. Voting through Electronic Means (E-Voting Facility)

Pursuant to the provisions of Section 108 of the Act read with the rules there under and Regulation 44 of SEBI LODR Regulations, the Company is offering e-voting facility to its members in respect of the businesses to be transacted at the 19<sup>th</sup> Annual General Meeting scheduled to be held on Friday, 28<sup>th</sup> September, 2018 at 11.00 A.M at 701, 7<sup>th</sup> Floor, Aditya Trade Center, Ameerpet, Hyderabad –500 038, Telangana.

The Company has engaged the services of Central Depository Services (India) Limited (CDSL) as the Authorized Agency to provide e-voting facilities.

The e-voting facility will be available during the following voting period:

Commencement of e-voting: **From 25.09.2018 at 9.00 a.m.**

End of e-voting: **Up to 27.09.2018 at 5.00 p.m.**

**The cut-off date (i.e. the record date) for the purpose of e-voting is 21.09.2018.**

Please read the procedure and instructions for e-voting given below before exercising the vote.

This communication forms an integral part of the Notice dated 14.08.2018 for the AGM scheduled to be held on Friday, 28<sup>th</sup> September, 2018 at 11.00 A.M. at 701, 7<sup>th</sup> Floor, Aditya Trade Center, Ameerpet, Hyderabad –500 038, Telangana which is enclosed herewith and is also made available on the website of the Company [www.cityonlines.com](http://www.cityonlines.com). Attention is invited to the statement on the accompanying Notice that the Company is pleased to provide e-voting facility through CDSL for all shareholders of the Company to enable them to cast their votes electronically on the resolution mentioned in the Notice of the 19<sup>th</sup> Annual General Meeting of the Company dated 14<sup>th</sup> August, 2018.

### Procedure and instructions for e-voting

- (i) The E-voting period begins on 25<sup>th</sup> September, 2018 (9.00 A.M) and ends on 27<sup>th</sup> September, 2018 (5.00 P.M). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date, 21.09.2018 of may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).
- (iii) Click on Shareholders.
- (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.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any Company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

<b>For Members holding shares in Demat Form and Physical Form</b>	
PAN	<p>Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> <li>• 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 8 digits of the sequence number in the PAN field.</li> <li>• In case the sequence 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 sequence number 1 then enter RA00000001 in the PAN field.</li> </ul>
Dividend Bank Details <b>OR</b> Date of Birth (DOB)	<p>Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the Company records in order to login.</p> <ul style="list-style-type: none"> <li>• If both the details are not recorded with the depository or Company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).</li> </ul>

- (viii) After entering these details appropriately, click on "SUBMIT" tab.

- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN for the relevant < **City Online Services Limited** >
- (xii) 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.
- (xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiv) 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.
- (xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.
- (xvii) If a demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Please follow the instructions as prompted by the mobile app while voting on your mobile.
- (xix) **Note for Non – Individual Shareholders and Custodians**
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves as Corporates.
  - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
  - After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
  - The list of accounts linked in the login should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
  - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xx) 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.com](http://www.evotingindia.com), under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).

## 2. OTHER INSTRUCTIONS:

- (i). Since the Company is required to provide facility to the members to exercise their right to vote by electronic means, shareholders of the Company, holding shares either in physical form or in dematerialized form and not casting their vote electronically, may cast their vote at the Annual General Meeting.
- (ii) The voting rights of shareholders shall be in proportions to the shares held by them in the paid equity share capital of the Company as on the cut-off date i.e. 21<sup>st</sup> September 2018.
- (iii) The Company has appointed Mr. Vivek Surana, Practicing Company Secretary as Scrutinizer for conducting the e-voting process for the Annual General Meeting in a fair and transparent manner.
- (iv) The Scrutinizer shall after the conclusion of the Voting at the Annual General Meeting first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two (2) witnesses not in the employment of the Company and make not later than three days of conclusion of the meeting a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, to the Chairman or person authorized by him.
- (v) Voting is provided to the members through e-voting and at the Annual General Meeting of the Company. A Member can opt for only one mode of voting i.e. either through e-voting or at the Annual General Meeting of the Company.

- (vi) If a Member casts votes by both modes, then voting done through e-voting shall prevail.
- (vii) The results declared along with the Scrutinizer's Report shall be placed on the Company's website [www.cityonlines.com](http://www.cityonlines.com) and on the website of CDSL and will be communicated to the BSE Limited.
16. The Register of Directors' and Key Managerial Personnel and their shareholding maintained under Section 170 of the Companies Act, 2013, the Register of Contracts or arrangements in which the directors are interested under Section 189 of the Companies Act, 2013, will be available for inspection at the AGM.
17. Relevant documents referred to in the accompanying Notice, as well as Annual Reports and Annual Accounts of the Subsidiaries Companies whose Annual Accounts have been consolidated with the Company are open for inspection at the Registered Office of the Company, during the office hours, on all working days between 10.00 A.M. to 5.00 P.M. upto the date of Annual General Meeting.
18. The Ministry of Corporate Affairs (vide circular nos. 17/2011 and 18/2011 dated April 21 and April 29, 2011 respectively), has undertaken a 'Green Initiative in Corporate Governance' and allowed companies to share documents with its shareholders through an electronic mode. Members are requested to support this green initiative by registering/uploading their email addresses, in respect of shares held in dematerialized form with their respective Depository Participant and in respect of shares held in physical form with the Company's Registrar and Share Transfer Agents.

For and on behalf of the Board  
For **City Online Services Limited**

Place: Hyderabad  
Date: 14.08.2018

Sd/-  
**S. Raghava Rao**  
Chairman & Managing Director  
(DIN: 01441612)



## BOARDS' REPORT

To  
the Members,

The Directors have pleasure in presenting before you the 19<sup>th</sup> Boards' Report of the Company together with the Audited Statements of Accounts for the year ended 31<sup>st</sup> March, 2018.

### 1. FINANCIAL SUMMARY/HIGHLIGHTS, OPERATIONS, STATE OF AFFAIRS:

The performance during the period ended 31<sup>st</sup> March, 2018 has been as under:

(Rs. In Lakhs)

Particular	2017-18	2016-2017
Total Income	1661.81	1774.78
Total Expenditure	1695.58	1757.19
Profit/ Loss Before Tax	(33.77)	17.59
Provision for Tax	15.83	(2.26)
Profit/Loss after Tax	(49.60)	19.85
Transfer to General Reserves		-
Profit available for appropriation	(49.60)	19.85
Provision for Proposed Dividend		-
Provision for Dividend Tax		-
Balance Carried to Balance Sheet	(49.60)	19.85

### 2. MATERIAL CHANGES AND COMMITMENTS:

There were no material changes and commitments affecting financial position of the company between 31<sup>st</sup> March and the date of Board's Report. (i.e. 14.08.2018)

### 3. CHANGE IN THE NATURE OF BUSINESS, IF ANY:

During the period under review and the date of Board's Report there was no change in the nature of Business.

### 4. DIVIDEND:

The Directors have not recommended dividend for the year.

### 5. RESERVES:

The Company has not carried any amount to the reserves.

### 6. BOARD MEETINGS:

The Board of Directors duly met 6 (Six) times on 30.05.2017, 14.08.2017, 14.09.2017, 30.10.2017, 13.11.2017 and 13.02.2018 and in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.

### 7. DECLARATION FROM INDEPENDENT DIRECTORS ON ANNUAL BASIS

The Company has received a declarations from Mr. M. Nageswara Rao, Mr. Thomos P. Nicodemus and Mr. V Satyanarayana, Independent directors of the company to the effect that they are meeting the criteria of independence as provided in Sub-section (6) of Section 149 of the Companies Act, 2013 and Regulation 25 of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015.

### 8. DIRECTORS OR KMP APPOINTED, RE-APPOINTED OR RESIGNED.

As required under regulation 36 (3) of the SEBI (LODR), Regulations, 2015, brief particulars of the Directors seeking appointment/ re-appointment and Directors resigning are given as under:-:

No Directors or Key Managerial Personnels have appointed or resigned during the year.

<b>Name of the Director</b>	<b>Mrs. Suryadevara Nagadurga (Reappointment)</b>
Date of Birth	01.02.1964
Qualification	Intermediate
Expertise in specific functional areas	Administration
Names of listed entities in which the person also holds the directorship and the membership of Committees of the board	NIL
No. of Shares held in the Company	40,000
Inter se relationship with any Director	Wife of Mr. S. Raghava Rao Chairman & Managing Director of the Company

#### **FAMILIARISATION PROGRAMMES:**

The Company familiarises its Independent Directors on their appointment as such on the Board with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, etc. through familiarisation programme. The Company also conducts orientation programme upon induction of new Directors, as well as other initiatives to update the Directors on a continuing basis. The familiarisation programme for Independent Directors is disclosed on the Company's website [www.cityonlines.com](http://www.cityonlines.com).

#### **9. COMPOSITION OF AUDIT COMMITTEE:**

**I.** The Audit Committee of the Company is constituted in line with the provisions of Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Section 177 of the Companies Act, 2013.

**II.** The terms of reference of the Audit Committee include a review of the following:

- Overview of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Reviewing the financial statements and draft audit report including quarterly / half yearly financial information.
- Reviewing with management the annual financial statements before submission to the Board, focusing on:
  1. Any changes in accounting policies and practices;
  2. Qualification in draft audit report;
  3. Significant adjustments arising out of audit;
  4. The going concern concept;
  5. Compliance with accounting standards;
  6. Compliance with stock exchange and legal requirements concerning financial statements and
  7. Any related party transactions
- Reviewing the company's financial and risk management's policies.
- Disclosure of contingent liabilities.
- Reviewing with management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the audit character, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussion with internal auditors of any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into the matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Looking into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

- Reviewing compliances as regards the Company's Whistle Blower Policy.

**III.** The previous Annual General Meeting of the Company was held on 27.09.2017 and Chairman of the Audit Committee, attended previous AGM.

**IV.** The composition of the Audit Committee and the attendance of each member of the Audit Committee are given below:  
The Company has complied with all the requirements of Regulation 27 of SEBI (LODR) Regulations 2015 relating to the composition of the Audit Committee.

During the financial year 2017-18, (4) four meetings of the Audit Committee were held on the 30.05.2017, 14.09.2017, 13.11.2017, 13.02.2018.

The details of the composition of the Committee and attendance of the members at the meetings are given below:

Name	Designation	Category	No. of Meetings held	No. of Meetings attended
M. Nageswara Rao	Chairman	NED(I)	4	4
Thomos P. Nicodemus	Member	NED(I)	4	4
R. Krishna Mohan	Member	ED	4	4

**NED (I):** Non-Executive Independent Director

**ED:** Executive Director

## **V. NOMINATION & REMUNERATION COMMITTEE**

### **Terms of reference:**

The main term of reference of the Committee is to approve the fixation/revision of remuneration of the Managing Director/Whole Time Director of the Company and while approving:

To take into account the financial position of the Company, trend in the industry, appointee's qualification, experience, past performance, past remuneration etc.

To bring out objectivity in determining the remuneration package while striking a balance between the interest of the Company and the Shareholders.

### **Remuneration Policy:**

The objectives of the remuneration policy are to motivate Directors to excel in their performance, recognize their contribution and retain talent in the organization and reward merit.

The remuneration levels are governed by industry pattern, qualifications and experience of the Directors, responsibilities shouldered, individual performance etc.

The details of the remuneration paid to whole time directors are mentioned in the financial statements.

During the year, the committee met on 13.02.2018.

The details of composition of the Committee are given below:

Name	Designation	Category	No of Meetings held	No of Meetings attended
Thomos P. Nicodemus	Chairman	NED(1)	1	1
M. Nageswara Rao	Member	NED(1)	1	1
S. Naga Durga	Member	NED	1	1

**NED (I):** Non Executive Independent Director

**NED:** Non Executive Director

## **POLICY FOR SELECTION OF DIRECTORS AND DETERMINING DIRECTORS' INDEPENDENCE**

### **1. Scope:**

This policy sets out the guiding principles for the Nomination & Remuneration Committee for identifying persons who are qualified to become Directors and to determine the independence of Directors, in case of their appointment as independent Directors of the Company.

### **2. Terms and References:**

2.1 **"Director"** means a director appointed to the Board of a Company.

- 1.2 **"Nomination and Remuneration Committee"** means the committee constituted in accordance with the provisions of Section 178 of the Companies Act, 2013 and reg. 19 of SEBI (Listing Obligation and Disclosure Requirement), Regulations, 2015.
- 2.3 **"Independent Director"** means a director referred to in sub-section (6) of Section 149 of the Companies Act, 2013 and Regulation 16(1) (b) of the SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015.
3. **Policy:**
- Qualifications and criteria**
- 3.1.1 The Nomination and Remuneration Committee, and the Board, shall review on annual basis, appropriate skills, knowledge and experience required of the Board as a whole and its individual members. The objective is to have a board with diverse background and experience that are relevant for the Company's operations.
- 3.1.2 In evaluating the suitability of individual Board member the NR Committee may take into account factors, such as:
- General understanding of the company's business dynamics, global business and social perspective;
  - Educational and professional background
  - Standing in the profession;
  - Personal and professional ethics, integrity and values;
  - Willingness to devote sufficient time and energy in carrying out their duties and responsibilities effectively.
- 3.1.3 The proposed appointee shall also fulfil the following requirements:
- shall possess a Director Identification Number;
  - shall not be disqualified under the Companies Act, 2013;
  - shall Endeavour to attend all Board Meeting and Wherever he is appointed as a Committee Member, the Committee Meeting;
  - shall abide by the code of Conduct established by the company for Directors and senior Management personnel;
  - shall disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals including his shareholding at the first meeting of the Board in every financial year and thereafter whenever there is a change in the disclosures already made;
  - Such other requirements as may be prescribed, from time to time, under the Companies Act, 2013, SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015 and other relevant laws.
- 3.1.4 The Nomination & Remuneration Committee shall evaluate each individual with the objective of having a group that best enables the success of the company's business.
- 3.2 **criteria of Independence**
- 3.2.1 The Nomination & Remuneration Committee shall assess the independence of Directors at time of appointment/ re-appointment and the Board shall assess the same annually. The Board shall re-assess determinations of independence when any new interest or relationships are disclosed by a Director
- 3.2.2 The criteria of independence shall be in accordance with guidelines as laid down in Companies Act, 2013 and reg. 16(1) (b) of the SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015.
- 3.2.3 The Independent Director shall abide by the "Code for Independent Directors "as specified in Schedule IV to the companies Act, 2013.
- 2.3 Other Directorships/ Committee Memberships
- 3.3.1 The Board members are expected to have adequate time and expertise and experience to contribute to effective Board performance Accordingly, members should voluntarily limit their directorships in other listed public limited companies in such a way that it does not interfere with their role as Director of the company. The NR Committee shall take into account the nature of, and the time involved in a Director service on other Boards, in evaluating the suitability of the individual Director and making its recommendations to the Board.

3.3.2 A Director shall not serve as director in more than 20 companies of which not more than 10 shall be public limited companies.

3.3.3 A Director shall not serve an independent Director in more than 7 listed companies and not more than 3 listed companies in case he is serving as a whole-time Director in any listed company.

3.3.4 A Director shall not be a member in more than 10 committee or act chairman of more than 5 committee across all companies in which he holds directorships.

For the purpose of considering the limit of the committee, Audit committee and stakeholder's relationship committee of all public limited companies, whether listed or not, shall be included and all other companies including private limited companies, foreign companies and companies under section 8 of the Companies Act, 2013 shall be excluded.

## 2. Remuneration policy for Directors, key managerial personnel and other employees

### 1. Scope:

1.1 This policy sets out the guiding principles for the Nomination and Remuneration committee for recommending to the Board the remuneration of the directors, key managerial personnel and other employees of the company.

## 2. Terms and Reference:

In this policy the following terms shall have the following meanings:

2.1 **"Director"** means a Director appointed to the Board of the company.

2.2 **"key managerial personnel"** means

- (i) The Chief Executive Office or the managing director or the manager;
- (ii) The company secretary;
- (iii) The whole-time director;
- (iv) The chief finance Officer; and
- (v) Such other office as may be prescribed under the companies Act, 2013

2.3 **"Nomination and Remuneration Committee"** means the committee constituted by Board in accordance with the provisions of section 178 of the companies Act, 2013 and reg. 19 of SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015.

## 3. Policy:

### 3.1 Remuneration to Executive Director and Key Managerial Personnel

3.1.1 The Board on the recommendation of the Nomination and Remuneration (NR) committee shall review and approve the remuneration payable to the Executive Director of the company within the overall approved by the shareholders.

3.1.2 The Board on the recommendation of the NR committee shall also review and approve the remuneration payable to the key managerial personnel of the company.

3.1.3 The Remuneration structure to the Executive Director and key managerial personnel shall include the following components:

- (i) Basic pay
- (ii) Perquisites and Allowances
- (iii) Commission (Applicable in case of Executive Directors)
- (iv) Retirement benefits
- (v) Annual performance Bonus

3.1.4 The Annual plan and Objectives for Executive committee shall be reviewed by the NR committee and Annual performance Bonus will be approved by the committee based on the achievement against the Annual plan and Objectives.

### 3.2 Remuneration to Non – Executive Directors

3.2.1 The Board, on the recommendation of the Nomination and Remuneration Committee, shall review and approve the remuneration payable to the Non – Executive Directors of the Company within the overall limits approved by the shareholders as per provisions of the companies act.

3.2.2 Non – Executive Directors shall be entitled to sitting fees attending the meetings of the Board and the Committees thereof..

**3.3. Remuneration to other employees**

3.3.1. Employees shall be assigned grades according to their qualifications and work experience, competencies as well as their roles and responsibilities in the organization. Individual remuneration shall be determined within the appropriate grade and shall be based on various factors such as job profile skill sets, seniority, experience and prevailing remuneration levels for equivalent jobs.

**VI. STAKEHOLDERS RELATIONSHIP COMMITTEE**

**A.) Composition:**

The Details of composition of the Committee are given below:

Name	Designation	Category
Mr. M. Nageswara Rao	Chairman	NED(1)
Mr. Thomos P. Nicodemus	Member	NED(1)
Mr. R. Krishna Mohan	Member	ED

**NED (I):** Non Executive Independent Director

**ED:** Executive Director

**B) Powers:**

The Committee has been delegated with the following powers:

- To redress shareholder and investor complaints relating to transfer of shares, Dematerialization of Shares, non-receipt of Annual Reports, non-receipt of declared dividend and other allied complaints.
- To approve, transfer, transmission, and issue of duplicate / fresh share certificate(s)
- Consolidate and sub-division of share certificates etc.
- To redress, approve and dispose off any, other complaints, transactions and requests etc., received from any shareholder of the company and investor in general.

The Board has delegated the power to process the transfer and transmission of shares to the Registrar and Share Transfer Agents, who process share transfers within a week of lodgement in the case of shares held in physical form.

The Company has designated an exclusive e-mail ID called corp@cityonlines.com for complaints/grievances.

**10. VIGIL MECHANISM:**

Vigil Mechanism Policy has been established by the Company for directors and employees to report genuine concerns pursuant to the provisions of section 177(9) & (10) of the Companies Act, 2013. The same has been placed on the website of the Company.

**11. DIRECTOR'S RESPONSIBILITY STATEMENT:**

Pursuant to Section 134(5) of the Companies Act, 2013, the Board of Directors, to the best of their knowledge and ability, confirm that:

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

**12. INFORMATION ABOUT THE FINANCIAL PERFORMANCE / FINANCIAL POSITION OF THE SUBSIDIARIES / ASSOCIATES/ JOINT VENTURES:**

M/s City Online Digital Private Limited and M/s City Online Media Private Limited are wholly owned subsidiaries of the Company and has recorded an income of Rs. 11.34 lacs and a Loss of Rs. 22.99 lacs and Income of Rs. 12.33 lacs and incurred a loss of Rs. 6.00 lacs respectively.

**13. NAMES OF THE COMPANIES WHICH HAVE BECOME OR CEASED TO BE ITS SUBSIDIARIES, JOINT VENTURES OR ASSOCIATE COMPANIES DURING THE YEAR.**

Nil

**14. 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 annexed as a part of this Annual Report

**15. STATUTORY AUDITORS:**

The members of the company in accordance with section 139 of the Companies Act, 2013 had passed a resolution for appointment of M/s. Seshachalam & Co, as Statutory Auditors of the company for a period of 5 years in the AGM held on 29.09.2014 to hold office up to the conclusion of 20<sup>th</sup> Annual General Meeting of the company subject to ratification as per the provisions of Companies Act, 2013.

However, pursuant to notification from the MCA dated 07.05.2018, ratification of appointment of statutory auditors at every Annual General Meeting has been omitted.

**16. DETAILS IN RESPECT OF FRAUDS REPORTED BY AUDITORS UNDER SUB SECTION (12) OF SECTION 143 OTHER THAN THOSE WHICH ARE REPORTABLE TO THE CENTRAL GOVERNMENT:**

There have been no frauds reported by the auditors u/s 143(12).

**17. SECRETARIAL AUDIT:**

Pursuant to the provisions of Section 134(3) (f) & Section 204 of the Companies Act, 2013, Secretarial audit report as provided by Mr. Vivek Surana, Practicing Company Secretary is annexed to this Report as an annexure.

**18. QUALIFICATIONS IN AUDIT REPORTS:**

Explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made—

**(a) Statutory Auditors Report:**

The Board has duly reviewed the Statutory Auditor's Report on the Accounts for the year ended March 31, 2018 and has noted that the same does not have any reservation, qualification or adverse remarks. However, the Board decided to further strengthen the existing system and procedures to meet all kinds of challenges and growth in the market expected in the coming years.

**(b) Secretarial Audit Report:**

The Board has duly reviewed the Secretarial Audit Report for the year ended March 31, 2018 on the Compliances according to the provisions of section 204 of the Companies Act 2013, and the same does not have any reservation, qualifications or adverse remarks.

**19. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO:**

The required information as per Sec.134 (3) (m) of the Companies Act 2013 is provided hereunder:

**A. Conservation of Energy:**

Your Company's operations are not energy intensive. Adequate measures have been taken to conserve energy wherever possible by using energy efficient computers and purchase of energy efficient equipment.

**B. Technology Absorption:**

1. Research and Development (R&D): NIL
2. Technology absorption, adoption and innovation: NIL

**C. Foreign Exchange Earnings and Out Go:**

Foreign Exchange Earnings: NIL

Foreign Exchange Outgo: NIL

**20. DETAILS RELATING TO DEPOSITS, COVERING THE FOLLOWING:**

Your Company has not accepted any deposits falling within the meaning of Sec.73, 74 & 76 of the Companies Act, 2013 read with the Rule 8(v) of Companies (Accounts) Rules 2014, during the financial year under review. Further, there are no deposits which are not in compliance with the requirements of Chapter V of the Companies Act, 2013.

**21. SIGNIFICANT & MATERIAL ORDERS PASSED BY THE REGULATORS:**

During the period under review there were no significant and material orders passed by the regulators or Courts or Tribunals impacting the going concern status and the company's operations in future.

**22. DETAILS OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS:**

Your Company has well established procedures for internal control across its various locations, commensurate with its size and operations. The organization is adequately staffed with qualified and experienced personnel for implementing and monitoring the internal control environment. The internal audit function is adequately resourced commensurate with the operations of the Company and reports to the Audit Committee of the Board.

**23. INSURANCE:**

The properties and assets of your Company are adequately insured.

**24. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:**

The company has not given loans, Guarantees or made any investments attracting the provisions of Section 186 of the Companies Act, 2013 during the year under review.

**25. CREDIT & GUARANTEE FACILITIES:**

The details of the loan taken by the Company is given in the financial statements.

**26. COMPOSITION OF CSR COMMITTEE AND CONTENTS OF CSR POLICY:**

Since the Company does not have the net worth of Rs. 500 Crore or more, or turnover of Rs. 1000 Crore or more, or a net profit of Rs. 5 Crore or more during the financial year, section 135 of the Companies Act, 2013 relating to Corporate Social Responsibility is not applicable and hence the Company need not adopt any Corporate Social Responsibility Policy.

**27. RELATED PARTY TRANSACTIONS:**

During the year under review, the Company had not entered in to any materially significant transaction with any related party that may have potential conflict with the interests of the Company at large. All the related party transactions during the year are in the ordinary course of business and on arms length basis.

Transactions with the Related Parties as required under Accounting Standard-18 are disclosed in Note No.34 of the standalone financial statements forming part of this Annual Report.

**28. DISCLOSURE ABOUT COST AUDIT:**

Cost Audit is not applicable to your Company.

**29. STATEMENT SHOWING THE NAMES OF THE TOP TEN EMPLOYEES IN TERMS OF REMUNERATION DRAWN AND THE NAME OF EVERY EMPLOYEE:**

A statement showing the names of the top ten employees in terms of remuneration drawn and the name of every employee is annexed to this Annual report as annexure.

**30. RATIO OF REMUNERATION TO EACH DIRECTOR:**

Under section 197(12) of the Companies Act, 2013, and Rule 5(1)(2) & (3) of the Companies(Appointment & Remuneration) Rules, 2014 read with Schedule V of the Companies Act, 2013 the ratio of remuneration of Mr. S. Raghava Rao, Chairman & Managing Director of the Company to the median remuneration of the employees is 9:1 and of Mr. R. Krishna Mohan, Whole-Time director & CFO and Mr. Ch. Harinath, Wholetime Director of the Company is 8.50:1.

**31. CORPORATE GOVERNANCE AND SHAREHOLDERS INFORMATION:**

Since the paid up capital of the Company is less than Rs. 10 Crores and Net worth of the Company is less than Rs. 25 Crores, Corporate Governance as envisaged in SEBI (LODR) Regulations,2015 is Not Applicable.

**32. SECRETARIAL STANDARDS**

The Company is in compliance with the applicable secretarial standards.



## **EVENT BASED DISCLOSURES**

During the year under review, the Company has not taken up any of the following activities:

1. Issue of sweat equity share: NA
2. Issue of shares with differential rights: NA
3. Issue of shares under employee's stock option scheme: NA
4. Disclosure on purchase by company or giving of loans by it for purchase of its shares: NA
5. Buy back shares: NA
6. Disclosure about revision: NA
7. Preferential Allotment of Shares: NA

### **33. NON-EXECUTIVE DIRECTORS' COMPENSATION AND DISCLOSURES**

None of the Independent / Non-Executive Directors has any pecuniary relationship or transactions with the Company which in the Judgment of the Board may affect the independence of the Directors.

### **34. MD/ CFO Certification**

The Managing Director and CFO certification of the financial statements for the year 2017-18 is annexed in this Annual Report.

### **35. EMPLOYEE RELATIONS:**

Your Directors are pleased to record their sincere appreciation of the contribution by the staff at all levels in the improved performance of the Company.

None of the employees is drawing a remuneration of Rs. 1,02,00,000/- and above per annum or Rs.8,50,000/- and above in aggregate per month, the limits prescribed under Section 197 of the Companies Act, 2013 read with rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

### **36. BOARD EVALUATION:**

Pursuant to the applicable provisions of the Companies Act, 2013 and SEBI Listing Regulations, the Board has carried out an Annual Evaluation of its own performance, performance of the Directors and the working of its Committees. The Board's functioning was evaluated on various aspects, including inter alia degree of fulfilment of key responsibilities, Board structure and composition, establishment and delineation of responsibilities to various Committees, effectiveness of Board processes, information and functioning.

Evaluation of the Committees performance was based on the criteria like composition, its terms of the reference and effectiveness of committee meetings, etc., Individual Director's performance evaluation is based on their preparedness on the issues to be discussed, meaningful and constructive discussions and their contribution to the Board and Committee meetings. The Chairperson was evaluated mainly on key aspects of his role. These performance exercises were conducted seeking inputs from all the Directors / Committee Members wherever applicable.

The evaluation procedure followed by the company is as mentioned below:

- i) Feedback is sought from each Director about their views on the performance of the Board, covering various criteria such as degree of fulfilment of key responsibilities, Board structure and composition, establishment and delineation of responsibilities to various Committees, effectiveness of Board processes, information and functioning, Board culture and dynamics, quality of relationship between the Board and the Management and efficacy of communication with external stakeholders. Feedback was also taken from every Director on his assessment of the performance of each of the other Directors.
- ii) The Nomination and Remuneration Committee (NRC) then discusses the above feedback received from all the Directors.
- iii) Based on the inputs received, the Chairman of the NRC also makes a presentation to the Independent Directors at their meeting, summarising the inputs received from the Directors as regards Board performance as a whole and of the Chairman. The performance of the Non-Independent Non-Executive Directors and Board Chairman is also reviewed by them.
- iv) Post the meeting of the Independent Directors, their collective feedback on the performance of the Board (as a whole) is discussed by the Chairman of the NRC with the Chairman of the Board. It is also presented to the Board and a plan for improvement is agreed upon and is pursued.
- v) Every statutorily mandated Committee of the Board conducts a self-assessment of its performance and these assessments are presented to the Board for consideration. Areas on which the Committees of the Board are assessed include degree of fulfilment of key responsibilities, adequacy of Committee composition and effectiveness of meetings.

- vi) Feedback is provided to the Directors, as appropriate. Significant highlights, learning and action points arising out of the evaluation are presented to the Board and action plans are drawn up. During the year under report, the recommendations made in the previous year were satisfactorily implemented.

The peer rating on certain parameters, positive attributes and improvement areas for each Board member are also provided to them in a confidential manner. The feedback obtained from the interventions is discussed in detail and, where required, independent and collective action points for improvement are put in place.

**37. DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

The Company has in place an Anti-Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act, 2013. Internal Complaint Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees are covered under this policy. The following is the summary of sexual harassment complaints received and disposed during the calendar year.

- No. of Complaints at the beginning of the year : Nil
- No. of complaints received : Nil
- No. of complaints disposed off : Nil

**38. ACKNOWLEDGEMENTS:**

Your Directors wish to place on record their appreciation of the contribution made by the employees at all levels, to the continued growth and prosperity of your Company.

Your Directors also wish to place on record their appreciation of business constituents, banks and other financial institutions and shareholders of the Company, ROC, SEBI, BSE, NSDL, CDSL, etc. for their continued support for the growth of the Company.

For and on behalf of the Board  
**City Online Services Limited**

Place: Hyderabad  
Date: 14.08.2018

Sd/-  
**R. Krishna Mohan**  
Whole-Time Director & CFO  
(DIN: 01678152)

Sd/-  
**S. Raghava Rao**  
Chairman & Managing Director  
(DIN: 01441612)

**STATEMENT SHOWING THE DETAILS PURSUANT TO SEC. 197 READ WITH RULE 5 OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014**

**Rule 5 (1) Of The Companies (Appointment And Remuneration Of Managerial Personnel) Rules, 2014**

Sl. No.	Particulars	Details
1.	The ratio of remuneration to each director to the median remuneration of the employees of the company for the financial year.	the ratio of remuneration of Mr. G. RaghavaRao, Chairman & Managing Director of the Company to the median remuneration of the employees is 9:1 and of Mr. R. Krishna Mohan, Whole-Time director & CFO and Mr. Ch. Harinath, Wholetime Director of the Company is 8.50:1.
2.	The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	NIL
3.	The percentage increase in the median remuneration of employees in the financial year	6%
4.	The number of employees on the rolls of the company	55
5.	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and details if there are any exceptional circumstances for increase in the managerial remuneration	6%. There was no increase in the remuneration on managerial personnel during the year.
6.	Affirmation that the remuneration is as per the remuneration policy of the company.	Yes

**Details of top ten employees  
Rule 5 (3) Of The Companies (Appointment And Remuneration Of Managerial Personnel) Rules, 2014**

Sl. No	Particulars	S.Raghava rao	R. Krishna Mohan	Ch.Harinath	S Jagan Mohan Rao Suryadevara	Rajshekar P	Bhaskar Yella	Hanuman Kumar B	Chanakya Gangavarapu	Girish Kumar U.J	Paraselli A Naidu
1	Designation of the employee	Managing Director	Wholetime Director & CFO	Director	Branch Manager	Marketing Manager	Sr. Network Administrator	Sr. Network Administrator	Sr. Network Administrator	Sr. Network Administrator	Branch Manager
2	Remuneration received	155,000	150,000	150,000	82,390	58,850	56,496	44,726	44,726	42,800	40,194
3	Nature of employment, whether contractual or otherwise	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
4	Qualifications and experience of the employee	B.Tech	B.Tech	M.Tech	Diploma in Electronics	Graduation	P. Graduation	Graduation	B.Tech	MCA	SSC
5	Date of commencement of employment	20/07/1999, 19 yrs	1/9/2001, 17 yrs	16/07/1999, 19 yrs	1/6/2000, 18 yrs	5/3/2015, 3 yrs	13/3/2007, 11 yrs	8/4/2007, 11 yrs	2/9/2009, 9 yrs	1/4/2006, 12 yrs	1/4/2004, 14 yrs
6	The age of the employee	59 yrs	59 yrs	53 yrs	50 yrs	54yrs	38 yrs	35 yrs	30 yrs	37 yrs	40 yrs
7	The last employment held by such employee before joining the company	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
8	The percentage of equity shares held by the employee in the company within the meaning of clause (iii) of sub rule (2) of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.	13.25	5.24	3.91	Nil	Nil	Nil	Nil	Nil	Nil	Nil
9	Whether any such employee is a relative of any director or manager of the company and if so, name of such director or manager	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

## Certificate of Code of Conduct for the year 2017-18

The shareholders

**City Online Services Limited**

I, S. Raghava Rao, Chairman & Managing Director of the Company do hereby declare that the directors and senior management of the Company have exercised their authority and powers and discharged their duties and functions in accordance with the requirements of the code of conduct as prescribed by the company and have adhered to the provisions of the same.

For and on behalf of the Board  
**City Online Services Limited**

Place: Hyderabad  
Date: 14.08.2018

Sd/-  
**S. Raghava Rao**  
Chairman & Managing Director

### CERTIFICATE BY THE MANAGING DIRECTOR AND CFO OF THE COMPANY

To  
The Board of Directors

**Dear Sirs,**

As required under Regulation 17(8) read with Part B, Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we state that:

1. We have reviewed the financial statements and the cash flow statement for the year ended 31st March 2018 and to the best of our knowledge and belief;
  - a. These statements do not contain any materially untrue statement nor omit any material fact nor contain statements that might be misleading, and
  - b. These statements present a true and fair view of the company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
2. There are, to the best of my 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.
3. We accept responsibility for establishing and maintaining internal controls, I have evaluated the effectiveness of the internal control systems of the company and I have disclosed to the auditors and the audit committee, deficiencies in the design or the operation of internal controls, if any, of which I was aware and the steps that I have taken or propose to take and rectify the identified deficiencies and,
4. That we have informed the auditors and the audit committee of:
  - a) Significant changes in the internal control during the year;
  - b) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - c) Instances of significant fraud of which we have become aware and the involvement of any employee having a significant role in the company's internal control system.

For and on behalf of the Board  
**City Online Services Limited**

Place: Hyderabad  
Date: 14.08.2018

Sd/-  
**S. Raghava Rao**  
Chairman & Managing Director  
(DIN: 01441612)

Sd/-  
**R. Krishna Mohan**  
Whole-time Director & CFO  
(DIN: 01678152)

## **DISCLOSURE WITH RESPECT TO DEMAT SUSPENSE ACCOUNT/ UNCLAIMED SUSPENSE ACCOUNT**

As per Regulation 34(3) read with Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the company hereby discloses the details of unpaid/unclaimed dividend and the respective share thereof as follows:

\*\*

Aggregate No. of Shareholders and the outstanding shares in the suspense account at the beginning of the year.	No. of shareholders who approached the company for transfer of shares from suspense account during the year.	No. of shareholders to whom shares were transferred from suspense account during the year.	Aggregate No. of Shareholders and the outstanding shares in the suspense account at the end of the year.
NIL	NIL	NIL	NIL

\*\* Voting Right on these shares shall remain frozen till the rightful owner of such shares claims the shares.

## MGT 9

### Extract of Annual Return

As on the Financial Year 31.03.2018

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

#### I. REGISTRATION AND OTHER DETAILS:

i.	CIN	L72200TG1999PLC032114
ii.	Registration Date	16.07.1999
iii.	Name of the Company	<b>City Online Services Limited</b>
iv.	Category / Sub-Category of the Company	Company limited by shares/ Non-Government Company
v.	Address of the Registered office and contact details	701, 7 <sup>th</sup> Floor, Aditya Trade Centre, Ameerpet, Hyderabad -500034 Telangana.
vi.	Whether listed company Yes / No	Yes
vii.	Name, Address and Contact details of Registrar and Transfer Agent, if any	<b>M/s. XL Softech Systems Limited,</b> 3, Sagar Society, Road No.3, Banjara Hills, Hyderabad – 500034 Phone Number: 040-23545913, Fax: 040-235532214.

#### 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:-

Sl. 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

#### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:--

S. NO	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares Held	Applicable Section
1	City Online Digital Private Limited	U72400TG2014PTC096254	Subsidiary Company	100%	2(87)
2	City Online Media Private Limited	U72200TG2014PTC096281	Subsidiary Company	100%	2(87)

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

##### i) Category-wise Share Holding;-

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				%Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(1) Indian									
(2)									
Individual/ HUF	732200	29500	761700	14.75	732200	29500	761700	14.75	0.00

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				%Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
Central Govt	0	0	0	0	0	0	0	0	0
State Govt (s)	0	0	0	0	0	0	0	0	0
Bodies Corp.	0	0	0	0	0	0	0	0	0
Banks / FI	0	0	0	0	0	0	0	0	0
Any Other	0	0	0	0	0	0	0	0	0
<b>Sub-total (A) (1) :-</b>	732200	29500	761700	14.75	732200	29500	761700	14.75	0.00
<b>(2) Foreign</b>									
a) NRIs - Individuals	0	0	0	0	0	0	0	0	0
b) Other –Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks / FI	0	0	0	0	0	0	0	0	0
e) Any Other....	0	0	0	0	0	0	0	0	0
<b>Sub-total(A) (2):-</b>	0	0	0	0	0	0	0	0	0
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	732200	29500	761700	14.75	732200	29500	761700	14.75	0.00
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	200000	0	200000	3.87	200000	0	200000	3.87	0.00
b) Banks / FI	0	0	0	0	0	0	0	0	0
c) Central Govt	0	0	0	0	0	0	0	0	0
d) State Govt(s)	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital Fund	0	0	0	0	0	0	0	0	0
i) Others(specify)	0	0	0	0	0	0	0	0	0
<b>2. Non Institutions</b>									
a) Bodies Corp.									
i) Indian	243114	34000	277114	5.37	241543	34000	275543	5.34	0.03
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0



Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				%Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
i) Individual shareholders holding nominal share capital up to Rs. 2 lakhs	671266	1381650	2052916	39.75	711569	1318650	2030219	39.31	0.44
ii) Individual shareholders holding nominal share capital in excess of Rs 2 lakhs	1490070	371000	1861070	36.03	1514938	371000	1885938	36.51	-0.48
c) Others (specify)	1300	10000	11300	0.22	1300	10000	11300	0.22	0.00
1. NRI	600	0	600	0.01	0	0	0	0	0.01
2. Clearing Members									
Sub-total (B)(2):- Total Public Shareholding	2406350	1796650	4203000	81.38	2469350	1733650	4203000	81.38	0.00
(B)=(B)(1)+(B)(2)	2606350	1796650	4403000	85.25	2669350	1733650	4403000	85.25	0.00
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	3338550	1826150	5164700	100	3401550	1763150	5164700	100	0

**(ii) Shareholding of Promoters**

Sl. No	Shareholder's Name	No. of Shares held at the beginning of the year			No. of Shares held at the end of the year			%Change 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	684500	13.25	-	684500	13.25	-	Nil
2.	Jonnalagadda Gram	47700	0.92	-	47700	0.92	-	Nil
3.	Gopala Krishnaiah Chava	27000	0.52	-	27000	0.52	-	Nil
4.	Venkateswara Rao Ramineni	2500	0.05	-	2500	0.05	-	Nil

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

Sl. No	Shareholder's Name	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
1	Nil	Nil	Nil	Nil	Nil

Date wise Increase /Decrease in Promoters Shareholding during the year specifying the reasons for increase/ decrease (e.g.allotment /transfer /bonus/sweat equity etc): NIL

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

Sl. No.	Shareholders Name	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Preetha S Nair	250000	4.84	250000	4.84
2	DSP Blackrock Equity Opportunities Fund	200000	3.87	200000	3.87
3	Goodworth Marketing Private Ltd	125000	2.42	125000	2.42
4	Ch Sunitha	123000	2.38	123000	2.38
5	K.Satyavathi	116000	2.25	116000	2.25
6	Qasim Elyas Sakriwala	100000	1.94	100000	1.94
7	Geetika Sethi	100000	1.94	100000	1.94
8	Adrian Francis Fernandes	99999	1.94	100050	1.94
9	Parizad Firoze Mistry	50000	0.97	50000	0.97
10	Gullapalli Ramalingeswara Rao	50000	0.97	50000	0.97

**(v) Shareholding of Directors and Key Managerial Personnel:**

Sl. No.	For Each of the Directors and KMP	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
1	<b>Suryadevara Raghava Rao – Managing Director</b>				
	At the beginning of the year	684500	13.25	684500	13.25
	Date wise Increase /Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/sweat equity etc): Nil				
	At the End of the year	684500	13.25	684500	13.25
2	<b>Krishna Mohan Ramineni – Whole-Time Director &amp; CFO</b>				
	At the beginning of the year	270600	5.24	270600	5.24
	Date wise Increase / Decrease in Promoters Share Holding during the year Specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/sweat equity etc): Nil				
	At the End of the year	270600	5.24	270600	5.24

Sl. No.	For Each of the Directors and KMP	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
<b>3</b>	<b>Ch Harinath – Whole-Time Director</b>				
	At the beginning of the year	201750	3.91	201750	3.91
	Date wise Increase / Decrease in Promoters Share Holding during the year Specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/sweat equity etc): Nil				
	At the End of the year	201750	3.91	201750	3.91
<b>4</b>	<b>Suryadevara Naga Durga – Independent Director</b>				
	At the beginning of the year	40000	0.77	40000	0.77
	Date wise Increase / Decrease in Promoters Share Holding during the year Specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/sweat equity etc): Nil				
	At the End of the year	40000	0.77	40000	0.77
<b>5</b>	<b>Nicodemus Pradhan Thomas -Independent Director</b>				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Promoters Share Holding during the year Specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/sweat equity etc): Nil				
	At the End of the year	-	-	-	-
<b>6</b>	<b>Satyanarayana Vasireddy - Independent Director</b>				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Promoters Share Holding during the year Specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/sweat equity etc): Nil				
	At the End of the year	-	-	-	-
<b>7</b>	<b>Nageswara Rao Mandavilli - Independent Director</b>				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Promoters Share Holding during the year Specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/sweat equity etc): Nil				
	At the End of the year	-	-	-	-
<b>8</b>	<b>Kriti Singh – Company Secretary</b>				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Promoters Share Holding during the year Specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/sweat equity etc): Nil				
	At the End of the year	-	-	-	-

**V. INDEBTEDNESS – DISCLOSED IN THE FINANCIAL STATEMENT.**

**VI. 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 Moham Ramineni	Raghava Rao Suryadevara	
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s17(2) Income-tax Act, 1961	18,00,000	18,00,000	18,60,000	54,60,000
	(c) Profits in lieu of salary under section 17(3) Income tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission - as % of profit - Others, specify...	-	-	-	-
5.	Others, please specify	-	-	-	-
	Total (A)	18,00,000	18,00,000	18,60,000	54,60,000
	Ceiling as per the Act	Within the ceiling limits	Within the ceiling limits	Within the ceiling limits	Within the ceiling limits

B. Remuneration to other directors:

Sl. no.	Particulars of Remuneration	Name of Directors				Total Amount
		Mrs. S. Nagadurga	Mr. V. Satyanarayana	Mr. Nicodemus Pradhan Thomas	Mr. M. Nageswara Rao	
3.	Independent Directors • Fee for attending board/ committee meetings • Commission • Others, please specify	-	10,000	4,000	10,000	-
	Total (1)	-	10,000	4,000	-	-
4.	Other Non-Executive Directors • Fee for attending board / committee meetings • commission • Others, please specify	10,000	-	-	-	-
	Total (2)	10,000	-	-	-	-
	Total (B)=(1+2)	10,000	10,000	4,000	10,000	-
	Total Managerial Remuneration	10,000	10,000	4,000	10,000	-
	Overall Ceiling as per the Act	NA	NA	NA	NA	NA

**C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD**

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			Total
		CEO	Company Secretary Kriti Singh	CFO R. Krishna Mohan	
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	72,000	* As stated in table number VI (A)	72,000
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission - as % of profit - others, specify...	-	-	-	-
5.	Others, please specify	-	-	-	-
	Total	-	72,000	-	72,000

**VII Penalties/punishment/compounding of offences:**

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

## 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 arm's length transactions under third proviso thereto**

#### **1. Details of contracts or arrangements or transactions not at arm's length basis: Nil**

- (a) Name(s) of the related party and nature of relationship: **Nil**
- (b) Nature of contracts/arrangements/transactions : **Nil**
- (c) Duration of the contracts / arrangements/transactions: **Nil**
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any: **Nil**
- (e) Justification for entering into such contracts or arrangements or transactions : **Nil**
- (f) Date(s) 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 material contracts or arrangement or transactions at arm's length basis: Nil**

- (a) Name(s) of the related party and nature of relationship : **Nil**
- (b) Nature of contracts/arrangements/transactions : **Nil**
- (c) Duration of the contracts / arrangements/transactions
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any:
- (e) Date(s) of approval by the Board, if any:
- (f) Amount paid as advances, if any:

**Form AOC - 1**

**Statement containing salient features of the financial statements of Subsidiaries**

(Pursuant to proviso to sub-section (3) of section 129 read with Rule 5 of the Companies (Accounts) Rules, 2014)

1. Name of the Subsidiaries: **City Online Digital Private Limited**  
**City Online Media Private Limited**
2. Reporting Period: 01.04.2017 to 31.03.2018
3. Reporting Currency: Indian Rupee

Sl. No.	Particulars	City Online Digital Private Limited	City Online Media Private Limited
		Amount in Rupees	Amount In Rupees
1.	Share Capital:	1,00,000	1,00,000
2.	Reserves and surplus for the year ending	-3707864	-692506
3.	Total Assets	4663145	1375006
4.	Total Liabilities	4663145	1375006
5.	Investments	0	-39442
6.	Turnover (Income)	1133841	1233420
7.	Profit / loss before Taxation	-2297940	-606070
8.	Provision for Taxation	1869	-5412
9.	Profit / loss after Taxation	-2299809	-600658
10.	Proposed Dividend		
11.	% of Shareholding	100	100

1. Names of Subsidiaries which are yet to commence operation: NA
2. Names of subsidiaries which have been liquidated or sold during the year: NA

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 of  
**CITY ONLINE SERVICES LIMITED**

**T. Bharadwaj**  
Partner  
Membership No.: 201042

**R. Krishna Mohan**  
Finance Director cum CFO  
DIN: 01678152

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

**Kriti Singh**  
Company Secretary

Place : Hyderabad  
Date : May 30, 2018

## Management Discussion and Analysis Report:

### (1) (a) Industry structure and developments:

The Internet services market is rapidly growing , partly on account of higher penetration of users in rural areas getting on to Net and higher package usage of broadband in urban locations as most are using internet for multiple like Voice , Data & Video. Add to this is the aggressive campaigns of Large TELCOs who are constantly attracting Users for their Cellular Data plans , both in terms of upgrading existing users and also creating new ones . The market is rapidly adapting to the use of popular social networking sites . New players launching their services will further boost the market although margins in the next few years may shrink to a little extent owing to raising other costs.

### (b) Opportunities and Threats:

The Company enjoys goodwill from its Customers. Our Corporate objective is to create mutual long term sustainable value through a collaborative approach driven by the vision of becoming a preferred Internet choice for distinguished Clientele demanding Quality, Value for Money & Flexibility translating into a perfect Win Win for either Entities. This formula is working fine in favor of our Organisation. Additionally, We are operating in Niche business segments in the geographic locations within Telangana, AP and Karnataka State with directly taking on large companies head on. We continue to optimistically protect and retain our current base and progressively increase the sales revenue and market share moving forward .New technologies like WiFi & Free WiFi to Citizens envisaged by Governments , although may pose a little challenge to startwith , In reality these may not be any threat to us as these service offerings may have challenges from the point of view of logistics and technological obstacles and will have lots of limitations and therefore may not be commercially viable . This would in reality enlarge the usage in the market place creating a level playing field in the long run.

### (c) Segment-wise or product-wise performance:

During the year under review, the Company has recorded revenue of Rs.16,61,80,956 and made a loss of Rs.49,60,305 against revenue of Rs. 17,74,78,035 and a profit of Rs. 19,84,718 in the previous financial year 2016-17.

### (d) Outlook:

In order to meet the changing market realities, your Company has been following the philosophy of providing the highest quality products and services at the lowest possible prices. All endeavours are made to achieve possible cost reduction in every area of operations. Your Company's philosophy to provide high class quality products i.e. full value for money, to consumers would greatly benefit in the long run. In the otherwise increasing cost arena, every expense, whether capital or revenue is minutely reviewed to achieve all possible savings.

The management is doing its best to forge relations with other companies and take the company forward in the new business lines. However, the outlook of the management is cautious in view of the competitive nature of the market.

### (e) Risks and concerns:

The Company's products are largely intended for sale in the domestic market. Apart from normal risks as are applicable to others the Company does not foresee any serious area of concern. The Company is obtaining adequate insurance coverage for its assets at the plant and the field locations etc. The company has no foreign exchange risk coverage due to its limited exposure. Compliance of safety requirements and norms placed by different Government agencies is a top priority of your Management.

### (f) Internal control systems and their adequacy:

The system of internal control has been established to provide reasonable assurance of safeguarding assets and maintenance of proper Accounting Records and its accuracy. The business risks and its control procedures are reviewed frequently. Systems audit is also conducted regularly to review the systems with respect to Security and its Adequacy. Reports are prepared and circulated to Senior Management and action taken to strengthen controls where necessary.

### (g) Discussion on financial performance with respect to operational performance:

During the year under review, the Company has recorded revenue of Rs.16,61,80,956 and made a loss of Rs.49,60,305 against revenue of Rs. 17,74,78,035 and a profit of Rs. 19,84,718 in the previous financial year 2016-17.

### (h) Material developments in Human Resources/Industrial Relations front, including number of people employed:

During the year under review, the Company has undertaken extensive steps in optimizing the man power at the Registered office, Branches and Field locations. Employee/employer relations were cordial throughout the year. Measures for safety of the employees, training and development continued to receive top priorities.

### (2) Disclosure of Accounting Treatment:

The Company has not carried out any treatment different from that prescribed in Accounting Standards.



## FORM MR-3 SECRETARIAL AUDIT REPORT

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

**FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> March, 2018**

To,  
The Members,  
**City Online Services Limited,**  
Hyderabad

We have conducted the audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by City Online Services Limited (hereinafter called "the Company"). Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's Books, Papers, Minute Books, Forms and Returns filed and other Records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the financial year commencing from 1<sup>st</sup> April, 2017 and ended 31<sup>st</sup> March, 2018, complied with the statutory provisions listed hereunder and also that the Company has proper Board process and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

1. We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31<sup>st</sup> of March, 2018 according to the provisions of:
  - (i) The Companies Act, 2013 (the Act) and the rules made there under;
  - (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made there under;
  - (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
  - (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment (FDI), Overseas Direct Investment and External Commercial Borrowings;
2. Compliance status in respect of the provisions of the following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI ACT') is furnished hereunder for the financial year 2017-18:-
  - i. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; **Complied with yearly and event based disclosures.**
  - ii. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 Insider Trading Regulations; **The Company has framed code of conduct for regulating & reporting trading by insiders and for fair disclosure and displayed the same on the Company's website i.e. www.cityonlines.com.**
  - iii. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; **Not Applicable as the company has not issued any shares during the year under review.**
  - iv. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; **Not Applicable as the Company has not issued any Employee Stock Options during the year under review.**
  - v. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; **Not Applicable as the Company has not issued any debt securities during the year under review.**
  - vi. 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; **Not Applicable as the Company is not registered as Registrar to an Issue and Share Transfer Agent during the year under review. However the company has XL Softech Systems Limited as its Share Transfer Agent.**
  - vii. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **Not Applicable as the company has not delisted/ proposed to delist its equity shares during the year under review.**
  - viii. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; **Not Applicable as the Company has not bought back/ proposed to buy-back any of its securities during the year under review.**
  - ix. Other applicable laws include the following:
    - The Payment of Gratuity Act, 1972
    - Employees Provident Fund and Miscellaneous Provisions Act, 1952
    - Employees State Insurance Act, 1948

- Income Tax Act, 1961
- Minimum Wages Act, 1948
- Payment of Bonus Act, 1965
- Payment of Wages Act, 1936
- Shops and Establishments Act, 1948
- Telecom Regulatory Authority of India, 1997
- Department of Telecommunication Guidelines and License Agreements.

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 Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 were complied with to the extent applicable.

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

- a) During the year the Company has conducted 6 meetings of the Board of Directors, 4 meetings of the Audit committee, 2 Meeting of Stakeholder Relationship Committee and 1 meeting of Independent Directors. We have also examined compliance with the applicable clauses of the Secretarial Standards issued by the Institute of Company secretaries of India.
- b) As per the information and explanations provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we report that
  - (i) the provisions of the Foreign Exchange Management Act, 1999 and the Rules and Regulations made there under to the extent of:
    - External Commercial Borrowings were not attracted to the Company under the financial year under report;
    - Foreign Direct Investment (FDI) was not attracted to the company under the financial year under report;
    - Overseas Direct Investment by Residents in Joint Venture/Wholly Owned Subsidiary abroad was not attracted to the company under the financial year under report.
  - (ii) As per the information and explanations provided by the company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we report that the Company has not made any GDRs/ ADRs or any Commercial Instrument under the financial year under report.

We further report that:-

- The website of the Company contains policies as specified by SEBI(Listing Obligation and Disclosure Requirements) Regulations, 2015 and the provisions of Companies Act, 2013
- The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors.
- Adequate notice of board meeting is given to all the directors along with agenda 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 meaningful participation at the meeting.
- As per the minutes of the meeting duly recorded and signed by the Chairman, the decisions of the Board were unanimous and no dissenting views have been recorded.
- 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.
- We further report that during the year under report, the Company has not undertaken event/action having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc

For **Vivek Surana & Associates**

Sd/-

**Vivek Surana**

Proprietor

C.P.No: 12901

Place: Hyderabad

Date: 14.08.2018

## Annexure A

To  
The Members of  
**City Online Services Limited**

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

1. Maintenance of secretarial records 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 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 relied on the reports given by the concerned professionals in verifying 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 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 future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

For **Vivek Surana & Associates**

Place: Hyderabad  
Date: 14.08.2018

Sd/-  
**Vivek Surana**  
Proprietor  
C.P.No : 12901

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# **STANDALONE FINANCIAL STATEMENTS**

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## INDEPENDENT AUDITOR'S REPORT

To  
The Members Of  
**City Online Services Limited**

### **Report on the Standalone Ind AS Financial Statements**

We have audited the accompanying standalone **Ind AS financial statements of City Online Services Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity 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 Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act, read with relevant rules issued there under.

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 Ind AS 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 Ind AS 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 Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS 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 Ind AS 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 Ind AS 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 Ind AS financial statements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the standalone Ind AS 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 including the Ind AS, of the financial position of the Company as at March 31, 2018, and its financial performance including other comprehensive income, its cash flows and the changes in equity 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, the Statement of Profit and Loss, the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
- (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act, read with relevant rules issued there under;
- (e) On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, 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.

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

**T Bharadwaj**  
Partner  
Membership No. 201042

Place: Hyderabad  
Date: May 30, 2018

## Annexure 1 to the Independent Auditors' Report

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

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) Property, plant and equipment 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) To the best of our knowledge and as explained, the Company is not in business of sale of goods. Therefore, in our opinion the provisions of clause 3(ii) of the Companies (Auditors' Report) Order, 2016 is not applicable to the Company and hence not commented upon.
- (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	Amount
Income Tax Act, 1961	Tax Deducted at Source	2,51,793
Finance Act, 1994	Service Tax	47,73,137
Goods and Service Tax Act, 2017	Goods and Service Tax	16,86,869
AP VAT Act, 2005	Value Added Tax	3,85,060
Central Tax Act, 1956	Central Sales Tax	2,500
Professional Tax, 1987	Professional Tax	82,450

- (viii) The Company has not defaulted in repayment of loans taken from banks.
- (ix) No moneys were raised by way of initial public offer or further public offer (including debt instruments). Term loans taken were applied for the purposes for which those were taken.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the Ind AS financial statements and according to the information and explanations given by the management, we report that no fraud on or by the officers and employees of the Company has been noticed or reported during the year.

- (xi) According to the information and explanations given to us, the managerial remuneration has been paid in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act 2013.
- (xii) In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given to us, all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards;
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence not commented upon.
- (xv) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him.
- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

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

**T Bharadwaj**  
Partner  
Membership No. 201042

Place: Hyderabad  
Date: May 30, 2018



## **Annexure 2 to the Independent Auditor's report of even date on the standalone Ind AS 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, 2018 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, 2018, 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 Ind AS financial statements of the Company, which comprise the Balance Sheet as at March 31, 2018, 2018 and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information, and our report dated May 30, 2018 expressed an unqualified opinion.

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

**T Bharadwaj**  
Partner  
Membership No. 201042

Place: Hyderabad  
Date: May 30, 2018

## Balance Sheet as at March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
<b>A ASSETS</b>				
<b>1 Non-Current Assets</b>				
(a) Property, plant and equipment	3	14,075,882	15,233,292	16,835,824
(b) Intangible assets	4	34,740	63,868	142,748
(c) Financial Assets				
- Investments	5	1,842,795	1,491,681	925,855
- Other non-current financial assets	6	1,465,143	1,369,292	1,048,449
(d) Deferred tax assets [Net]	7	9,000,549	10,583,390	10,357,548
(e) Other non-current assets	8	93,922	193,056	239,962
<b>Total Non-Current Assets [A]</b>		<b>26,513,031</b>	<b>28,934,579</b>	<b>29,550,386</b>
<b>2 Current Assets</b>				
(a) Inventories	9	14,212,813	17,783,711	16,665,590
(b) Financial Assets				
- Loans	10	6,829,127	5,345,500	2,326,714
- Trade receivables	11	53,059,583	37,652,037	27,754,907
- Cash and cash equivalents	12	1,209,282	771,480	1,859,457
- Bank balances other than above	13	13,004,625	7,670,000	2,610,000
- Other current financial assets	14	1,138,974	1,432,586	1,160,081
(c) Income Taxes	15	4,164,274	2,080,409	2,292,810
(d) Other current assets	16	7,893,526	10,734,178	9,294,064
<b>Total Current Assets [B]</b>		<b>101,512,204</b>	<b>83,469,901</b>	<b>63,963,623</b>
<b>TOTAL ASSETS [A+B]</b>		<b>128,025,235</b>	<b>112,404,480</b>	<b>93,514,008</b>
<b>B EQUITY AND LIABILITIES</b>				
<b>1 Equity</b>				
(a) Equity Share Capital	17	56,098,330	56,098,330	56,098,330
(b) Other Equity	18	(20,754,275)	(14,756,704)	(15,855,439)
<b>Total Equity [A]</b>		<b>35,344,055</b>	<b>41,341,626</b>	<b>40,242,891</b>
<b>2 Non-Current Liabilities</b>				
(a) Financial Liabilities				
- Borrowings	19	-	-	836,698
(b) Provisions	20	2,081,000	1,923,000	1,086,000
<b>Total Non-Current Liabilities [B]</b>		<b>2,081,000</b>	<b>1,923,000</b>	<b>1,922,698</b>
<b>3 Current Liabilities</b>				
(a) Financial Liabilities				
- Borrowings	21	9,640,424	13,952,720	18,112,837
- Trade payables	22	59,889,353	36,312,765	19,721,797
(b) Other current liabilities	23	21,070,403	18,874,369	13,513,785
<b>Total Current Liabilities [C]</b>		<b>90,600,180</b>	<b>69,139,854</b>	<b>51,348,419</b>
<b>TOTAL EQUITY AND LIABILITIES [A+B+C]</b>		<b>128,025,235</b>	<b>112,404,480</b>	<b>93,514,008</b>
Corporate information	1			
Summary of significant accounting policies	2			
Accompanying notes forming an integral part of the financial statements	1 to 43			

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 of  
**CITY ONLINE SERVICES LIMITED**

**T. Bharadwaj**  
Partner  
Membership No.: 201042

**R. Krishna Mohan**  
Finance Director cum CFO  
DIN: 01678152

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

**Kriti Singh**  
Company Secretary

Place : Hyderabad  
Date : May 30, 2018

## Statement of Profit and Loss for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>I REVENUE</b>			
Revenue from Operations [Gross]	24	<b>163,183,752</b>	176,065,835
Other Income	25	<b>2,997,204</b>	1,412,201
<b>TOTAL REVENUE [I]</b>		<b>166,180,956</b>	<b>177,478,035</b>
<b>II EXPENSES</b>			
Employee benefit expenses	26	<b>14,184,243</b>	14,013,291
Finance costs	27	<b>2,856,254</b>	1,798,235
Depreciation and amortization expense	3 & 4	<b>3,261,394</b>	2,246,825
Bandwidth expenses	28	<b>122,355,416</b>	130,885,645
Other expenses	29	<b>26,901,113</b>	26,775,163
<b>TOTAL EXPENSES [II]</b>		<b>169,558,420</b>	<b>175,719,159</b>
<b>III Profit/(Loss) Before Tax</b>		<b>(3,377,464)</b>	<b>1,758,876</b>
<b>IV Tax Expense:</b>			
- Current tax	30	-	-
- Deferred tax	30	<b>1,582,841</b>	(225,842)
<b>V Profit/(Loss) for the year</b>		<b>(4,960,305)</b>	<b>1,984,718</b>
<b>VI Other Comprehensive Income</b>			
Items that will not be reclassified to profit or loss			
- Remeasurements of post-employment benefit obligations		<b>74,000</b>	(757,000)
- Remeasurements of financial assets		<b>(1,144,707)</b>	(99,634)
- Recognition of borrowings using effective interest rate		<b>33,442</b>	(29,350)
<b>Other comprehensive income for the year, net of tax</b>		<b>(5,997,570)</b>	<b>1,098,734</b>
<b>VII Earnings per equity share Rs. 10/- each fully paid</b>			
- Basic	36	<b>(0.96)</b>	0.38
- Diluted	36	<b>(0.96)</b>	0.38
Corporate information	1		
Summary of significant accounting policies	2		
Accompanying notes forming an integral part of the financial statements	1 to 43		

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 of  
**CITY ONLINE SERVICES LIMITED**

**T. Bharadwaj**  
Partner  
Membership No.: 201042

**R. Krishna Mohan**  
Finance Director cum CFO  
DIN: 01678152

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

**Kriti Singh**  
Company Secretary

Place : Hyderabad  
Date : May 30, 2018

## Cash Flow Statement for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note	Year ended March 31, 2018	Year ended March 31, 2017
<b>A. Cash flow from operating activities</b>			
<b>Profit before tax</b>		<b>(3,377,464)</b>	<b>1,758,876</b>
<b>Adjustments:</b>			
Depreciation and amortisation		3,261,394	2,246,825
Interest expense		2,856,254	1,798,235
Remeasurement of post employee benefits		74,000	(757,000)
Interest on capital from partnership firm		(67,900)	(32,940)
Expected credit loss allowance		1,141,423	1,181,161
Share of profit from partnership firm		(283,214)	(517,886)
Interest income		904,705	344,818
<b>Cash generated before working capital changes</b>		<b>4,509,198</b>	<b>6,022,089</b>
Increase in trade payables		23,576,588	16,590,968
Increase in other current liabilities		2,196,034	5,360,584
Increase in long term provisions		158,000	837,000
Decrease/(Increase) in inventories		3,570,898	(1,118,121)
Increase in trade receivables		(16,548,971)	(11,078,291)
(Decrease)/Increase in other non-current financial assets		(1,240,558)	(420,477)
Decrease in other current liabilities		99,134	46,906
Increase in short term loans and advances		(1,483,627)	(3,018,786)
Decrease/(Increase) in other current financial assets		293,612	(272,505)
Decrease/(Increase) in other current assets		2,840,652	(1,440,114)
<b>Cash generated from operations</b>		<b>17,970,960</b>	<b>11,509,253</b>
Direct taxes refund/ (paid)		(2,083,865)	212,401
<b>Net cash flow from operating activities (A)</b>		<b>15,887,095</b>	<b>11,721,654</b>
<b>B. Cash flows from investing activities</b>			
Purchase of property, plant and equipment, including intangible assets		(2,074,855)	(565,413)
Investment in bank deposits		(5,334,625)	(5,060,000)
Interest on capital from partnership firm		67,900	32,940
Share of profit from partnership firm		283,214	517,886
Increase in non current investments		(351,114)	(565,826)
<b>Net cash flow used in investing activities (B)</b>		<b>(7,409,480)</b>	<b>(5,640,413)</b>

## Cash Flow Statement for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note	Year ended March 31, 2018	Year ended March 31, 2017
<b>C. Cash flows from financing activities</b>			
Repayment of long term borrowings		-	(836,698)
(Repayment) / Proceeds from working capital borrowings		<b>(449,561)</b>	(17,215,912)
Interest received		<b>(904,705)</b>	(344,818)
Interest paid		<b>(2,856,254)</b>	(1,798,235)
<b>Net cash flow used in financing activities (C)</b>		<b>(4,210,520)</b>	<b>(20,195,663)</b>
<b>D. Net Increase/(decrease) in cash and cash equivalents (A+B+C)</b>		<b>4,267,095</b>	<b>(14,114,422)</b>
<b>E. Cash and cash equivalents</b>			
at the beginning of the year	12	<b>(12,254,965)</b>	1,859,457
at the end of the year		<b>(7,987,870)</b>	<b>(12,254,965)</b>
<b>Components of cash and cash equivalents</b>			
Balance with banks			
- In current accounts		<b>1,175,521</b>	680,765
Cash on hand		<b>33,761</b>	90,715
<b>Less:</b> Bank overdraft		<b>9,197,152</b>	13,026,445
Cash and cash equivalents at the end of the year		<b>(7,987,870)</b>	<b>(12,254,965)</b>
Corporate information	1		
Summary of significant accounting policies	2		
Accompanying notes forming an integral part of the financial statements	1 to 43		

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 of  
**CITY ONLINE SERVICES LIMITED**

**T. Bharadwaj**  
Partner  
Membership No.: 201042

**R. Krishna Mohan**  
Finance Director cum CFO  
DIN: 01678152

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

**Kriti Singh**  
Company Secretary

Place : Hyderabad  
Date : May 30, 2018

## Statement of Changes in Equity for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### A. Equity Share Capital

Particulars	As at March 31, 2018	As at March 31, 2017
Equity shares of Rs. 10 each issued, subscribed and fully paid up		
Balance at the beginning of the reporting year	56,098,330	56,098,330
Changes in equity share capital during the year	-	-
<b>Balance at the end of the reporting year</b>	<b>56,098,330</b>	<b>56,098,330</b>

### B. Other Equity

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Movement in other equity is as follows:		
<b>I. Investment subsidy</b>	<b>400,000</b>	<b>400,000</b>
<b>II. Retained Earnings</b>		
(i) Opening Balance	(15,156,704)	(16,255,439)
(ii) Profit for the year	(4,960,305)	1,984,718
(iii) Other comprehensive income	(1,037,265)	(885,984)
	<b>(21,154,275)</b>	<b>(15,156,704)</b>
<b>Total</b>	<b>(20,754,275)</b>	<b>(14,756,704)</b>

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 of  
**CITY ONLINE SERVICES LIMITED**

**T. Bharadwaj**  
Partner  
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**R. Krishna Mohan**  
Finance Director cum CFO  
DIN: 01678152

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

**Kriti Singh**  
Company Secretary

Place : Hyderabad  
Date : May 30, 2018

## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### Note 3: Property, plant and equipment

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Plant & Machinery	8,843,922	10,044,206	11,244,487
Furniture and Fittings	499,125	557,499	615,873
Motor Vehicles	856,114	1,396,882	1,871,108
Computers and Data Processing Units	2,453,085	2,529,982	2,458,261
Office Equipment	1,423,636	704,723	646,095
<b>Total</b>	<b>14,075,882</b>	<b>15,233,292</b>	<b>16,835,824</b>

### For the year 2017-18

Description of Assets	Plant & Machinery	Furniture and Fittings	Motor Vehicles	Computers and Data Processing Units	Office Equipment	Total
<b>I. Gross Block</b>						
Opening Balance	49,094,497	824,103	3,477,368	12,028,738	4,124,260	69,548,966
Additions	-	-	-	141,346	1,904,909	2,046,255
Disposals	-	-	-	-	-	-
<b>Balance as at March 31, 2018</b>	<b>49,094,497</b>	<b>824,103</b>	<b>3,477,368</b>	<b>12,170,084</b>	<b>6,029,169</b>	<b>71,595,221</b>
<b>II. Accumulated Depreciation</b>						
Opening Balance	39,050,291	266,604	2,080,486	9,498,756	3,419,537	54,315,674
Depreciation expense for the year	1,200,284	58,374	540,768	218,243	1,185,996	3,203,666
Eliminated on disposal of assets	-	-	-	-	-	-
<b>Balance as at March 31, 2018</b>	<b>40,250,575</b>	<b>324,978</b>	<b>2,621,254</b>	<b>9,716,999</b>	<b>4,605,533</b>	<b>57,519,340</b>
<b>III. Net Block [I-II]</b>						
Carrying value as at March 31, 2018	8,843,922	499,125	856,114	2,453,085	1,423,636	14,075,882
Carrying value as at March 31, 2017	10,044,206	557,499	1,396,882	2,529,982	704,723	15,233,292



## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

For the year 2016-17

Description of Assets	Plant & Machinery	Furniture and Fittings	Motor Vehicles	Computers and Data Processing Units	Office Equipment	Total
<b>I. Gross Block</b>						
Opening Balance	49,094,497	824,103	3,414,218	11,821,514	3,839,569	68,993,901
Additions	-	-	63,150	207,224	284,691	555,065
Disposals	-	-	-	-	-	-
<b>Balance as at March 31, 2017</b>	<b>49,094,497</b>	<b>824,103</b>	<b>3,477,368</b>	<b>12,028,738</b>	<b>4,124,260</b>	<b>69,548,966</b>
<b>II. Accumulated Depreciation</b>						
Opening Balance	37,850,010	208,230	1,543,110	9,363,253	3,193,474	52,158,077
Depreciation expense for the year	1,200,281	58,374	537,376	135,503	226,063	2,157,597
Eliminated on disposal of assets	-	-	-	-	-	-
<b>Balance as at March 31, 2017</b>	<b>39,050,291</b>	<b>266,604</b>	<b>2,080,486</b>	<b>9,498,756</b>	<b>3,419,537</b>	<b>54,315,674</b>
<b>III. Net Block [I-II]</b>						
Carrying value as at March 31, 2017	10,044,206	557,499	1,396,882	2,529,982	704,723	15,233,292
Carrying value as at April 01, 2016	11,244,487	615,873	1,871,108	2,458,261	646,095	16,835,824

### Note 4: Intangible Assets

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Computer Software	34,740	63,868	142,748
<b>Total</b>	<b>34,740</b>	<b>63,868</b>	<b>142,748</b>

## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### For the year 2017-18

Description of Assets	Computer Software
<b>I. Gross Block</b>	
<b>Opening Balance</b>	276,984
Additions	28,600
Disposals	-
<b>Balance as at March 31, 2018</b>	<b>305,584</b>
<b>II. Accumulated Amortization</b>	
<b>Opening Balance</b>	213,116
Amortization expense for the year	57,728
Eliminated on disposal of assets	-
<b>Balance as at March 31, 2018</b>	<b>270,844</b>
<b>III. Net Block [I-II]</b>	
<b>Carrying value as at March 31, 2018</b>	<b>34,740</b>
<b>Carrying value as at March 31, 2017</b>	<b>63,868</b>

### For the year 2016-17

Description of Assets	Computer Software
<b>I. Gross Block</b>	
<b>Opening Balance</b>	266,636
Additions	10,348
Disposals	-
<b>Balance as at March 31, 2017</b>	<b>276,984</b>
<b>II. Accumulated Amortization</b>	
<b>Opening Balance</b>	123,888
Amortization expense for the year	89,228
Eliminated on disposal of assets	-
<b>Balance as at March 31, 2017</b>	<b>213,116</b>
<b>III. Net Block [I-II]</b>	
<b>Carrying value as at March 31, 2017</b>	<b>63,868</b>
<b>Carrying value as at April 01, 2016</b>	<b>142,748</b>

## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### Note 5: Non-Current Investments

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
<b>(i) Investments in equity instruments (fully paid-up)</b>			
<b>Unquoted Investments</b>			
<b>Investment in Subsidiaries (Valued at cost)</b>			
- City Online Digital Private Limited [10,000 ( <b>31.03.2017</b> : 10,000) equity shares of par value Rs. 10 each]	<b>100,000</b>	100,000	100,000
- City Online Media Private Limited [10,000 ( <b>31.03.2017</b> : 10,000) equity shares of par value Rs. 10 each]	<b>100,000</b>	100,000	100,000
<b>Total investment in equity instruments [A]</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>
<b>(ii) Others investments, unquoted</b>			
<b>(a) Investments in partnership firms</b>			
- Broadway City Online Consortium	<b>675,855</b>	675,855	675,855
- In-fo City Online Consortium	<b>916,940</b>	565,826	-
<b>(b) Investments in government securities [valued at cost]</b>			
National savings certificates (ref note (i) below) (5 bonds (31-03-2017: Rs. 50,000 ) of Rs. 10,000 each)	<b>50,000</b>	50,000	50,000
<b>Total investment in other non-current investments [B]</b>	<b>1,642,795</b>	<b>1,291,681</b>	<b>725,855</b>
<b>Total [A+B]</b>	<b>1,842,795</b>	<b>1,491,681</b>	<b>925,855</b>

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.

Aggregate amount of unquoted investments	<b>1,842,795</b>	1,491,681	925,855
Investments carried at cost	<b>1,842,795</b>	1,491,681	925,855

### Note 6: Other non-current financial assets

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Security Deposits	<b>1,465,143</b>	1,369,292	1,048,449
<b>Total</b>	<b>1,465,143</b>	<b>1,369,292</b>	<b>1,048,449</b>

### Note 7: Deferred tax asset [Net]

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
<b>Deferred tax asset</b>			
- Depreciation	<b>317,002</b>	(463,793)	(649,712)
- Employee benefits	<b>535,858</b>	594,207	335,574
- Carry forward losses	<b>8,147,690</b>	10,452,976	10,671,686
<b>Total</b>	<b>9,000,549</b>	<b>10,583,390</b>	<b>10,357,548</b>

## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### Note 8: Other non-current assets

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Prepaid expenses	93,922	193,056	239,962
<b>Total</b>	<b>93,922</b>	<b>193,056</b>	<b>239,962</b>

### Note 9: Inventories

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Stock in trade	14,212,813	17,783,711	16,665,590
<b>Total</b>	<b>14,212,813</b>	<b>17,783,711</b>	<b>16,665,590</b>

### Note 10: Current Loans

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Unsecured, considered good Loans and advances to related parties	6,829,127	5,345,500	2,326,714
<b>Total</b>	<b>6,829,127</b>	<b>5,345,500</b>	<b>2,326,714</b>

### Note 11: Trade Receivables [Refer Note 38 & 41]

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Unsecured, considered good Outstanding for a period exceeding six months Others	17,065,260 38,316,907	7,284,885 31,548,313	6,654,905 22,189,256
<b>Less:</b> Provision for credit losses	(2,322,584)	(1,181,161)	(1,089,254)
<b>Total</b>	<b>53,059,583</b>	<b>37,652,037</b>	<b>27,754,907</b>

### Note 12: Cash and cash equivalents

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Balance with banks - In current accounts Cash on hand	1,175,521 33,761	680,765 90,715	1,653,344 206,114
<b>Total</b>	<b>1,209,282</b>	<b>771,480</b>	<b>1,859,457</b>

### Note 13: Bank balances other than above

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
On deposit accounts - Remaining maturity for less than 12 months	13,004,625	7,670,000	2,610,000
<b>Total</b>	<b>13,004,625</b>	<b>7,670,000</b>	<b>2,610,000</b>

**Note:** Fixed deposits amounting Rs. 16,63,500 are given as security for bank guarantees and of Rs. 1,13,41,125 for bank overdraft.

## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### Note 14: Other current financial assets

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Security Deposits	550,075	622,575	550,075
Interest accrued but not due	455,455	706,271	395,934
Loans to employees	133,444	103,740	214,072
<b>Total</b>	<b>1,138,974</b>	<b>1,432,586</b>	<b>1,160,081</b>

### Note 15: Income Taxes

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Advance Income Tax	4,164,274	2,080,409	2,292,810
Current Tax Liabilities	-	-	-
<b>Total</b>	<b>4,164,274</b>	<b>2,080,409</b>	<b>2,292,810</b>

### Note 16: Other current assets

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Prepaid expenses	7,893,526	10,102,573	7,819,544
Advance to suppliers	-	631,605	1,474,520
<b>Total</b>	<b>7,893,526</b>	<b>10,734,178</b>	<b>9,294,064</b>

### Note 17: Share Capital

Particulars	As at March 31, 2018		As at March 31, 2017		As at April 01, 2016	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
<b>Authorised</b>						
Equity shares of Rs. 10 each	7,700,000	77,000,000	7,700,000	77,000,000	7,700,000	77,000,000
<b>Issued</b>						
Equity shares of Rs.10 each	7,000,000	70,000,000	7,000,000	70,000,000	7,000,000	70,000,000
<b>Subscribed and called up</b>						
Equity shares of Rs.10 each	6,925,000	69,250,000	6,925,000	69,250,000	6,925,000	69,250,000
<b>Paid up capital</b>						
Equity shares of Rs.10 each, fully paid-up	5,164,700	51,647,000	5,164,700	51,647,000	5,164,700	51,647,000
<b>Share forfeiture account</b>						
Equity shares of Rs.10 each, fully paid-up	1,760,300	4,451,330	1,760,300	4,451,330	1,760,300	4,451,330
<b>Total</b>	<b>6,925,000</b>	<b>56,098,330</b>	<b>6,925,000</b>	<b>56,098,330</b>	<b>6,925,000</b>	<b>56,098,330</b>

## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### (a) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the year:

Particulars	Opening Balance	Issued during the year	Bought back during the year	Closing Balance
<b>Equity shares</b>				
<b>Year ended March 31, 2018</b>				
- Number of shares	5,164,700	-	-	5,164,700
- Amount	<b>51,647,000</b>	-	-	<b>51,647,000</b>
<b>Year ended March 31, 2017</b>				
- Number of shares	5,164,700	-	-	5,164,700
- Amount	<b>51,647,000</b>	-	-	<b>51,647,000</b>
<b>As at April 01, 2016</b>				
- Number of shares	5,164,700	-	-	5,164,700
- Amount	<b>51,647,000</b>	-	-	<b>51,647,000</b>

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

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

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

Name of the shareholder	As at March 31, 2018		As at March 31, 2017		As at April 01, 2016	
	Number of Shares held	Percentage of Holding	Number of Shares held	Percentage of Holding	Number of Shares held	Percentage of Holding
S. Raghava Rao	<b>684,500</b>	<b>13.25%</b>	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.

### Note 18: Other Equity

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Investment subsidy	<b>400,000</b>	400,000	400,000
Retained Earnings	<b>(21,154,275)</b>	(15,156,704)	(16,255,439)
<b>Total</b>	<b>(20,754,275)</b>	<b>(14,756,704)</b>	<b>(15,855,439)</b>

For details of movement during the year refer 'Statement of Changes in Equity'

### Nature and purpose of Other Equity:

#### (a) Investment subsidy

Investment subsidy pertains to subsidy given by Andhra Pradesh Government to internet service providers.

#### (b) Retained Earnings

Retained earnings comprise of the company's accumulated undistributed earnings.

## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### Note 19: Non-Current Borrowings

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Term Loan from Banks			
<b>Secured:</b>			
- From Banks	-	-	836,698
<b>Total</b>	<b>-</b>	<b>-</b>	<b>836,698</b>

#### Note:

- 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 loan matured in the month of September 2017.
- 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 13 installments.
- Delays ranging from 1 to 17 days were noted in repayment of the Volkswagen Jetta in FY 2016-17.

### Note 20: Non-Current Provisions

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Provision for Employee Benefits			
- Gratuity [Refer Note 32]	2,081,000	1,923,000	1,086,000
<b>Total</b>	<b>2,081,000</b>	<b>1,923,000</b>	<b>1,086,000</b>

### Note 21: Current Borrowings

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
From Banks			
- Secured [Refer Note 19]	443,271	926,275	609,305
- Unsecured	-	-	312,812
Bank overdraft			
- Secured	9,197,153	13,026,445	17,190,721
<b>Total</b>	<b>9,640,424</b>	<b>13,952,720</b>	<b>18,112,837</b>

### Note 22: Trade payables [Refer Note 38 & 39]

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Creditors - Suppliers	58,202,881	34,010,998	17,855,560
Other Payables	1,686,472	2,301,767	1,866,237
<b>Total</b>	<b>59,889,353</b>	<b>36,312,765</b>	<b>19,721,797</b>

## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### Note 23: Other Current Liabilities

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Statutory remittances	16,832,753	11,966,481	8,506,433
Advance from customers	4,014,150	6,833,988	4,899,451
Deposits from customers	23,500	73,900	107,900
Loans from related parties	200,000	-	-
<b>Total</b>	<b>21,070,403</b>	<b>18,874,369</b>	<b>13,513,785</b>

### Note 24: Revenue from operations [Gross]

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Income from internet services	162,553,301	174,057,442
Income from VOIP services	380,359	597,464
Income from sale of Hardware	250,091	1,410,929
<b>Total</b>	<b>163,183,752</b>	<b>176,065,835</b>

### Note 25: Other Income

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Share of profit from Partnership firm	283,214	517,886
Interest income on deposits	904,705	344,818
Excess provisions written back	1,246,781	129,421
Interest income:		
- On Income tax refund	-	212,728
- On Capital in the Partnership Firm	67,900	32,940
Rent	-	-
Miscellaneous income	494,604	174,408
<b>Total</b>	<b>2,997,204</b>	<b>1,412,201</b>

### Note 26: Employee Benefit Expenses

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Salaries, allowances and wages [Refer Note 34]	13,009,622	12,210,862
Contribution to provident and other funds	933,094	1,446,814
Staff welfare expenses	241,527	355,615
<b>Total</b>	<b>14,184,243</b>	<b>14,013,291</b>



## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### Note 27: Finance Costs

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Interest expense on:		
- Working Capital	1,297,353	1,229,189
- Term Loan	58,151	89,516
- Interest on TDS	1,072,768	-
Other borrowing costs	427,982	479,530
<b>Total</b>	<b>2,856,254</b>	<b>1,798,235</b>

### Note 28: Bandwidth Expenses

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Bandwidth charges	109,005,728	118,635,072
Repairs and maintenance	1,951,910	2,556,463
VOIP activation charges	47,123	54,391
Electricity	3,303,803	3,276,071
Rent networking	1,358,500	1,754,077
Cost of sales	-	6,413
Cable line expenses	547,853	396,429
Installation expenses	740,782	1,884,014
Last mile charges	1,692,120	2,177,159
Other operating expenses	3,707,597	145,556
<b>Total</b>	<b>122,355,416</b>	<b>130,885,645</b>

### Note 29: Other Expenses

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Rent (Refer Note 35 )	2,993,312	2,603,102
Rates and taxes	6,364,972	4,243,470
Director's remuneration	5,320,500	5,460,000
Sales commission	470,315	2,881,775
Insurance	198,361	91,253
Auditors' remuneration:		
- Statutory audit	416,390	400,000
- Tax audit	50,000	50,000
- Fees for limited review	50,000	50,000
- Certification	12,000	-

## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

Travelling and conveyance	1,570,456	1,409,779
Legal and professional charges	580,180	479,500
Advertisement expenses	32,528	107,428
Communication cost	999,788	937,090
Bad debts written off	3,365,898	4,556,789
Printing and stationery	256,715	226,798
Repairs and maintenance		
- Building	-	197,833
- Others	2,967,448	1,866,248
Postage and courier	237,546	479,515
Net loss on foreign currency transaction and translation	8,670	4,214
Miscellaneous expenses	1,006,035	730,369
<b>Total</b>	<b>26,901,113</b>	<b>26,775,163</b>

### Note 30: Income Tax

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>(a) Major components of income tax expense:</b>		
<b>(i) Current Income Tax</b>		
- Current income tax charge	-	-
- Adjustments in respect of current income tax of previous year	-	-
<b>(ii) Deferred Tax</b>		
- Relating to origination/reversal of temporary differences	1,582,841	(225,842)
	1,582,841	(225,842)
<b>Income tax expense reported in the statement of profit or loss</b>	<b>1,582,841</b>	<b>(225,842)</b>
<b>(b) Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate:</b>		
Profit/(Loss) before tax from continuing operations	(3,377,464)	1,758,876
Indian tax rate	25.75%	30.90%
<b>Tax at the Indian tax rate</b>	-	543,493
<b>Effect of:</b>		
Non-Deductible expenses for tax purposes	-	-
Tax exempt income	-	-
Income taxed at special rates	-	-
Others	1,582,841	(769,335)
<b>Total Income Tax Expense</b>	<b>1,582,841</b>	<b>(225,842)</b>

## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### c. Reconciliation between previous GAAP and Ind AS:

#### (i) Reconciliation of Equity:

Particulars	Note	As at March 31, 2017	As at April 01, 2016
<b>Equity (shareholders' funds) under previous GAAP</b>		<b>32,120,759</b>	31,754,880
<b>Adjustments:</b>			
Recognition of borrowings using effective interest rate	1	(93,029)	(63,679)
Deferred tax	2	10,504,881	9,643,041
Financial assets and liabilities (other than borrowings)	3 & 4	(1,190,985)	(1,091,351)
<b>Total adjustments</b>		<b>9,220,867</b>	<b>8,488,011</b>
<b>Equity under IND AS GAAP</b>		<b>41,341,626</b>	<b>40,242,891</b>

#### (ii) Reconciliation of Total Comprehensive Income:

Particulars	Note	For the year ended March 31, 2017
<b>Net profit for the year as per previous GAAP</b>		<b>365,878</b>
<b>Adjustments:</b>		
Total effect of transition to Ind AS		1,618,840
<b>Profit for the year as per Ind AS</b>		<b>1,984,718</b>
Other comprehensive income [OCI]		
- Recognition of borrowings using effective interest rate	1	(29,350)
- Remeasurements of financial assets	3 & 4	(99,634)
- Remeasurements of post-employment benefit obligations	5	(757,000)
<b>Total Comprehensive Income</b>		<b>1,098,734</b>

#### (iii) Changes in Cash Flow Statement for the year ended March 31, 2017:

The Ind AS adjustments are either non-cash adjustments or are re-grouping among the cash flows from operating, investing and financing activities. Consequently, Ind AS adoption has no impact on the net cash flow for the year ended March 31, 2017 as compared with the previous GAAP.

## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### (iii) Reconciliation of Balance Sheet as at April 01, 2016 and March 31, 2017:

Particulars	Opening Balance Sheet as at April 01, 2016			Balance Sheet as at March 31, 2017		
	Previous GAAP	Effects of Transition to Ind-AS	IND AS	Previous GAAP	Effects of Transition to Ind-AS	IND AS
<b>A ASSETS</b>						
<b>1 Non-Current Assets</b>						
(a) Property, plant and equipment	16,835,824	-	16,835,824	15,233,292	-	15,233,292
(b) Intangible assets	142,748	-	142,748	63,868	-	63,868
(c) Financial Assets						
- Investments	925,855	-	925,855	1,491,681	-	1,491,681
- Other non-current financial assets	-	1,048,449	1,048,449	-	1,369,292	1,369,292
(d) Deferred tax assets (Net)	714,505	9,643,043	10,357,548	78,507	10,504,883	10,583,390
(e) Other non-current assets	-	239,962	239,962	-	193,056	193,056
<b>Total Non-Current Assets [A]</b>	<b>18,618,932</b>	<b>10,931,454</b>	<b>29,550,386</b>	<b>16,867,348</b>	<b>12,067,231</b>	<b>28,934,579</b>
<b>2 Current Assets</b>						
(a) Inventory	16,665,590	-	16,665,590	17,783,711	-	17,783,711
(b) Financial Assets						
- Loans	2,326,714	1	2,326,714	5,345,500	1	5,345,500
- Trade receivables	28,844,161	(1,089,254)	27,754,907	38,833,198	(1,181,161)	37,652,037
- Cash and cash equivalents	1,859,458	(1)	1,859,457	771,481	(1)	771,480
- Bank balances other than above	2,610,000	-	2,610,000	7,670,000	-	7,670,000
- Other current financial assets	2,531,388	(1,371,307)	1,160,081	3,103,895	(1,671,309)	1,432,586
(c) Income Taxes	2,292,810	0	2,292,810	2,080,409	0	2,080,409
(d) Other current assets	9,213,266	80,798	9,294,064	10,635,043	99,135	10,734,178
<b>Total Current Assets [B]</b>	<b>66,343,387</b>	<b>(2,379,764)</b>	<b>63,963,623</b>	<b>86,223,236</b>	<b>(2,753,335)</b>	<b>83,469,901</b>
<b>TOTAL ASSETS [A+B]</b>	<b>84,962,319</b>	<b>8,551,690</b>	<b>93,514,009</b>	<b>103,090,584</b>	<b>9,313,896</b>	<b>112,404,480</b>
<b>B EQUITY AND LIABILITIES</b>						
<b>1 Equity</b>						
(a) Equity Share Capital	56,098,330	-	56,098,330	56,098,330	-	56,098,330
(b) Other Equity	(24,343,450)	8,488,011	(15,855,439)	(23,977,571)	9,220,867	(14,756,704)
<b>Total Equity [A]</b>	<b>31,754,880</b>	<b>8,488,011</b>	<b>40,242,891</b>	<b>32,120,759</b>	<b>9,220,867</b>	<b>41,341,626</b>

## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note	Opening Balance Sheet as at April 01, 2016		Balance Sheet as at March 31, 2017			
		Previous GAAP	Effects of Transition to Ind-AS	IND AS	Previous GAAP	Effects of Transition to Ind-AS	IND AS
<b>2 Non-Current Liabilities</b>							
(a) Financial Liabilities							
- Borrowings		836,698	0	836,698	-	-	-
(b) Provisions		1,086,000	-	1,086,000	1,923,000	-	1,923,000
<b>Total Non-Current Liabilities [B]</b>		<b>1,922,698</b>	<b>0</b>	<b>1,922,698</b>	<b>1,923,000</b>	<b>-</b>	<b>1,923,000</b>
<b>3 Current Liabilities</b>							
(a) Financial Liabilities							
- Borrowings	1	18,049,159	63,678	18,112,837	13,859,691	93,029	13,952,720
- Trade payables		19,721,797	(0)	19,721,797	36,312,765	0	36,312,765
(b) Other current liabilities		13,513,785	0	13,513,785	18,874,369	0	18,874,369
<b>Total Current Liabilities [C]</b>		<b>51,284,741</b>	<b>63,678</b>	<b>51,348,419</b>	<b>69,046,825</b>	<b>93,029</b>	<b>69,139,854</b>
<b>TOTAL EQUITY AND LIABILITIES [A+B+C]</b>		<b>84,962,319</b>	<b>8,551,689</b>	<b>93,514,008</b>	<b>103,090,584</b>	<b>9,313,896</b>	<b>112,404,480</b>

## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### (iv) Reconciliation of Net Profit for the year ended March 31, 2017:

Particulars	Note	For the year ended March 31, 2017		
		Previous GAAP	Effects of Transition to Ind-AS	IND AS
<b>I REVENUE</b>				
Revenue from Operations (Gross)		176,065,835	-	176,065,835
Other Income		1,412,201	-	1,412,201
<b>TOTAL REVENUE [I]</b>		<b>177,478,035</b>	<b>-</b>	<b>177,478,035</b>
<b>II EXPENSES</b>				
Employee benefit expenses	5	14,770,291	(757,000)	14,013,291
Finance costs		1,798,235	-	1,798,235
Depreciation and amortization expense		2,246,825	-	2,246,825
Other expenses		26,775,163	-	26,775,163
Bandwidth expenses		130,885,645	-	130,885,645
<b>TOTAL EXPENSES [II]</b>		<b>176,476,159</b>	<b>(757,000)</b>	<b>175,719,159</b>
<b>III Profit Before Tax [I-II]</b>		<b>1,001,876</b>	<b>757,000</b>	<b>1,758,876</b>
<b>IV Tax Expense:</b>				
- Current tax		-	-	-
- Adjustment of current tax relating to earlier years		-	-	-
- Deferred tax credit	2	635,998	(861,840)	(225,842)
<b>V Profit for the year</b>		<b>365,878</b>	<b>1,618,840</b>	<b>1,984,718</b>
<b>VI Other Comprehensive Income</b>				
- Remeasurements of post-employment benefit obligations	5	-	(757,000)	(757,000)
- Remeasurements of financial assets	3 & 4	-	(99,634)	(99,634)
- Recognition of borrowings using effective interest rate	1	-	(29,350)	(29,350)

### 31. Contingent Liabilities:

- i) Performance Guarantee:

Particulars	As at March 31, 2018	As at March 31, 2017
Performance Guarantee	64,52,000	64,52,000

## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### 32. Employee Benefits

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

Particulars	March 31, 2018	March 31, 2017
Current service cost	96,000	43,000
Interest cost on benefit obligation	1,35,000	87,000
Past Service cost – vested benefits	-	-
Expected return on plan assets	-	-
Net actuarial loss/(gain) recognized in the year	(74,000)	7,57,000
<b>Net benefit expense</b>	<b>1,57,000</b>	<b>8,87,000</b>

#### Balance Sheet

##### Benefit liability

Particulars	March 31, 2018	March 31, 2017
Present value of defined benefit obligation	20,81,000	19,23,000
Fair value of plan assets	-	-
<b>Plan liability</b>	<b>20,81,000</b>	<b>19,23,000</b>

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

Particulars	March 31, 2018	March 31, 2017
Opening defined benefit obligation	19,23,000	10,86,000
Current service cost	96,000	43,000
Interest cost	1,35,000	87,000
Benefits paid	-	(50,000)
Actuarial gain/(losses) on obligation	(74,000)	7,57,000
<b>Closing defined benefit obligation</b>	<b>20,81,000</b>	<b>19,23,000</b>

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

Particulars	March 31, 2018	March 31, 2017
Opening fair value of plan assets	-	-
Expected return	-	-
Contributions by employer	-	-
Benefits paid	-	(50,000)
Actuarial (losses)/gains	-	-
<b>Closing fair value of plan assets</b>	<b>-</b>	<b>-</b>

## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

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

Particulars	March 31, 2018	March 31, 2017
Discount rate (%)	7.89%	7.00%
Salary escalation (%)	7.00%	7.00%
Attrition rate (%)	5.00%	5.00%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

### 33. Segment information

The Company's operations predominantly consist only of business of providing internet and intranet, data centre solutions. Thus, there are no reportable segments as defined in Ind AS 108 "Operating Segments". The company earns its entire "revenue from external customers" in India, being company's country of domicile. All non-current assets other than financial instruments and deferred tax assets are located in India. There are no single major customers on whom the company's revenue is dependent upon and revenue from none of the single customer is more than or equal to 10% of the company's revenue.

### 34. Related Party Disclosures

#### a) Names of the related parties and nature of relationship (as per Ind AS 24):

Nature of Relationship	Name of Related Party
Subsidiaries:	City Online Media Private Limited
	City Online Digital Private Limited
Entity in which KMP have significant influence	Anu Digital Arts Private Limited
Key Management Personnel (KMP):	C.H. Harinath
	S. Raghava Rao
	R. Krishna Mohan
Relatives of Key Management Personnel	R Vijaya Durga
Investment in partnership firms:	Info-Fi Cityonline Consortium
	Broadway City Online Consortium

#### b) Transactions with related parties:

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>Managerial Remuneration:</b>	<b>54,60,000</b>	<b>54,60,000</b>
- S. Raghava Rao	18,60,000	18,60,000
- R. Krishna Mohan	18,00,000	18,00,000
- C.H. Harinath	18,00,000	18,00,000
<b>Loans and advances given:</b>	<b>29,76,699</b>	<b>15,05,731</b>
- City Online Digital Private Limited	19,77,599	13,69,731
- City Online Media Private Limited	9,99,100	1,36,000
<b>Loans and advances recovered:</b>	<b>3,461,072</b>	<b>6,50,225</b>
- City Online Digital Private Limited	26,50,488	6,50,225
- City Online Media Private Limited	615,304	-
- Anu Digital Arts Private Limited	1,95,280	-
<b>Loans taken from:</b>	<b>3,00,000</b>	<b>10,00,000</b>
- In-fo City Online consortium	-	10,00,000



## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
- R Vijaya Durga	3,00,000	-
<b>Loans repaid to:</b>	<b>1,00,000</b>	<b>-</b>
- R Vijaya Durga	1,00,000	-
<b>Share of profit in partnership firm:</b>	<b>2,83,214</b>	<b>2,94,027</b>
- Info-Fi Cityonline Consortium	2,83,214	2,94,027
<b>Interest on capital:</b>	<b>67,900</b>	<b>29,112</b>
- Info-Fi Cityonline Consortium	67,900	29,112
<b>Sales:</b>	<b>12,067,891</b>	<b>104,64,660</b>
- Info-Fi Cityonline Consortium	68,30,223	60,71,535
- Broadway City Online Consortium	5,237,668	43,93,125
<b>Payments received for sale of services :</b>	<b>9,857,907</b>	<b>128,72,972</b>
- Info-Fi Cityonline Consortium	5,710,392	82,12,230
- Broadway City Online Consortium	4,147,515	46,60,742
<b>Sharing of Expenses:</b>	<b>19,68,000</b>	<b>19,68,000</b>
<b>Salaries</b>		
- City Online Digital Private Limited	12,96,000	12,96,000
<b>Electricity and Maintenance</b>		
- City Online Digital Private Limited	60,000	60,000
<b>Rent</b>		
- City Online Digital Private Limited	6,12,000	6,12,000

### c) Related party balances:

Particulars	As at March 31, 2018	As at March 31, 2017
<b>Non-current investments:</b>	<b>1,792,795</b>	<b>1,441,681</b>
- City Online Media Private Limited	1,00,000	1,00,000
- City Online Digital Private Limited	1,00,000	1,00,000
- Broadway City Online Consortium	675,855	675,855
- Info-Fi Cityonline Consortium	916,940	565,826
<b>Loans and Advances Given/(Taken):</b>	<b>6,629,127</b>	<b>53,45,500</b>
- City Online Media Private Limited	4,99,796	1,16,000
- City Online Digital Private Limited	63,29,331	50,34,220
- Anu Digital Arts Private Limited	-	1,95,280
- R Vijaya Durga	(2,00,000)	-
<b>Advance from customers:</b>	<b>1,239,126</b>	<b>3,125,398</b>
- Broadway City Online Consortium	-	7,66,441
- Info-Fi Cityonline Consortium	1,239,126	2,358,957
<b>Trade receivable:</b>	<b>323,712</b>	<b>-</b>
- Broadway City Online Consortium	3,23,712	-

## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### 35. Leases:

#### Operating Lease

#### Assets taken on cancellable operating lease

The company is obligated under cancellable lease for office premises. Total lease rental expenses recognized in the statement of profit and loss for the year are as follows;

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Cancellable	29,93,312	26,03,102
<b>Total</b>	<b>29,93,312</b>	<b>26,03,102</b>

### 36. Earnings per Share (EPS):

#### i. Reconciliation of earnings used in calculating earnings per share:

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Profit after taxation as per statement of profit and loss (for basic EPS)	(49,60,305)	19,84,718
<b>Less:</b> Effect of dilutive potential ordinary shares	-	-
<b>Net Profit for dilutive earnings per share</b>	<b>(49,60,305)</b>	<b>19,84,718</b>

#### ii. Reconciliation of basic and diluted shares used in computing earnings per share:

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Number of weighted average equity shares considered for calculating of basic EPS	51,64,700	51,64,700
<b>Add:</b> Dilutive effect of potential ordinary shares	-	-
<b>Number of weighted average equity shares considered for calculating of diluted EPS</b>	<b>51,64,700</b>	<b>51,64,700</b>

#### iii. Earnings per share:

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
- Basic (Rs.)	(0.96)	0.38
- Diluted (Rs.)	(0.96)	0.38

### 37. Expenditure in Foreign Currency:

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Membership Fee	4,09,007	4,08,817
<b>Total</b>	<b>4,09,007</b>	<b>4,08,817</b>

### 38. Balance Confirmations

Confirmations of receivables and payable balances have not been received by the Company, hence, reliance is placed on the balances as per books. In the opinion of the management, the amounts are realizable / payable in the ordinary course of business.

### 39. Due to Micro and Small Enterprises

The Company has no dues to Micro and Small Enterprises as at March 31, 2018 and March 31, 2017 in the financial statements based on information received and available with the company.

## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### 40. Fair Value Measurements

#### i. Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

**Level 1:** Quoted prices (unadjusted) in active markets for financial instruments.

**Level 2:** The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data rely as little as possible on entity specific estimates.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level

#### ii. Financial assets and financial liabilities measured at fair value

Particulars	March 31, 2018	March 31, 2017
Fair Value Hierarchy	3	3
<b>Financial Assets</b>		
Other Financial Assets – Security Deposits	20,15,218	19,91,867
Other Financial Assets – Trade Receivables	5,30,59,583	3,76,52,037
<b>Financial Liabilities</b>		
Borrowings	4,43,271	9,26,275

#### iii. Financial Instruments by category

For amortized cost instruments, carrying value represents the best estimate of fair value:

Particulars	31-Mar-18			31-Mar-17		
	FVTPL	FVOCI	Amortized Cost	FVTPL	FVOCI	Amortized Cost
<b>FINANCIAL ASSETS</b>						
Other investments	-	-	1,842,795	-	-	1,491,681
Trade receivables	-	53,059,583	-	-	37,652,037	-
Loans	-	-	6,829,127	-	-	5,345,500
Cash and cash equivalents	-	-	1,209,282	-	-	771,480
Other bank balances	-	-	13,004,625	-	-	7,670,000
Others	-	2,015,218	588,899	-	1,991,867	810,011
<b>TOTAL</b>	-	<b>55,074,801</b>	<b>23,474,728</b>	-	<b>39,643,904</b>	<b>16,088,672</b>
<b>FINANCIAL LIABILITIES</b>						
Borrowings	-	9,640,424	-	-	13,952,720	-
Trade payables	-	-	59,889,353	-	-	36,312,765
<b>TOTAL</b>	-	<b>9,640,424</b>	<b>59,889,353</b>	-	<b>13,952,720</b>	<b>36,312,765</b>

The Company's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations. The Company holds investment in its subsidiaries.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's Board of Directors oversees the management of these risks. The Company's Board of Directors is supported by the senior management that advises on financial risks and the appropriate financial risk governance framework for the Company. The senior management provides assurance to the Company's board of directors that the Company's financial risk activities are governed by appropriate

## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives.

The carrying amounts reported in the statement of financial position for cash and cash equivalents, trade and other receivables, trade and other payables and other liabilities approximate their respective fair values due to their short maturity.

### 41. Financial Instruments Risk Management

#### i. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

##### a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company has exposure only to financial instruments at fixed interest rates. Hence, the company is not exposed to significant interest rate risk.

##### b. Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily towards operating activities (when revenue or expense is denominated in a foreign currency).

#### ii. Credit Risk

Credit risk is the risk that a counter party fails to discharge an obligation to the Company, leading to a financial loss. The Company is mainly exposed to the risk of its balances with the bankers and trade and other receivables.

Ageing of receivables is as follows:

Particulars	March 31, 2018	March 31, 2017
Past due not impaired:		
0-90 Days	2,63,31,313	2,54,08,828
91-180 Days	1,19,85,593	61,39,484
180-270 Days	47,29,626	-
270-360 Days	44,02,281	-
Greater than 360 Days	79,33,353	72,84,886
<b>Less: Provision for Credit Losses</b>	<b>(23,22,584)</b>	<b>(11,81,161)</b>
<b>Total</b>	<b>5,30,59,583</b>	<b>3,76,52,037</b>

## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### iii. Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the nature of the business, the Company maintains flexibility in funding by maintaining availability under committed facilities.

Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company takes into account the liquidity of the market in which the entity operates. The Company's principal sources of liquidity are the cash flows generated from operations. The Company has no long-term borrowings and believes that the working capital is sufficient for its current requirements. Accordingly, no liquidity risk is perceived.

The tables below analyses the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is insignificant.

Particulars	Upto 1 year	From 1-3 years	More than 3 years	Total
<b>March 31, 2018</b>				
Borrowings	96,40,424	-	-	<b>96,40,424</b>
Trade Payables	5,98,89,353	-	-	<b>5,98,89,353</b>
<b>Total</b>	<b>6,95,29,777</b>			<b>6,95,29,777</b>
<b>March 31, 2017</b>				
Borrowings	1,39,52,720	-	-	<b>1,39,52,720</b>
Trade Payables	3,63,12,765	-	-	<b>3,63,12,765</b>
<b>Total</b>	<b>5,02,65,485</b>			<b>5,02,65,485</b>

### 42. Capital Risk Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for stakeholders. The Company also proposes to maintain an optimal capital structure to reduce the cost of capital. Hence, the Company may adjust any dividend payments, return capital to shareholders or issue new shares. Total capital is the equity as shown in the statement of financial position. Currently, the Company primarily monitors its capital structure on the basis of gearing ratio. Management is continuously evolving strategies to optimize the returns and reduce the risks. It includes plans to optimize the financial leverage of the Company.

The capital for the reporting year under review is summarized as follows:

Particulars	31-Mar-18	31-Mar-17
Current Borrowings [Refer Note 22]	9,640,424	13,952,720
<b>Total Debt</b>	<b>9,640,424</b>	<b>13,952,720</b>
As a percentage of total capital	21.43%	25.23%
<b>Equity [Refer Note 17 and 18]</b>	<b>35,344,055</b>	<b>41,341,626</b>
As a percentage of total capital	78.57%	74.77%
<b>Total Capital [Debt and Equity]</b>	<b>44,984,479</b>	<b>55,294,346</b>

### 43. First Time Adoption of IND AS

The company has adopted the Indian Accounting Standards (Ind AS) during the year and accordingly these are the company's first financial statements prepared in accordance with Ind AS.

As per the Ind AS 101 First time adoption of Indian Accounting Standards, first time adopter shall prepare and present an opening Ind AS Balance Sheet at the date of transition to Ind ASs. This is the starting point for accounting in accordance with Ind AS. The date of transition for the company is April 01, 2016.

The accounting policies set out in Note No. 2 have been applied in preparing the financial statements for the year ended March 31, 2018, the comparative information presented in these financial statements for the year ended March 31, 2017 and in the preparation of opening Ind AS balance sheet at April 01, 2016, the date of transition. In preparing its comparative financial statements including opening balance sheet, the company has adjusted the amounts reported previously in financial statements prepared in accordance with the Previous GAAP. An explanation of how the transition from previous GAAP to Ind AS has affected

## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

the company's financial position, financial performance and cash flows is set out below.

### a. Ind AS optional exemptions

#### (i) Deemed cost for property, plant and equipment and intangible assets

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognized in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets. Accordingly, the Company has elected to measure all of its property, plant and equipment and intangible assets at their previous GAAP carrying value.

#### (ii) Investments in subsidiaries and associates

The Company has elected to measure its investments in subsidiaries at deemed cost. For certain subsidiaries, deemed cost is the fair value of the investment as at the date of transition to Ind AS. For others, deemed cost is the Previous GAAP carrying amount at that date.

### b. Ind AS mandatory exemptions

Ind AS 101 also allows first-time adopters certain mandatory exceptions to be applied for retrospective application of certain requirements under Ind AS for transition from previous GAAP:

#### (i) Classification and measurement of financial assets

Ind AS 101 requires an entity to classify and measure its financial asset into amortized cost, fair value through OCI or fair value through profit or loss based on the business model assessment or on solely payment of principal and interest (SPPI) criteria based on facts and circumstances that exist at the date of transition.

#### (ii) Estimates

Ind AS 101 prohibits the use of hindsight to correct estimates made under previous GAAP unless there is objective evidence of error. It only allows to adjust the estimates made under previous GAAP when the basis of calculation does not comply with Ind AS. Upon an assessment of the estimates made under previous GAAP, the company has concluded that there was no necessity to revise such estimates under Ind AS, other than those required due to application of Ind AS.

#### (iii) De-recognition of financial assets and liabilities

Financial assets and liabilities de-recognized before transition date are not re-recognized under Ind AS.

### c. Notes to first time adoption

#### 1. Borrowing using effective interest rate

Under Previous GAAP, transaction costs incurred in connection with interest bearing loans and borrowings are amortized upfront and charged to the statement of profit or loss for the period. Under Ind AS, such expenditure is considered for calculating effective interest rate. The impact for the periods up-to the date of transition is adjusted with the retained earnings.

#### 2. Deferred Tax

Under Previous GAAP, deferred tax asset in respect of carry forward of unused tax losses and unused tax credits was recognized on virtual certainty of recoverability of the same. Under Ind AS, deferred tax asset in respect of carry forward of unused tax losses and unused tax credits is recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. Adoption of Ind AS has resulted in change in recognition and measurement of assets and liabilities, giving rise to origination or reversal of temporary differences, accordingly deferred tax is recognized in respect of those changes, wherever applicable.

#### 3. Other Financial Assets

Under Previous GAAP, interest free lease security deposits paid/received and interest free loans and advances to employee are reported at their transaction values. Under Ind AS, interest free security deposits, loans and advances are measured at fair value on initial recognition and at amortized cost on subsequent recognition. The difference between the transaction value and fair value of the lease deposit, employee loans and advances at initial recognition is treated as prepaid/advance rentals and prepaid employee cost respectively. The amount pertaining to the period put- the date of transition is recognized in retained earnings on a straight-line basis over the lease and loan term.

## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### 4. Trade and Other Receivables

Under Ind AS, impairment allowance for receivables has been determined based on Expected Credit Loss Model (ECL) under which the company impaired its trade receivables as at transition date and adjusted against retained earnings. The impact for the year ended March 31, 2018 and March 31, 2017 has been recognized under Other Comprehensive Income.

### 5. Remeasurement of post-employment benefit expenses

Under Ind AS remeasurement i.e., actuarial gains and losses and the return on plan assets, if any, excluding amount included in the net interest expenses on the net defined benefit liability are recognized in other comprehensive income instead of profit or loss. Under the previous GAAP these remeasurements were forming part of profit or loss for the year.

### 6. Cash and cash equivalents

Under Ind AS, bank overdrafts which are repayable on demand and forming an integral part of an entity's cash management are included as a component of cash and cash equivalents for the purpose of Cash Flow Statement. However, for presentation purpose bank overdrafts are shown current liabilities in the balance sheet. Under previous GAAP, bank overdrafts were shown as part of financing activities and not considered as cash and cash equivalents.

For and on behalf of the Board of Directors of  
**CITY ONLINE SERVICES LIMITED**

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

**R. Krishna Mohan**  
Finance Director cum CFO  
DIN: 01678152

**Kriti Singh**  
Company Secretary

Place: Hyderabad  
Date: May 30, 2018

## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### 1. Corporate Information:

City Online Services Limited ("the Company") is a listed public company domiciled in India and is incorporated under the Companies Act, 1956 ("the Act") on July 16, 1999. The registered office of the company is located at 701, 7<sup>th</sup> Floor, Aditya Trade, Ameerpet, Hyderabad, Telangana - 500034.

The company is engaged in the business of providing internet and intranet services, data center solutions, custom Wi-Fi solutions and managed services. The Company is listed on Bombay Stock Exchange Limited ("BSE").

### 2. Significant Accounting Policies:

This note provides a list of the significant accounting policies adopted in the preparation of these separate financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### a) Statement of Compliance:

The company has adopted Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules 2015, read with section 133 of the Companies Act 2013, with effect from April 01, 2017.

The adoption was carried out in accordance with Ind AS 101 First-time Adoption of Indian Accounting Standards. Previous period comparatives in the separate financials statements have been restated to Ind AS, in accordance with Ind AS 101. The Company has presented a reconciliation from the presentation of financials statements under Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 ("Previous GAAP") to Ind AS of Shareholders' equity as at March 31, 2017 and April 01, 2016 and of the total comprehensive income for the year ended March 31, 2017.

#### b) Basis of preparation:

These separate financial statements are prepared in accordance with Ind AS under the historical cost convention on accrual basis except for certain financials instruments which are measured at fair value, the provisions of the Companies Act, 2013 (to the extent notified). The Ind AS are prescribed under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015.

Accounting policies have been consistently applied except where the change is required by an Ind AS or change results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or condition on the entity's financial position, performance or cash flow.

#### c) Use of estimates and judgements:

The preparation of the financial statements in conformity with Ind AS required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Difference between the actual results and estimates are recognized in the year in which results are known/ materialized.

Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

#### d) Current versus non-current classification:

The company presents assets and liabilities in the balance sheet based on current/non-current classification.

An asset is treated as current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realized within twelve months after the reporting period or,
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for atleast twelve months after the reporting period.

All other assets are classified as non-current.

A liability is treated as current when:

- It is expected to be settled in the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period or,



## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

- There is no unconditional right to defer the settlement of the liability for atleast twelve months after the reporting period.

All other liabilities are classified as non-current.

The operating cycle is the time between the acquisition of assets for processing and their realization in cash and cash equivalents. The company has identified twelve months as its operating cycle.

### e) Property, plant and equipment:

#### i. Recognition and initial measurement:

Property, plant and equipment are stated in the balance sheet at their carrying value being the cost of acquisition less accumulated depreciation. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company. All other repair and maintenance costs are recognized in statement of profit or loss as incurred.

#### ii. Depreciation, estimated useful lives and residual value:

Depreciation on property, plant and equipment is provided on straight line method, computed on the basis of useful lives as estimated by management which coincides with rates prescribed in Schedule II to the Companies Act, 2013.

The residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### iii. De-recognition:

An item of property, plant and equipment and any significant part initially recognized is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is de-recognized.

#### iv. Transition to Ind AS:

On transition to Ind AS, the company has elected to continue with the carrying value of all its property, plant and equipment recognized as at April 01, 2016 measured as per the provisions of Previous GAAP and use that carrying value as the deemed cost of property, plant and equipment.

### f) Intangible Assets:

#### i. Recognition and initial measurement:

Intangible assets (software) are stated in the balance sheet at their carrying value being the cost of acquisition less accumulated depreciation. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

#### ii. Amortization and estimated useful lives:

Amortization on intangible assets is provided on straight line method, computed on the basis of useful lives as estimated by management which coincides with rates prescribed in Schedule II to the Companies Act, 2013.

The residual values, useful lives and method of depreciation of are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### iii. Transition to Ind AS:

On transition to Ind AS, the company has elected to continue with the carrying value of all its intangible assets recognized as at April 01, 2016 measured as per the provisions of Previous GAAP and use that carrying value as the deemed cost of intangible assets.

## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### g) Impairment of assets:

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired, based on internal or external factors. If any such indication exists, the Company estimates the recoverable amount of the asset or the cash generating unit. If such recoverable amount of the asset or cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed, and the asset is reflected at the recoverable amount.

Impairment losses previously recognized are accordingly reversed in the statement of profit and loss.

### h) Foreign Currency:

#### Functional and presentation currency

The financial statements are presented in Indian Rupee ('INR') which is also the functional and presentation currency of the Company.

#### Transactions and balances

Foreign currency transactions are recorded in the functional currency, by applying to the exchange rate between the functional currency and the foreign currency at the date of the transaction.

Foreign currency monetary items are converted to functional currency using the closing rate. Non-monetary items denominated in a foreign currency which are carried at historical cost are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or any other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the statement of profit and loss in the year in which they arise.

### i) Revenue Recognition:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment net of taxes or duties collected on behalf of the government.

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

Interest income is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. While calculating the effective interest rate, the company estimates the expected cash flows by considering all the contractual terms of the financial instruments but does not consider the expected credit losses.

### j) Leases:

Where the lessor effectively retains all risk and benefits of ownership of the leased items, such leases are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis.

### k) Financial Instruments:

#### a. Financial Assets

##### Initial recognition and measurement

The company recognizes financial assets when it becomes a party to the contractual provisions of the instrument. All financial assets are recognized at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets that are not at fair value through profit or loss, are added to the fair value on initial recognition. Transaction costs of financial assets carried at fair value through profit and loss are expensed in the statement of profit and loss. Regular way purchase and sale of financial assets are accounted for at trade date.

##### Subsequent measurement

Debt instruments at amortized cost – A 'debt instrument' is measured at the amortized cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method.

### Investments in subsidiaries, associates and joint ventures

Investment in subsidiaries, associates and joint ventures is carried at cost in the separate financial statements.

### De-recognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of a similar financial asset) is primarily de-recognized (i.e., removed from the company's separate balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The company has transferred its rights to receive cash flows from the asset.

## b. Financial Liabilities

### Initial recognition and measurement

The company recognizes financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial liabilities are recognized at fair value on initial recognition. Transaction costs that are directly attributable to the issue of financial liabilities, that are not at fair value through profit or loss, are reduced from the fair value on initial recognition. Transaction costs that are directly attributable to the issue of financial liabilities at fair value through profit and loss are expensed in the statement of profit and loss.

### Subsequent measurement

These liabilities include borrowings and deposits. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in the statement of profit and loss when the liabilities are de-recognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit and loss.

### De-recognition of financial liabilities

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

## c. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group or the counterparty.

## l) Borrowing costs:

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying asset are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

## m) Inventories:

Inventories are valued at the lower of cost and net realizable value. Cost includes purchase price excluding taxes those are subsequently recoverable by the company from the concerned authorities, freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. Cost of inventories is determined using the weighted average cost method.

## n) Employee Benefits:

### a. Short-term benefit plans

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12

## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

months after the end of the period in which the employees render the related service are recognized and measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

### **b. Defined contribution plans**

The company pays provident fund contributions to publicly administered provident funds as per local regulations. The company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognized as employee benefit expense when they are due. Prepaid contributions, if any, are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

### **c. Defined benefit plans**

The company's gratuity plan is a defined benefit plan. The present value of gratuity obligation under such defined benefit plans is determined based on actuarial valuations carried out by an independent actuary using the Projected Unit Credit Method [PUCM], which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on government securities as at the balance sheet date, having maturity periods approximately to the terms of related obligations. Actuarial gains and losses are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur.

### **o) Income Taxes:**

Tax expense recognized in statement of profit or loss comprises the sum of deferred tax and current tax except the ones recognized in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted for the reporting period. Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Un-recognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity).

### **p) Provisions, contingent liabilities and contingent assets:**

Provisions are recognized only when there is a present obligation, as a result of past events, and when a reliable estimate of the amount of obligation can be made at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. Provisions are discounted to their present values, where the time value of money is material.

Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Company or
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are neither recognized nor disclosed. However, when realization of income is virtually certain, related asset is recognized.

## Notes to financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

**q) Cash and cash equivalents:**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

**r) Cash flow statement:**

Cash flows are reported using the indirect method, whereby net profit/(loss) before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the company are segregated.

**s) Earnings per share:**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue.

For calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

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

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## **Independent Auditor's Report on the Consolidated Financial Statements**

To  
The Members Of  
**City Online Services Limited**

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

We have audited the accompanying consolidated Ind AS 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, 2018, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity 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 Ind AS 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 (including other comprehensive income), consolidated cash flows and consolidated changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with relevant rules issued there under.

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 Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

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

Our responsibility is to express an opinion on these consolidated Ind AS 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 Ind AS 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 Ind AS 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 Ind AS 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, 2018, and its financial performance including other comprehensive income, its cash flows and the changes in equity 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.

- c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements.
- d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian 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, 2018 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, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A", which is based on the auditors' reports of the Holding company and subsidiary companies. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Holding company's and subsidiary company's internal financial controls over financial reporting.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i) the Group does not have any pending litigations which would impact its financial position.
  - ii) the Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii) There 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, 2018



## **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, 2018, 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, 2018, 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 Ind AS financial statements of the Group, which comprise the Balance Sheet as at March 31, 2017, and the related Statement of Profit and Loss (including Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information and our report dated May 30, 2018 expressed an unqualified opinion.

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

Hyderabad  
May 30, 2018,

**T Bharadwaj**  
Partner  
Membership No. 201042

## Consolidated Balance Sheet as at March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
<b>A ASSETS</b>				
<b>1 Non-Current Assets</b>				
(a) Property, plant and equipment	3	14,769,231	15,254,329	16,867,380
(b) Intangible assets	4	34,740	63,868	142,748
(c) Financial Assets				
- Investments	5	1,642,795	1,291,681	725,855
- Other non-current financial assets	6	1,465,143	4,069,292	2,548,449
(d) Deferred tax assets [Net]	7	9,001,483	10,583,390	10,357,548
(e) Other non-current assets	8	93,922	193,056	239,962
<b>Total Non-Current Assets [A]</b>		<b>27,007,314</b>	<b>31,455,616</b>	<b>30,881,942</b>
<b>2 Current Assets</b>				
(a) Inventories	9	14,212,813	17,783,711	16,665,590
(b) Financial Assets				
- Investments	10	(39,442)	-	-
- Loans	11	-	218,280	-
- Trade receivables	12	55,397,877	39,107,748	28,094,895
- Cash and cash equivalents	13	1,379,711	868,055	2,058,329
- Bank balances other than above	14	13,004,625	7,670,000	2,610,000
- Other current financial assets	15	3,438,974	1,432,586	1,160,081
(c) Income Taxes	16	4,181,014	2,080,409	2,292,810
(d) Other current assets	17	8,201,775	11,024,256	15,098,384
<b>Total Current Assets [B]</b>		<b>99,777,347</b>	<b>80,185,045</b>	<b>67,980,089</b>
<b>TOTAL ASSETS [A+B]</b>		<b>126,784,661</b>	<b>111,640,661</b>	<b>98,862,030</b>
<b>B EQUITY AND LIABILITIES</b>				
<b>1 Equity</b>				
(a) Equity Share Capital	18	56,098,330	56,098,330	56,098,330
(b) Other Equity	19	(25,154,643)	(16,256,609)	(15,814,985)
<b>Total Equity [A]</b>		<b>30,943,687</b>	<b>39,841,721</b>	<b>40,283,345</b>
<b>2 Non-Current Liabilities</b>				
(a) Financial Liabilities				
- Borrowings	20	-	-	836,698
(b) Provisions	21	2,081,000	1,923,000	1,086,000
<b>Total Non-Current Liabilities [B]</b>		<b>2,081,000</b>	<b>1,923,000</b>	<b>1,922,698</b>
<b>3 Current Liabilities</b>				
(a) Financial Liabilities				
- Borrowings	22	10,631,952	14,009,330	18,112,837
- Trade payables	23	60,381,615	36,378,189	19,913,213
- Other current financial liabilities	24	1,109,994	-	-
(b) Deferred tax liabilities	25	1,869	4,478	5,079
(c) Other current liabilities	26	21,634,544	19,483,943	18,624,858
<b>Total Current Liabilities [C]</b>		<b>93,759,974</b>	<b>69,875,940</b>	<b>56,655,987</b>
<b>TOTAL EQUITY AND LIABILITIES [A+B+C]</b>		<b>126,784,661</b>	<b>111,640,661</b>	<b>98,862,030</b>
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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 of  
**CITY ONLINE SERVICES LIMITED**

**T. Bharadwaj**  
Partner  
Membership No.: 201042

**R. Krishna Mohan**  
Finance Director cum CFO  
DIN: 01678152

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

**Kriti Singh**  
Company Secretary

Place : Hyderabad  
Date : May 30, 2018

## Consolidated Statement of Profit and Loss for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>I REVENUE</b>			
Revenue from Operations [Gross]	27	<b>165,551,013</b>	185,621,371
Other Income	28	<b>3,244,111</b>	1,775,010
<b>TOTAL REVENUE [I]</b>		<b>168,795,124</b>	<b>187,396,381</b>
<b>II EXPENSES</b>			
Purchase of stock in trade	29	<b>1,500,431</b>	8,653,824
Employee benefit expenses	30	<b>15,489,741</b>	15,317,851
Finance costs	31	<b>2,874,061</b>	1,830,483
Depreciation and amortization expense	3 & 4	<b>3,440,929</b>	2,257,344
Bandwidth expenses	32	<b>123,064,814</b>	131,413,698
Other expenses	33	<b>28,706,621</b>	27,705,264
<b>TOTAL EXPENSES [II]</b>		<b>175,076,598</b>	<b>187,178,464</b>
<b>III (Loss) / Profit Before Tax</b>		<b>(6,281,474)</b>	<b>217,917</b>
<b>IV Tax Expense:</b>			
- Current tax	34	-	-
- Deferred tax	34	<b>1,579,298</b>	(226,444)
<b>V (Loss)/ Profit for the year</b>		<b>(7,860,772)</b>	<b>444,361</b>
<b>VI Other Comprehensive Income</b>			
Items that will not be reclassified to profit or loss			
- Remeasurements of post-employment benefit obligations		<b>74,000</b>	(757,000)
- Remeasurements of financial assets		<b>(1,144,707)</b>	(99,634)
- Recognition of borrowings using effective interest rate		<b>33,442</b>	(29,350)
<b>Other comprehensive income for the year, net of tax</b>		<b>(8,898,036)</b>	<b>(441,623)</b>
<b>VII Earnings per equity share Rs. 10/- each fully paid</b>			
- Basic	36	<b>(1.52)</b>	0.09
- Diluted	36	<b>(1.52)</b>	0.09
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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 of  
**CITY ONLINE SERVICES LIMITED**

**T. Bharadwaj**  
Partner  
Membership No.: 201042

**R. Krishna Mohan**  
Finance Director cum CFO  
DIN: 01678152

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

**Kriti Singh**  
Company Secretary

Place : Hyderabad  
Date : May 30, 2018

## Consolidated Cash Flow Statement for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note	Year ended March 31, 2018	Year ended March 31, 2017
<b>A. Cash flow from operating activities</b>			
Loss before tax		(6,281,474)	217,917
<b>Adjustments:</b>			
Depreciation and amortisation		3,440,929	2,257,344
Interest expense		2,874,061	1,830,483
Interest income		(1,004,644)	(132,090)
Chit dividend		(57,520)	(148,878)
Loss on chit funds		527,870	-
Expected credit loss allowance		1,141,423	1,181,161
Share of profit from Partnership firm [Net]		(422,656)	(517,886)
Interest on capital from Partnership firm		(67,900)	(32,940)
Remeasurement of post employee benefits		74,000	(757,000)
<b>Cash generated before working capital changes</b>		<b>224,089</b>	<b>3,898,111</b>
<b>Movements in working capital:</b>			
Increase in other non-current financial assets		(1,240,557)	(420,477)
Decrease in other non-current assets		99,134	46,906
Decrease/ (Increase) in inventories		3,570,898	(1,118,121)
Increase in trade receivables		(17,431,550)	(12,194,015)
Decrease/ (Increase) in current loans		218,280	(218,280)
Decrease/ (Increase) in other current financial assets		293,612	(272,505)
Decrease in other current assets		2,822,481	4,074,128
Increase in trade payables		24,003,426	16,464,976
Increase in other current liabilities		2,150,601	859,085
Increase in other current financial liabilities		1,109,994	-
Increase in long term provisions		158,000	837,000
<b>Cash generated from operations</b>		<b>15,978,408</b>	<b>11,956,808</b>
Direct taxes (paid)/ refund		(2,100,605)	212,401
<b>Net cash flow from operating activities (A)</b>		<b>13,877,803</b>	<b>12,169,209</b>
<b>B. Cash flows from investing activities</b>			
Investment in fixed deposits		(5,334,625)	(5,060,000)
(Proceeds)/ Investment in chit fund		400,000	(1,200,000)
Investment in partnership firm		(311,672)	(565,826)
Chit dividend		57,520	148,878
Interest on capital from Partnership firm		67,900	32,940
Share of profit from Partnership firm [Net]		422,656	517,886
Purchase of property, plant and equipment, including intangible assets		(2,926,702)	(565,413)
<b>Net cash flow used in investing activities (B)</b>		<b>(7,624,923)</b>	<b>(6,691,535)</b>

## Consolidated Cash Flow Statement for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note	Year ended March 31, 2018	Year ended March 31, 2017
<b>C. Cash flows from financing activities</b>			
Repayment of long term borrowings		-	(836,698)
Proceeds/ (repayment) of short term borrowings		361,056	(17,159,303)
Loss on chit funds		(527,870)	-
Interest received		1,004,644	132,090
Interest paid		(2,874,061)	(1,830,483)
<b>Net cash flow (used in)/ from financing activities (C)</b>		<b>(2,036,231)</b>	<b>(19,694,394)</b>
<b>D. Net Increase/(decrease) in cash and cash equivalents (A+B+C)</b>		<b>4,216,649</b>	<b>(14,216,720)</b>
<b>E. Cash and cash equivalents [Refer Note 2(o)]</b>			
at the beginning of the year		(12,158,391)	2,058,329
at the end of the year		(7,941,742)	(12,158,391)
<b>Components of cash and cash equivalents</b>	13		
Balance with banks			
- In current accounts		1,343,947	777,339
Cash on hand		35,764	90,716
<b>Less: Bank overdraft</b>		<b>(9,321,453)</b>	<b>(13,026,445)</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>(7,941,742)</b>	<b>(12,158,391)</b>
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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 of  
**CITY ONLINE SERVICES LIMITED**

**T. Bharadwaj**  
Partner  
Membership No.: 201042

**R. Krishna Mohan**  
Finance Director cum CFO  
DIN: 01678152

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

**Kriti Singh**  
Company Secretary

Place : Hyderabad  
Date : May 30, 2018

**Consolidated Statement of Changes in Equity for the year ended March 31, 2018**

(All amounts in Indian Rupees, unless otherwise stated)

**A. Equity Share Capital**

Particulars	As at March 31, 2018	As at March 31, 2017
<b>Equity shares of Rs. 10 each issued, subscribed and fully paid up</b>		
Balance at the beginning of the reporting year	56,098,330	56,098,330
Changes in equity share capital during the year	-	-
<b>Balance at the end of the reporting year</b>	<b>56,098,330</b>	<b>56,098,330</b>

**B. Other Equity**

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>Movement in other equity is as follows:</b>		
<b>I. Investment subsidy</b>	<b>400,000</b>	<b>400,000</b>
<b>II. Retained Earnings</b>		
(i) Opening Balance	(16,697,062)	(16,255,439)
(ii) Profit for the year	(7,860,772)	444,361
(iii) Other comprehensive income	(1,037,265)	(885,984)
	<b>(25,595,098)</b>	<b>(16,697,062)</b>
<b>Total</b>	<b>(25,195,098)</b>	<b>(16,297,062)</b>

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 of  
**CITY ONLINE SERVICES LIMITED**

**T. Bharadwaj**  
Partner  
Membership No.: 201042

**R. Krishna Mohan**  
Finance Director cum CFO  
DIN: 01678152

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

**Kriti Singh**  
Company Secretary

Place : Hyderabad  
Date : May 30, 2018

## Notes to consolidated financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### Note 3: Property, plant and equipment

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Plant & Machinery	8,843,922	10,044,206	11,244,487
Furniture and Fittings	529,358	557,499	615,873
Motor Vehicles	856,114	1,396,882	1,871,108
Computers and Data Processing Units	2,845,548	2,551,019	2,489,817
Office Equipment	1,694,290	704,723	646,095
<b>Total</b>	<b>14,769,231</b>	<b>15,254,329</b>	<b>16,867,380</b>

### For the year 2017-18

Description of Assets	Plant & Machinery	Furniture and Fittings	Motor Vehicles	Computers and Data Processing Units	Office Equipment	Total
<b>I. Gross Block</b>						
Opening Balance	49,094,497	824,103	3,477,368	12,082,728	4,124,260	69,602,956
Additions	-	33,592	-	675,951	2,188,559	2,898,102
Disposals	-	-	-	-	-	-
<b>Balance as at March 31, 2018</b>	<b>49,094,497</b>	<b>857,695</b>	<b>3,477,368</b>	<b>12,758,679</b>	<b>6,312,819</b>	<b>72,501,058</b>
<b>II. Accumulated Depreciation</b>						
Opening Balance	39,050,291	266,604	2,080,486	9,531,709	3,419,537	54,348,627
Depreciation expense for the year	1,200,284	61,733	540,768	381,422	1,198,992	3,383,200
Eliminated on disposal of assets	-	-	-	-	-	-
<b>Balance as at March 31, 2018</b>	<b>40,250,575</b>	<b>328,337</b>	<b>2,621,254</b>	<b>9,913,131</b>	<b>4,618,529</b>	<b>57,731,827</b>
<b>III. Net Block [I-II]</b>						
Carrying value as at March 31, 2018	8,843,922	529,358	856,114	2,845,548	1,694,290	14,769,231
Carrying value as at March 31, 2017	10,044,206	557,499	1,396,882	2,551,019	704,723	15,254,329

### For the year 2016-17



## Notes to consolidated financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

Description of Assets	Plant & Machinery	Furniture and Fittings	Motor Vehicles	Computers and Data Processing Units	Office Equipment	Total
<b>I. Gross Block</b>						
Opening Balance	49,094,497	824,103	3,414,218	11,875,504	3,839,569	69,047,891
Additions	-	-	63,150	207,224	284,691	555,065
Disposals	-	-	-	-	-	-
<b>Balance as at March 31, 2017</b>	<b>49,094,497</b>	<b>824,103</b>	<b>3,477,368</b>	<b>12,082,728</b>	<b>4,124,260</b>	<b>69,602,956</b>
<b>II. Accumulated Depreciation</b>						
Opening Balance	37,850,010	208,230	1,543,110	9,385,687	3,193,474	52,180,511
Depreciation expense for the year	1,200,281	58,374	537,376	146,022	226,063	2,168,116
Eliminated on disposal of assets	-	-	-	-	-	-
<b>Balance as at March 31, 2017</b>	<b>39,050,291</b>	<b>266,604</b>	<b>2,080,486</b>	<b>9,531,709</b>	<b>3,419,537</b>	<b>54,348,627</b>
<b>III. Net Block [I-II]</b>						
Carrying value as at March 31, 2017	10,044,206	557,499	1,396,882	2,551,019	704,723	15,254,329
Carrying value as at April 01, 2016	11,244,487	615,873	1,871,108	2,489,817	646,095	16,867,380

## Notes to consolidated financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### Note 4: Intangible Assets

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Computer Software	34,740	63,868	142,748
<b>Total</b>	<b>34,740</b>	<b>63,868</b>	<b>142,748</b>

### For the year 2017-18

Description of Assets	Computer Software
<b>I. Gross Block</b>	
<b>Opening Balance</b>	276,984
Additions	28,600
Disposals	-
<b>Balance as at March 31, 2018</b>	<b>305,584</b>
<b>II. Accumulated Amortization</b>	
<b>Opening Balance</b>	213,116
Amortization expense for the year	57,728
Eliminated on disposal of assets	-
<b>Balance as at March 31, 2018</b>	<b>270,844</b>
<b>III. Net Block [I-II]</b>	
<b>Carrying value as at March 31, 2018</b>	<b>34,740</b>
<b>Carrying value as at March 31, 2017</b>	<b>63,868</b>

### For the year 2016-17

Description of Assets	Computer Software
<b>I. Gross Block</b>	
<b>Opening Balance</b>	266,636
Additions	10,348
Disposals	-
<b>Balance as at March 31, 2017</b>	<b>276,984</b>
<b>II. Accumulated Amortization</b>	
<b>Opening Balance</b>	123,888
Amortization expense for the year	89,228
Eliminated on disposal of assets	-
<b>Balance as at March 31, 2017</b>	<b>213,116</b>
<b>III. Net Block [I-II]</b>	
<b>Carrying value as at March 31, 2017</b>	<b>63,868</b>
<b>Carrying value as at April 01, 2016</b>	<b>142,748</b>

## Notes to consolidated financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### Note 5: Non-Current Investments

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
<b>(ii) Others investments, unquoted</b>			
<b>(a) Investments in partnership firms</b>			
- Broadway City Online Consortium	675,855	675,855	675,855
- In-fo City Online Consortium	916,940	565,826	-
<b>(b) Investments in government securities [valued at cost]</b>			
National savings certificates (Refer Note (i) below) ( 5 Bonds (31-03-2017 ) of Rs. 10,000 each )	50,000	50,000	50,000
<b>Total investment in other non-current investments [B]</b>	<b>1,642,795</b>	<b>1,291,681</b>	<b>725,855</b>
<b>Total [A+B]</b>	<b>1,642,795</b>	<b>1,291,681</b>	<b>725,855</b>
<b>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.</b>			
Aggregate amount of unquoted investments	1,642,795	1,291,681	725,855
Investments carried at cost	1,642,795	1,291,681	725,855

### Note 6: Other non-current financial assets

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Security Deposits	1,465,143	1,369,292	1,048,449
Chit Fund	-	2,700,000	1,500,000
<b>Total</b>	<b>1,465,143</b>	<b>4,069,292</b>	<b>2,548,449</b>

### Note 7: Deferred tax asset [Net]

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
<b>Deferred tax asset</b>			
- Depreciation	317,936	(463,793)	(649,712)
- Employee benefits	535,858	594,207	335,574
- Carry forward losses	8,147,690	10,452,976	10,671,686
<b>Total</b>	<b>9,001,483</b>	<b>10,583,390</b>	<b>10,357,548</b>

### Note 8: Other non-current assets

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Prepaid expenses	93,922	193,056	239,962
<b>Total</b>	<b>93,922</b>	<b>193,056</b>	<b>239,962</b>

## Notes to consolidated financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### Note 9: Inventories

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Stock in trade	14,212,813	17,783,711	16,665,590
<b>Total</b>	<b>14,212,813</b>	<b>17,783,711</b>	<b>16,665,590</b>

### Note 10: Current Investments

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Other investments, unquoted			
Investments in partnership firms			
- City Online Exozen Constructions	(39,442)	-	-
<b>Total</b>	<b>(39,442)</b>	<b>-</b>	<b>-</b>

### Note 11: Current Loans

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Unsecured, considered good			
Loans and advances to related parties	-	218,280	-
<b>Total</b>	<b>-</b>	<b>218,280</b>	<b>-</b>

### Note 12: Trade Receivables [Refer Note 43]

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Unsecured, considered good			
Outstanding for a period exceeding six months	18,256,275	8,623,596	6,994,893
Others	39,464,186	31,665,313	22,189,256
<b>Less: Provision for credit losses</b>	<b>(2,322,584)</b>	<b>(1,181,161)</b>	<b>(1,089,254)</b>
<b>Total</b>	<b>55,397,877</b>	<b>39,107,748</b>	<b>28,094,895</b>

### Note 13: Cash and cash equivalents

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Balance with banks			
- In current accounts	1,343,947	777,339	1,832,465
Cash on hand	35,764	90,716	225,864
<b>Total</b>	<b>1,379,711</b>	<b>868,055</b>	<b>2,058,329</b>

## Notes to consolidated financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### Note 14: Bank balances other than above

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
On deposit accounts			
- Remaining maturity for less than 12 months	13,004,625	7,670,000	2,610,000
<b>Total</b>	<b>13,004,625</b>	<b>7,670,000</b>	<b>2,610,000</b>

**Note: Fixed deposits amounting Rs. 16,63,500 are given as security for bank guarantees and of Rs. 1,13,41,125 for bank overdraft.**

### Note 15: Other current financial assets

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Security Deposits	2,850,075	622,575	550,075
Interest accrued but not due	455,455	706,271	395,934
Loans to employees	133,444	103,740	214,072
<b>Total</b>	<b>3,438,974</b>	<b>1,432,586</b>	<b>1,160,081</b>

### Note 16: Income Taxes

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Advance Income Tax	4,181,014	2,080,409	2,292,810
Current Tax Liabilities	-	-	-
<b>Total</b>	<b>4,181,014</b>	<b>2,080,409</b>	<b>2,292,810</b>

### Note 17: Other current assets

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Prepaid expenses	7,893,526	10,102,573	7,819,544
Advance to suppliers	132,000	871,628	7,278,840
Balance with government authorities	176,249	50,055	-
<b>Total</b>	<b>8,201,775</b>	<b>11,024,256</b>	<b>15,098,384</b>

### Note 18: Share Capital

Particulars	As at March 31, 2018		As at March 31, 2017		As at April 01, 2016	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
<b>Authorised</b>						
Equity shares of Rs. 10 each	7,700,000	77,000,000	7,700,000	77,000,000	7,700,000	77,000,000
<b>Issued</b>						
Equity shares of Rs.10 each	7,000,000	70,000,000	7,000,000	70,000,000	7,000,000	70,000,000
<b>Subscribed and called up</b>						
Equity shares of Rs.10 each	6,925,000	69,250,000	6,925,000	69,250,000	6,925,000	69,250,000
<b>Paid up capital</b>						
Equity shares of Rs.10 each, fully paid-up	5,164,700	51,647,000	5,164,700	51,647,000	5,164,700	51,647,000
<b>Share forfeiture account</b>						
Equity shares of Rs.10 each, fully paid-up	1,760,300	4,451,330	1,760,300	4,451,330	1,760,300	4,451,330
<b>Total</b>	<b>6,925,000</b>	<b>56,098,330</b>	<b>6,925,000</b>	<b>56,098,330</b>	<b>6,925,000</b>	<b>56,098,330</b>

## Notes to consolidated financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### (a) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the year:

Particulars	Opening Balance	Issued during the year	Bought back during the year	Closing Balance
<b>Equity shares</b>				
<b>Year ended March 31, 2018</b>				
- Number of shares	5,164,700	-	-	5,164,700
- Amount	<b>51,647,000</b>	-	-	<b>51,647,000</b>
<b>Year ended March 31, 2017</b>				
- Number of shares	5,164,700	-	-	5,164,700
- Amount	<b>51,647,000</b>	-	-	<b>51,647,000</b>
<b>As at April 01, 2016</b>				
- Number of shares	5,164,700	-	-	5,164,700
- Amount	<b>51,647,000</b>	-	-	<b>51,647,000</b>

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

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

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

Name of the shareholder	As at March 31, 2018		As at March 31, 2017		As at April 01, 2016	
	Number of Shares held	Percentage of Holding	Number of Shares held	Percentage of Holding	Number of Shares held	Percentage of Holding
S. Raghava Rao	<b>684,500</b>	<b>13.25%</b>	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.

### Note 19: Other Equity

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Investment subsidy	<b>400,000</b>	400,000	400,000
Retained Earnings	<b>(25,554,643)</b>	(16,656,609)	(16,214,985)
<b>Total</b>	<b>(25,154,643)</b>	<b>(16,256,609)</b>	<b>(15,814,985)</b>

For details of movement during the year refer 'Statement of Changes in Equity'

### Nature and purpose of Other Equity:

#### (a) Investment subsidy

Investment subsidy pertains to subsidy given by Andhra Pradesh Government to internet service providers.

#### (b) Retained Earnings

Retained earnings comprise of the company's accumulated undistributed earnings.

## Notes to consolidated financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### Note 20: Non-Current Borrowings

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Term Loan from Banks	-	-	-
<b>Secured:</b>			
- From Banks	-	-	836,698
<b>Total</b>	<b>-</b>	<b>-</b>	<b>836,698</b>

#### Note:

- 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 loan matured in the month of September 2017.
- The term loan taken from Volkswagon 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 13 installments.
- Delays ranging from 1 to 17 days were noted in repayment of the Volkswagen Jetta in FY 2016-17.

### Note 21: Non-Current Provisions

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Provision for Employee Benefits			
- Gratuity [Refer Note 36]	2,081,000	1,923,000	1,086,000
<b>Total</b>	<b>2,081,000</b>	<b>1,923,000</b>	<b>1,086,000</b>

### Note 22: Current Borrowings

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
From Banks			
- Secured [Refer Note 20]	443,271	926,275	609,305
- Unsecured	-	-	312,812
Bank overdraft			
- Secured	9,321,454	13,026,445	17,190,721
Loan from related parties			
- Unsecured	867,227	56,610	-
<b>Total</b>	<b>10,631,952</b>	<b>14,009,330</b>	<b>18,112,837</b>

### Note 23: Trade payables [Refer Note 43 & 44]

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Creditors - Suppliers	58,542,643	34,030,522	18,001,390
Other Payables	1,838,972	2,347,667	1,911,823
<b>Total</b>	<b>60,381,615</b>	<b>36,378,189</b>	<b>19,913,213</b>

## Notes to consolidated financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### Note 24: Other current financial liabilities

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Chit Fund	1,109,994	-	-
<b>Total</b>	<b>1,109,994</b>	<b>-</b>	<b>-</b>

### Note 25: Deferred tax liabilities (net)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Deferred tax liabilities arising on account of:			
- Fixed assets	1,869	4,478	5,079
<b>Total</b>	<b>1,869</b>	<b>4,478</b>	<b>5,079</b>

### Note 26: Other Current Liabilities

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Statutory remittances	17,136,486	12,162,455	8,618,399
Advance from customers	4,274,558	7,247,588	9,898,558
Deposits from customers	23,500	73,900	107,900
Loans from related parties	200,000	-	-
<b>Total</b>	<b>21,634,544</b>	<b>19,483,943</b>	<b>18,624,858</b>

### Note 27: Revenue from operations [Gross]

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Income from internet services	163,209,320	174,057,442
Income from VOIP services	380,359	597,464
Income from sale of Hardware	1,961,333	10,966,465
<b>Total</b>	<b>165,551,013</b>	<b>185,621,371</b>

### Note 28: Other Income

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Share of profit from Partnership firm	283,214	517,886
Interest income on deposits	1,004,644	344,818
Excess provisions written back	1,251,484	237,609
Interest income:		
- On Income tax refund	-	212,728
- On Capital in the Partnership Firm	67,900	32,940
Chit dividned	57,520	148,878
Freight charges (Recovered)	-	105,743
Annual Maintenance Charges (Recovered)	84,745	-
Miscellaneous income	494,604	174,408
<b>Total</b>	<b>3,244,111</b>	<b>1,775,010</b>



## Notes to consolidated financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### Note 29: Purchase of Stock in trade

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Purchases [Refer Note 41]	1,500,431	8,653,824
<b>Total</b>	<b>1,500,431</b>	<b>8,653,824</b>

### Note 30: Employee Benefit Expenses

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Salaries, allowances and wages [Refer Note 36]	14,305,622	13,506,862
Contribution to provident and other funds	933,094	1,446,814
Staff welfare expenses	251,025	364,175
<b>Total</b>	<b>15,489,741</b>	<b>15,317,851</b>

### Note 31: Finance Costs

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Interest expense on:		
- Working Capital	1,297,353	1,229,189
- Term Loan	58,151	89,516
- Interest on TDS	1,072,768	-
Bank charges	17,807	32,248
Other borrowing costs	427,982	479,530
<b>Total</b>	<b>2,874,061</b>	<b>1,830,483</b>

### Note 32: Bandwidth Expenses

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Bandwidth charges	109,005,728	118,635,072
Repairs and maintenance	2,508,151	2,983,867
VOIP activation charges	47,123	54,391
Electricity	3,363,803	3,336,071
Rent networking	1,358,500	1,754,077
Cost of sales	-	6,413
Cable line expenses	603,002	437,078
Installation expenses	778,790	1,884,014
Last mile charges	1,692,120	2,177,159
Other operating expenses	3,707,597	145,556
<b>Total</b>	<b>123,064,814</b>	<b>131,413,698</b>

## Notes to consolidated financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### Note 33: Other Expenses

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Rent (Refer Note 39 )	3,605,312	3,215,102
Rates and taxes	6,364,972	4,243,470
Director's remuneration	5,320,500	5,460,000
Sales commission	470,315	2,881,775
Insurance	198,361	91,253
Auditors' remuneration:		
- Statutory audit	478,240	457,500
- Tax audit	50,000	50,000
- Fees for limited review	50,000	50,000
- Certification	12,000	-
Travelling and conveyance	1,710,607	1,495,686
Legal and professional charges	580,180	479,500
Advertisement expenses	32,528	107,428
Communication cost	999,788	937,090
Bad debts written off	3,365,898	4,556,789
Printing and stationery	256,715	226,798
Repairs and maintenance		
- Building	-	197,833
- Others	2,967,448	1,866,248
Postage and courier	322,148	653,709
Professional charges	30,000	-
Consultancy Charges	117,000	-
Chit loss	527,870	-
Sharing of loss from partnership firm	139,442	-
Net loss on foreign currency transaction and translation	11,551	4,214
Miscellaneous expenses	1,095,747	730,869
<b>Total</b>	<b>28,706,621</b>	<b>27,705,264</b>

### Note 34: Income Tax

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>(a) Major components of income tax expense:</b>		
<b>(i) Current Income Tax</b>		
- Current income tax charge	-	-
- Adjustments in respect of current income tax of previous year	-	-
	-	-
<b>Particulars</b>	<b>For the year ended March 31, 2018</b>	<b>For the year ended March 31, 2017</b>
<b>(ii) Deferred Tax</b>		
- Relating to origination/reversal of temporary differences	1,579,298	(226,444)

## Notes to consolidated financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

	<b>1,579,298</b>	<b>(226,444)</b>
<b>Income tax expense reported in the statement of profit or loss</b>	<b>1,579,298</b>	<b>(226,444)</b>
<b>(b) Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate:</b>		
Profit/(Loss) before tax from continuing operations	<b>(6,281,474)</b>	217,917
Indian tax rate	<b>25.75%</b>	30.90%
<b>Tax at the Indian tax rate</b>	<b>-</b>	543,493
<b>Effect of:</b>		
Non-Deductible expenses for tax purposes	<b>1,869</b>	-
Tax exempt income	<b>-</b>	-
Income taxed at special rates	<b>-</b>	-
Others	<b>1,577,429</b>	(769,937)
<b>Total Income Tax Expense</b>	<b>1,579,298</b>	<b>(226,444)</b>

### c. Reconciliation between previous GAAP and Ind AS:

#### (i) Reconciliation of Equity:

Particulars	Note	As at March 31, 2017	As at April 01, 2016
<b>Equity (shareholders' funds) under previous GAAP</b>		<b>30,620,857</b>	31,795,345
<b>Adjustments:</b>			
Recognition of borrowings using effective interest rate	1	<b>(93,029)</b>	(63,679)
Deferred tax	2	<b>10,504,878</b>	9,643,030
Financial assets and liabilities (other than borrowings)	3 & 4	<b>(1,190,985)</b>	(1,091,351)
<b>Total adjustments</b>		<b>9,220,864</b>	<b>8,488,000</b>
<b>Equity under IND AS GAAP</b>		<b>39,841,721</b>	<b>40,283,345</b>

#### (ii) Reconciliation of Total Comprehensive Income:

Particulars	Note	For the year ended March 31, 2017
<b>Net profit for the year as per previous GAAP</b>		<b>(1,174,480)</b>
<b>Adjustments:</b>		
Total effect of transition to Ind AS		<b>1,618,841</b>
<b>Profit for the year as per Ind AS</b>		<b>444,361</b>
Other comprehensive income [OCI]		
- Recognition of borrowings using effective interest rate	1	<b>(29,350)</b>
- Remeasurements of financial assets	3 & 4	<b>(99,634)</b>
- Remeasurements of post-employment benefit obligations	5	<b>(757,000)</b>
<b>Total Comprehensive Income</b>		<b>(441,623)</b>

#### (iii) Changes in Cash Flow Statement for the year ended March 31, 2017:

The Ind AS adjustments are either non-cash adjustments or are re-grouping among the cash flows from operating, investing and financing activities. Consequently, Ind AS adoption has no impact on the net cash flow for the year ended March 31, 2017 as compared with the previous GAAP.

#### (iii) Reconciliation of Balance Sheet as at April 01, 2016 and March 31, 2017:

## Notes to consolidated financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note	Opening Balance Sheet as at April 01, 2016			Balance Sheet as at March 31, 2017		
		Previous GAAP	Effects of Transition to Ind-AS	IND AS	Previous GAAP	Effects of Transition to Ind-AS	IND AS
<b>A ASSETS</b>							
<b>1 Non-Current Assets</b>							
(a) Property, plant and equipment		16,867,380	-	16,867,380	15,254,329	-	15,254,329
(b) Intangible assets		142,748	-	142,748	63,868	-	63,868
(c) Financial Assets							
- Investments		2,225,855	(1,500,000)	725,855	3,991,681	(2,700,000)	1,291,681
- Other non-current financial assets	3	2,292,810	255,639	2,548,449	2,080,409	1,988,883	4,069,292
(d) Deferred tax assets (Net)	2	714,505	9,643,043	10,357,548	78,507	10,504,883	10,583,390
(e) Other non-current assets	3	-	239,962	239,962	-	193,056	193,056
<b>Total Non-Current Assets [A]</b>		<b>22,243,297</b>	<b>8,638,644</b>	<b>30,881,941</b>	<b>21,468,794</b>	<b>9,986,822</b>	<b>31,455,616</b>
<b>2 Current Assets</b>							
(a) Inventory		16,665,590	-	16,665,590	17,783,711	-	17,783,711
(b) Financial Assets							
- Loans		17,173,873	(17,173,873)	-	13,635,016	(13,416,736)	218,280
- Trade receivables	4	29,184,159	(1,089,264)	28,094,895	40,171,917	(1,064,169)	39,107,748
- Cash and cash equivalents		4,668,331	(2,610,002)	2,058,329	8,538,055	(7,670,000)	868,055
- Bank balances other than above		-	2,610,000	2,610,000	-	7,670,000	7,670,000
- Other current financial assets	3	-	1,160,081	1,160,081	-	1,432,586	1,432,586
(c) Income Taxes		-	2,292,810	2,292,810	-	2,080,409	2,080,409
(d) Other current assets	3	395,934	14,702,450	15,098,384	706,271	10,317,985	11,024,256
<b>Total Current Assets [B]</b>		<b>68,087,886</b>	<b>(107,797)</b>	<b>67,980,089</b>	<b>80,834,970</b>	<b>(649,925)</b>	<b>80,185,045</b>
<b>TOTAL ASSETS [A+B]</b>		<b>90,331,184</b>	<b>8,530,847</b>	<b>98,862,030</b>	<b>102,303,764</b>	<b>9,336,897</b>	<b>111,640,661</b>
<b>B EQUITY AND LIABILITIES</b>							
<b>1 Equity</b>							
(a) Equity Share Capital		56,098,330	-	56,098,330	56,098,330	-	56,098,330
(b) Other Equity		(24,302,985)	8,488,000	(15,814,985)	(25,477,473)	9,220,864	(16,256,609)
<b>Total Equity [A]</b>		<b>31,795,345</b>	<b>8,488,000</b>	<b>40,283,345</b>	<b>30,620,857</b>	<b>9,220,864</b>	<b>39,841,721</b>

## Notes to consolidated financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note	Opening Balance Sheet as at April 01, 2016		Balance Sheet as at March 31, 2017		
		Previous GAAP	Effects of Transition to Ind-AS	Previous GAAP	Effects of Transition to Ind-AS	IND AS
<b>2 Non-Current Liabilities</b>						
(a) Financial Liabilities						
- Borrowings		836,698	-	-	-	-
(b) Provisions		1,086,000	-	1,923,000	-	1,923,000
<b>Total Non-Current Liabilities [B]</b>		<b>1,922,698</b>	<b>-</b>	<b>1,923,000</b>	<b>-</b>	<b>1,923,000</b>
<b>3 Current Liabilities</b>						
(a) Financial Liabilities						
- Borrowings	1	17,503,533	609,304	13,026,445	982,885	14,009,330
- Trade payables		19,948,046	(34,833)	36,378,185	4	36,378,189
(b) Deferred tax liabilities		5,079	-	4,478	-	4,478
(c) Other current liabilities		19,156,483	(531,625)	20,350,799	(866,856)	19,483,943
<b>Total Current Liabilities [C]</b>		<b>56,613,141</b>	<b>42,846</b>	<b>69,759,907</b>	<b>116,033</b>	<b>69,875,940</b>
<b>TOTAL EQUITY AND LIABILITIES [A+B+C]</b>		<b>90,331,184</b>	<b>8,530,846</b>	<b>102,303,764</b>	<b>9,336,897</b>	<b>111,640,661</b>

## Notes to consolidated financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### (iv) Reconciliation of Net Profit for the year ended March 31, 2017:

Particulars	Note	For the year ended March 31, 2017		
		Previous GAAP	Effects of Transition to Ind-AS	IND AS
<b>I REVENUE</b>				
Revenue from Operations (Gross)		185,621,371	-	185,621,371
Other Income		1,775,010	-	1,775,010
<b>TOTAL REVENUE [I]</b>		<b>187,396,381</b>	<b>-</b>	<b>187,396,381</b>
<b>II EXPENSES</b>				
Purchase of stock in trade		-	8,653,824	8,653,824
Employee benefit expenses	5	21,534,851	(6,217,000)	15,317,851
Finance costs		1,830,483	-	1,830,483
Depreciation and amortization expense		2,257,344	-	2,257,344
Other expenses		22,773,317	4,931,947	27,705,264
Bandwidth expenses		139,539,469	(8,125,771)	131,413,698
<b>TOTAL EXPENSES [II]</b>		<b>187,935,464</b>	<b>(757,000)</b>	<b>187,178,464</b>
<b>III Profit Before Tax [I-II]</b>		<b>(539,083)</b>	<b>757,000</b>	<b>217,917</b>
<b>IV Tax Expense:</b>				
- Current tax		-	-	-
- Deferred tax credit	2	635,397	(861,841)	(226,444)
<b>V Profit for the year</b>		<b>(1,174,480)</b>	<b>1,618,841</b>	<b>444,361</b>
<b>VI Other Comprehensive Income</b>				
- Remeasurements of post-employment benefit obligations	5	-	(757,000)	(757,000)
- Remeasurements of financial assets	3 & 4	-	(99,634)	(99,634)
- Recognition of borrowings using effective interest rate	1	-	(29,350)	(29,350)

### 35. Contingent liabilities:

- i) Bank Guarantees:

Particulars	As at March 31, 2018	As at March 31, 2017
Performance Guarantee	64,52,000	64,52,000

### 36. Employee Benefits

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

## Notes to consolidated financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	March 31, 2018	March 31, 2017
Current service cost	96,000	43,000
Interest cost on benefit obligation	1,35,000	87,000
Past Service cost – vested benefits	-	-
Expected return on plan assets	-	-
Net actuarial loss/(gain) recognized in the year	(74,000)	7,57,000
<b>Net benefit expense</b>	<b>1,57,000</b>	<b>8,87,000</b>

### Balance Sheet

#### Benefit liability

Particulars	March 31, 2018	March 31, 2017
Present value of defined benefit obligation	20,81,000	19,23,000
Fair value of plan assets	-	-
<b>Plan liability</b>	<b>20,81,000</b>	<b>19,23,000</b>

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

Particulars	March 31, 2018	March 31, 2017
Opening defined benefit obligation	19,23,000	10,86,000
Current service cost	96,000	43,000
Interest cost	1,35,000	87,000
Benefits paid	-	(50,000)
Actuarial gain/(losses) on obligation	(74,000)	7,57,000
<b>Closing defined benefit obligation</b>	<b>20,81,000</b>	<b>19,23,000</b>

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

Particulars	March 31, 2018	March 31, 2017
Opening fair value of plan assets	-	-
Expected return	-	-
Contributions by employer	-	-
Benefits paid	-	(50,000)
Actuarial (losses)/gains	-	-
<b>Closing fair value of plan assets</b>	<b>-</b>	<b>-</b>

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

Particulars	March 31, 2018	March 31, 2017
Discount rate (%)	7.89%	7.00%
Salary escalation (%)	7.00%	7.00%
Attrition rate (%)	5.00%	5.00%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

## Notes to consolidated financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

### 37. Segment information

The Company's operations predominantly consist only of business of providing internet and intranet, data centre solutions. Thus, there are no reportable segments as defined in Ind AS 108 "Operating Segments". The company earns its entire "revenue from external customers" in India, being company's country of domicile. All non-current assets other than financials instruments and deferred tax assets are located in India. There are no single major customers on whom the company's revenue is dependent upon and revenue from none of the single customer is more than or equal to 10% of the company's revenue.

### 38. Related Party Disclosures

#### a) Names of the related parties and nature of relationship (as per Ind AS 24):

Nature of Relationship	Name of Related Party
Key Management Personnel (KMP):	C H Harinath
	S. Raghava Rao
	R. Krishna Mohan
Relatives of Key Management Personnel (KMP):	R. Vijaya Durga – Wife of director
Entity in which KMP have significant influence	Anu Digital Arts Private Limited
Investment in partnership firms:	Info-Fi City Online Consortium
	Broadway City Online Consortium
	City Online Exozen Consortium

#### b) Transactions with related parties:

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>Remuneration Paid:</b>	<b>54,60,000</b>	<b>54,60,000</b>
- S Raghava Rao	18,60,000	18,60,000
- R. Krishna Mohan	18,00,000	18,00,000
- Ch Harinath	18,00,000	18,00,000
<b>Loans and advances given:</b>	<b>40,000</b>	-
- City Online Exozen Consortium	40,000	-
<b>Loans and advances recovered:</b>	<b>1,95,280</b>	-
- Anu Digital Arts Private Limited	1,95,280	-
<b>Unsecured Loans Taken:</b>	<b>800,000</b>	<b>10,33,610</b>
- R. Vijaya Durga	300,000	-
- In-fo City Online consortium	500,000	10,00,000
- R. Krishna Mohan	-	33,610
<b>Unsecured Loans Repaid:</b>	<b>100,000</b>	-
- R. Vijaya Durga	100,000	-
<b>Investments made:</b>	<b>1,00,000</b>	-
- City Online Exozen Consortium	1,00,000	-
<b>Share of profit/(loss) from partnership firm:</b>	<b>4,22,656</b>	<b>2,94,027</b>



## Notes to consolidated financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
- Info-Fi Cityonline Consortium	2,83,214	2,94,027
- City Online Exozen Consortium	139,442	-
<b>Interest on capital:</b>	<b>67,900</b>	<b>29,112</b>
- Info-Fi Cityonline Consortium	67,900	29,112
<b>Sales:</b>	<b>132,07,972</b>	<b>104,64,660</b>
- Info-Fi Cityonline Consortium	68,30,223	60,71,535
- Broadway City Online Consortium	5,237,668	43,93,125
- City Online Exozen Consortium	1,140,081	-
<b>Payments received for sale of services:</b>	<b>9,857,907</b>	<b>128,72,972</b>
- Info-Fi Cityonline Consortium	5,710,392	82,12,230
- Broadway City Online Consortium	4,147,515	46,60,742

### C) Related party balances:

Particulars	As at March 31, 2018	As at March 31, 2017
<b>Investments made:</b>	<b>16,32,237</b>	<b>12,41,681</b>
- Broadway City Online Consortium	675,855	675,855
- Info-Fi Cityonline Consortium	916,940	5,65,826
- City Online Exozen Consortium	39,442	-
<b>Loans and Advances Given/(Taken):</b>	<b>(6,01,610)</b>	<b>2,93,670</b>
- Anu Digital Arts Private Limited	132,000	3,27,280
- R Vijaya Durga	(2,00,000)	-
- In-fo City Online consortium	(500,000)	-
- R. Krishna Mohan	(33,610)	(33,610)
<b>Advance from customers:</b>	<b>1,239,126</b>	<b>3,125,398</b>
- Broadway City Online Consortium	-	7,66,441
- Info-Fi Cityonline Consortium	1,239,126	23,58,957
<b>Trade receivable:</b>	<b>323,712</b>	-
- Broadway City Online Consortium	3,23,712	-

### 39. Leases:

#### Operating Lease

#### Assets taken on cancellable operating lease

The Group is obligated under cancellable lease for office premises. Total lease rental expenses recognized in the statement of profit and loss for the year are as follows;

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Cancellable	29,93,312	26,03,102
<b>Total</b>	<b>29,93,312</b>	<b>26,03,102</b>

### 40. Earnings per Share (EPS):

#### i. Reconciliation of earnings used in calculating earnings per share:

## Notes to consolidated financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Profit after taxation as per statement of profit and loss (for basic EPS)	(78,60,772)	4,44,361
<b>Less:</b> Effect of dilutive potential ordinary shares	-	-
<b>Net Profit for dilutive earnings per share</b>	<b>(78,60,772)</b>	<b>4,44,361</b>

### ii. Reconciliation of basic and diluted shares used in computing earnings per share:

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Number of weighted average equity shares considered for calculating of basic EPS	51,64,700	51,64,700
<b>Add:</b> Dilutive effect of potential ordinary shares	-	-
<b>Number of weighted average equity shares considered for calculating of diluted EPS</b>	<b>51,64,700</b>	<b>51,64,700</b>

### iii. Earnings per share:

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
- Basic (Rs.)	(1.52)	0.09
- Diluted (Rs.)	(1.52)	0.09

### 41. Value of imports on C.I.F. basis :

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Purchase of Hardware	1,23,123	-

### 42. Expenditure in Foreign Currency:

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Membership Fee	4,09,007	4,08,817
<b>Total</b>	<b>4,09,007</b>	<b>4,08,817</b>

### 43. Balance Confirmations

Confirmations of receivables and payable balances have not been received by the Group, hence, reliance is placed on the balances as per books. In the opinion of the management, the amounts are realizable/payable in the ordinary course of business.

### 44. Due to Micro and Small Enterprises

The Group has no dues to Micro and Small Enterprises as at March 31, 2018 and March 31, 2017 in the financial statements based on information received and available with the group.

### 45. Fair Value Measurements

#### i. Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

**Level 1:** Quoted prices (unadjusted) in active markets for financial instruments.

**Level 2:** The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data rely as little as possible on entity specific estimates.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level

#### ii. Financial assets and financial liabilities measured at fair value

## Notes to consolidated financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	March 31, 2018	March 31, 2017
Fair Value Hierarchy	3	3
<b>Financial Assets</b>		
Other Financial Assets – Security Deposits	43,15,218	19,91,867
Other Financial Assets – Trade receivables	553,97,877	391,07,748
Other Investments	16,03,353	12,91,681
<b>Financial Liabilities</b>		
Borrowings	106,31,952	140,09,330

### iii. Financial Instruments by category

For amortized cost instruments, carrying value represents the best estimate of fair value:

Particulars	31-Mar-18			31-Mar-17		
	FVTPL	FVOCI	Amortized Cost	FVTPL	FVOCI	Amortized Cost
<b>FINANCIAL ASSETS</b>						
Other investments	-	-	16,42,795	-	-	12,91,681
Trade receivables	-	553,97,877	-	-	391,07,748	-
Loans	-	-	-	-	-	2,18,280
Cash and cash equivalents	-	-	13,79,711	-	-	8,68,055
Other bank balances	-	-	130,04,625	-	-	76,70,000
Others	-	43,15,218	5,88,899	-	19,91,867	8,10,011
<b>TOTAL</b>	-	<b>597,13,095</b>	<b>166,16,030</b>	-	<b>410,99,615</b>	<b>108,58,027</b>
<b>FINANCIAL LIABILITIES</b>						
Borrowings	-	106,31,952	-	-	140,09,330	-
Trade payables	-	-	603,81,615	-	-	363,78,189
<b>TOTAL</b>	-	<b>106,31,952</b>	<b>603,81,615</b>	-	<b>140,09,330</b>	<b>363,78,189</b>

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's Board of Directors oversees the management of these risks. The Group's Board of Directors is supported by the senior management that advises on financial risks and the appropriate financial risk governance framework for the Group. The senior management provides assurance to the Group's board of directors that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

The carrying amounts reported in the statement of financial position for cash and cash equivalents, trade and other receivables, trade and other payables and other liabilities approximate their respective fair values due to their short maturity.

### 46. Financial Instruments Risk Management

#### i. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

##### a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group has exposure only to financial instruments at fixed interest rates. Hence, the group is not exposed to significant interest rate risk.

##### b. Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes

## Notes to consolidated financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily towards operating activities (when revenue or expense is denominated in a foreign currency).

### ii. Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group, leading to a financial loss. The Group is mainly exposed to the risk of its balances with the bankers and trade and other receivables.

Ageing of receivables is as follows:

Particulars	March 31, 2018	March 31, 2017
Past due not impaired:		
0-30 Days	274,34,753	254,08,828
31-60 Days	119,85,593	61,39,484
61-90 Days	47,52,990	-
91-180 Days	44,22,756	1,17,000
Greater than 180 Days	91,24,368	86,23,597
Less: Provision for Credit Losses	(23,22,584)	(11,81,161)
<b>Total</b>	<b>553,97,877</b>	<b>391,07,748</b>

### iii. Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the nature of the business, the Group maintains flexibility in funding by maintaining availability under committed facilities.

Management monitors rolling forecasts of the Group's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Group takes into account the liquidity of the market in which the entity operates. The Group's principal sources of liquidity are the cash flows generated from operations. The Group has no long-term borrowings and believes that the working capital is sufficient for its current requirements. Accordingly, no liquidity risk is perceived.

The tables below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is insignificant.

Particulars	Upto 1 year	From 1-3 years	More than 3 years	Total
<b>March 31, 2018</b>				
Borrowings	106,31,952	-	-	106,31,952
Trade Payables	603,81,615	-	-	603,81,615
Other financial liabilities	11,09,994	-	-	11,09,994
<b>Total</b>	<b>721,23,561</b>	<b>-</b>	<b>-</b>	<b>721,23,561</b>
<b>March 31, 2017</b>				
Borrowings	140,09,330	-	-	140,09,330
Trade Payables	363,78,189	-	-	363,78,189
Other financial liabilities	-	-	-	-
<b>Total</b>	<b>503,87,519</b>	<b>-</b>	<b>-</b>	<b>503,87,519</b>

## 47. Capital Risk Management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for stakeholders. The Group also proposes to maintain an optimal capital structure to reduce the cost of capital. Hence, the Group may adjust any dividend payments, return capital to shareholders or issue new shares. Total capital is the equity as shown in the statement of financial position. Currently, the Group primarily monitors its capital structure on the basis of gearing ratio. Management is continuously evolving strategies to optimize the returns and reduce the risks. It includes plans to optimize the financial leverage of the Group.

The capital for the reporting year under review is summarized as follows:

## Notes to consolidated financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	31-Mar-18	31-Mar-17
Current Borrowings [Refer Note 21]	106,31,952	140,09,330
<b>Total Debt</b>	<b>106,31,952</b>	<b>140,09,330</b>
As a percentage of total capital	25.57%	26.01%
<b>Equity [Refer Note 17 and 18]</b>	<b>309,43,687</b>	<b>398,41,721</b>
As a percentage of total capital	74.43%	73.99%
<b>Total Capital [Debt and Equity]</b>	<b>415,75,639</b>	<b>538,51,051</b>

### 48. First Time Adoption of IND AS

The Group has adopted the Indian Accounting Standards (Ind AS) during the year and accordingly these are the group's first financial statements prepared in accordance with Ind AS.

As per the Ind AS 101 First time adoption of Indian Accounting Standards, first time adopter shall prepare and present an opening Ind AS Balance Sheet at the date of transition to Ind ASs. This is the starting point for accounting in accordance with Ind AS. The date of transition for the group is April 01, 2016.

The accounting policies set out in Note No. 2 have been applied in preparing the financial statements for the year ended March 31, 2018, the comparative information presented in these financial statements for the year ended March 31, 2017 and in the preparation of opening Ind AS balance sheet at April 01, 2016, the date of transition. In preparing its comparative financial statements including opening balance sheet, the group has adjusted the amounts reported previously in financial statements prepared in accordance with the Previous GAAP. An explanation of how the transition from previous GAAP to Ind AS has affected the group's financial position, financial performance and cash flows is set out below.

#### a. Ind AS optional exemptions

##### (i) Deemed cost for property, plant and equipment and intangible assets

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognized in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets. Accordingly, the Group has elected to measure all of its property, plant and equipment and intangible assets at their previous GAAP carrying value.

#### b. Ind AS mandatory exemptions

Ind AS 101 also allows first-time adopters certain mandatory exceptions to be applied for retrospective application of certain requirements under Ind AS for transition from previous GAAP:

##### (i) Classification and measurement of financial assets

Ind AS 101 requires an entity to classify and measure its financial asset into amortized cost, fair value through OCI or fair value through profit or loss based on the business model assessment or on solely payment of principal and interest (SPPI) criteria based on facts and circumstances that exist at the date of transition.

##### (ii) Estimates

Ind AS 101 prohibits the use of hindsight to correct estimates made under previous GAAP unless there is objective evidence of error. It only allows to adjust the estimates made under previous GAAP when the basis of calculation does not comply with Ind AS. Upon an assessment of the estimates made under previous GAAP, the group has concluded that there was no necessity to revise such estimates under Ind AS, other than those required due to application of Ind AS.

##### (iii) De-recognition of financial assets and liabilities

Financial assets and liabilities de-recognized before transition date are not re-recognized under Ind AS.

## Notes to consolidated financial statements for the year ended March 31, 2018

(All amounts in Indian Rupees, unless otherwise stated)

### d. Notes to first time adoption

#### 1. Borrowing using effective interest rate

Under Previous GAAP, transaction costs incurred in connection with interest bearing loans and borrowings are amortized upfront and charged to the statement of profit or loss for the period. Under Ind AS, such expenditure is considered for calculating effective interest rate. The impact for the periods up-to the date of transition is adjusted with the retained earnings.

#### 2. Deferred Tax

Under Previous GAAP, deferred tax asset in respect of carry forward of unused tax losses and unused tax credits was recognized on virtual certainty of recoverability of the same. Under Ind AS, deferred tax asset in respect of carry forward of unused tax losses and unused tax credits is recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. Adoption of Ind AS has resulted in change in recognition and measurement of assets and liabilities, giving rise to origination or reversal of temporary differences, accordingly deferred tax is recognized in respect of those changes, wherever applicable.

#### 3. Other Financial Assets

Under Previous GAAP, interest free lease security deposits paid/received and interest free loans and advances to employee are reported at their transaction values. Under Ind AS, interest free security deposits, loans and advances are measured at fair value on initial recognition and at amortized cost on subsequent recognition. The difference between the transaction value and fair value of the lease deposit, employee loans and advances at initial recognition is treated as prepaid/advance rentals and prepaid employee cost respectively. The amount pertaining to the period put- the date of transition is recognized in retained earnings on a straight-line basis over the lease and loan term.

#### 4. Trade and Other Receivables

Under Ind AS, impairment allowance for receivables has been determined based on Expected Credit Loss Model (ECL) under which the company impaired its trade receivables as at transition date and adjusted against retained earnings. The impact for the year ended March 31, 2018 and March 31, 2017 has been recognized under Other Comprehensive Income.

#### 5. Remeasurement of post-employment benefit expenses

Under Ind AS remeasurement i.e., actuarial gains and losses and the return on plan assets, if any, excluding amount included in the net interest expenses on the net defined benefit liability are recognized in other comprehensive income instead of profit or loss. Under the previous GAAP these remeasurements were forming part of profit or loss for the year.

#### 6. Cash and cash equivalents

Under Ind AS, bank overdrafts which are repayable on demand and forming an integral part of an entity's cash management are included as a component of cash and cash equivalents for the purpose of Cash Flow Statement. However, for presentation purpose bank overdrafts are shown current liabilities in the balance sheet. Under previous GAAP, bank overdrafts were shown as part of financing activities and not considered as cash and cash equivalents.

For and on behalf of the Board of Directors of  
**CITY ONLINE SERVICES LIMITED**

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

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

Place: Hyderabad  
Date: May 30, 2018

**Kriti Singh**  
Company Secretary

**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 and in accordance.

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

**2. Significant Accounting Policies:**

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

**a) Statement of Compliance:**

The Group has adopted Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules 2015, read with section 133 of the Companies Act 2013, with effect from April 01, 2017.

The adoption was carried out in accordance with Ind AS 101 First-time Adoption of Indian Accounting Standards. Previous period comparatives in the consolidated financial statements have been restated to Ind AS, in accordance with Ind AS 101. The Group has presented a reconciliation from the presentation of financial statements under Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 ("Previous GAAP") to Ind AS of Shareholders' equity as at March 31, 2017 and April 01, 2016 and of the total comprehensive income for the year ended March 31, 2017.

**b) Basis of preparation:**

These consolidated financial statements are prepared in accordance with Ind AS under the historical cost convention on accrual basis except for certain financial instruments which are measured at fair value, the provisions of the Companies Act, 2013 (to the extent notified). The Ind AS are prescribed under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015.

Accounting policies have been consistently applied except where the change is required by an Ind AS or change results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or condition on the entity's financial position, performance or cash flow.

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 Indian Accounting Standard (Ind AS) 110 '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. The following subsidiaries have been considered for the purpose preparation of consolidated financial statements.

Name of the consolidating entities	Country of Incorporation	Percentage Holding/Interest (%)	
		As at March 31, 2018	As at March 31, 2017
City Online Digital Private Limited	India	100.00	100.00
City Online Media Private Limited	India	100.00	100.00

**c) Use of estimates and judgements:**

The preparation of the consolidated financial statements in conformity with Ind AS required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Difference between the actual results and estimates are recognized in the year in which results are known / materialized.

Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

**d) Current versus non-current classification:**

The Group presents assets and liabilities in the balance sheet based on current/non-current classification.

An asset is treated as current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realized within twelve months after the reporting period or,
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for atleast twelve months

after the reporting period.

All other assets are classified as non-current.

A liability is treated as current when:

- It is expected to be settled in the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period or,
- There is no unconditional right to defer the settlement of the liability for atleast twelve months after the reporting period.

All other liabilities are classified as non-current.

The operating cycle is the time between the acquisition of assets for processing and their realization in cash and cash equivalents. The Group has identified twelve months as its operating cycle.

**e) Property, plant and equipment:**

**i. Recognition and initial measurement:**

Property, plant and equipment are stated in the balance sheet at their carrying value being the cost of acquisition less accumulated depreciation. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group. All other repair and maintenance costs are recognized in statement of profit or loss as incurred.

**ii. Depreciation, estimated useful lives and residual value:**

Depreciation on property, plant and equipment is provided on straight line method, computed on the basis of useful lives as estimated by management which coincides with rates prescribed in Schedule II to the Companies Act, 2013.

The residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

**iii. De-recognition:**

An item of property, plant and equipment and any significant part initially recognized is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is de-recognized.

**iv. Transition to Ind AS:**

On transition to Ind AS, the Group has elected to continue with the carrying value of all its property, plant and equipment recognized as at April 01, 2016 measured as per the provisions of Previous GAAP and use that carrying value as the deemed cost of property, plant and equipment.

**f) Intangible Assets:**

**i. Recognition and initial measurement:**

Intangible assets (software) are stated in the balance sheet at their carrying value being the cost of acquisition less accumulated depreciation. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

**ii. Amortization and estimated useful lives:**

Amortization on intangible assets is provided on written down value method, computed on the basis of useful lives as estimated by management which coincides with rates prescribed in Schedule II to the Companies Act, 2013.

The residual values, useful lives and method of depreciation of are reviewed at each financial year end and adjusted prospectively, if appropriate.

**iii. Transition to Ind AS:**

On transition to Ind AS, the Group has elected to continue with the carrying value of all its intangible assets recognized as at April 01, 2016 measured as per the provisions of Previous GAAP and use that carrying value as the deemed cost of intangible assets.



**g) Impairment of assets:**

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired, based on internal or external factors. If any such indication exists, the Group estimates the recoverable amount of the asset or the cash generating unit. If such recoverable amount of the asset or cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed, and the asset is reflected at the recoverable amount.

Impairment losses previously recognized are accordingly reversed in the statement of profit and loss.

**h) Foreign Currency:****Functional and presentation currency**

The financial statements are presented in Indian Rupee ('INR') which is also the functional and presentation currency of the Company.

**Transactions and balances**

Foreign currency transactions are recorded in the functional currency, by applying to the exchange rate between the functional currency and the foreign currency at the date of the transaction.

Foreign currency monetary items are converted to functional currency using the closing rate. Non-monetary items denominated in a foreign currency which are carried at historical cost are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or any other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the statement of profit and loss in the year in which they arise.

**i) Revenue Recognition:**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment net of taxes or duties collected on behalf of the government.

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

Interest income is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. While calculating the effective interest rate, the company estimates the expected cash flows by considering all the contractual terms of the financial instruments but does not consider the expected credit losses.

**j) Leases:**

Where the lessor effectively retains all risk and benefits of ownership of the leased items, such leases are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis.

**k) Financial Instruments:****a. Financial Assets****Initial recognition and measurement**

The Group recognizes financial assets when it becomes a party to the contractual provisions of the instrument. All financial assets are recognized at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets that are not at fair value through profit or loss are added to the fair value on initial recognition. Transaction costs of financial assets carried at fair value through profit and loss are expensed in the statement of profit and loss. Regular way purchase and sale of financial assets are accounted for at trade date.

**Subsequent measurement**

Debt instruments at amortized cost – A 'debt instrument' is measured at the amortized cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method.

### **De-recognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of a similar financial asset) is primarily de-recognized when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset.

### **b. Financial Liabilities**

#### **Initial recognition and measurement**

The Group recognizes financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial liabilities are recognized at fair value on initial recognition. Transaction costs that are directly attributable to the issue of financial liabilities that are not at fair value through profit or loss are reduced from the fair value on initial recognition. Transaction costs that are directly attributable to the issue of financial liabilities at fair value through profit and loss are expensed in the statement of profit and loss.

#### **Subsequent measurement**

These liabilities include borrowings and deposits. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in the statement of profit and loss when the liabilities are de-recognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit and loss.

#### **De-recognition of financial liabilities**

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

### **c. Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group or the counterparty.

### **l) Borrowing costs:**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying asset are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

### **g) Inventories:**

Inventories are valued at the lower of cost and net realizable value. Cost includes purchase price excluding taxes those are subsequently recoverable by the company from the concerned authorities, freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. Cost of inventories is determined using the weighted average cost method.

### **h) Employee Benefits:**

#### **a. Short-term benefit plans**

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized and measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

#### **b. Defined contribution plans**

The Group pays provident fund contributions to publicly administered provident funds as per local regulations. The group has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognized as employee benefit expense when they are due. Prepaid contributions, if any, are recognized as an asset to the extent that cash refund or a reduction in the future payments are available.

**c. Defined benefit plans**

The company's gratuity plan is a defined benefit plan. The present value of gratuity obligation under such defined benefit plans is determined based on actuarial valuations carried out by an independent actuary using the Projected Unit Credit Method [PUCM], which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on government securities as at the balance sheet date, having maturity periods approximately to the terms of related obligations. Actuarial gains and losses are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur.

**i) Income Taxes:**

Tax expense recognized in statement of profit or loss comprises the sum of deferred tax and current tax except the ones recognized in other comprehensive income or directly inequity.

Calculation of current tax is based on tax rates and tax laws that have been enacted for the reporting period. Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Un-recognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity).

**j) Provisions, contingent liabilities and contingent assets:**

Provisions are recognized only when there is a present obligation, as a result of past events, and when a reliable estimate of the amount of obligation can be made at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. Provisions are discounted to their present values, where the time value of money is material.

Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Group or
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are neither recognized nor disclosed. However, when realization of income is virtually certain, related asset is recognized.

**k) Cash and cash equivalents:**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

**l) Cash flow statement:**

Cash flows are reported using the indirect method, whereby net profit/(loss) before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Group are segregated.

**m) Earnings per share:**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue.

For calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.



# 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]



CIN : **L72200TG1999PLC032114**  
Name of the company : **City Online Services Limited**  
Registered office : 701, 7<sup>th</sup> Floor, Aditya Trade Center, Ameerpet,  
Hyderabad, Telangana, 500038

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

1. Name: .....

Address: .....

E-mail Id: ..... Signature: .....

or failing him

2. Name: .....

Address: .....

E-mail Id: ..... Signature: .....

or failing him

3. Name: .....

Address: .....

E-mail Id: ..... Signature: .....

or failing him

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 19<sup>th</sup> Annual General Meeting of the Company, to be held on Friday, 28<sup>th</sup> of September, 2018 at 11.00 A.M. at 701, 7<sup>th</sup> Floor, Aditya Trade Centre, Ameerpet, Hyderabad – 500 038, Telangana and at any adjournment thereof in respect of such resolutions as are indicated below:

### Resolution No.

1. Approval of financial statements for the year ended 31.03.2018.
2. Appointment of Mrs. S. Naga Durga who retires by rotation and being eligible offers herself for re-appointment.

Signed this ..... day of..... 2018

Signature of shareholder

Signature of Proxy holder(s)

Affix  
Revenue  
Stamp

Note: 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.

## City Online Services Limited

CIN: **L72200TG1999PLC032114**

701, 7<sup>th</sup> Floor, Aditya Trade Center, Ameerpet, Hyderabad, Telangana, 500038

### ATTENDANCE SLIP

(Please present this slip at the Meeting venue)

I hereby record my presence at the 19<sup>th</sup> Annual General Meeting of the members of the company to be held on Friday, 28<sup>th</sup> of September, 2018 at 11.00 A.M. at 701, 7<sup>th</sup> Floor, Aditya Trade Centre, Ameerpet, Hyderabad – 500 038, Telangana and at any adjourned meeting thereof.

Shareholders/Proxy's Signature .....

Shareholders/Proxy's full name .....

(In block letters)

Folio No.: .....

Client ID .....

DP ID: .....

No. of shares held .....

**Note:**

Shareholders attending the meeting in person or by proxy are required to complete the attendance slip and hand it over at the entrance of the meeting hall.



# Book-Post



If undelivered, please return to :

**City Online Services Limited**

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

Ph : 040-66416882 / 66416886 / 38118514

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

CIN No. : L72200TG1999PLC032114