

**CITY ONLINE
SERVICES LIMITED**

**21st
ANNUAL REPORT
2019-20**

CITY ONLINE SERVICES LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS:

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

COMPANY SECRETARY AND COMPLIANCE OFFICER:

Mr. Naresh Swami

REGISTERED OFFICE:

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

STATUTORY AUDITORS:

M/s. Laxminivas & Co.
Chartered Accountants
Hyderabad.

INTERNAL AUDITORS:

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

SECRETARIAL AUDITORS:

Vivek Surana & Associates
Practicing Company Secretaries
Hyderabad.

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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

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 : NE158C01014
WEBSITE : www.cityonlines.com
INVESTOR E-MAIL ID : corp@cityonlines.com

CORPORATE IDENTITY NUMBER : L72200TG1999PLC032114

CITY ONLINE SERVICES LIMITED

NOTICE

Notice is hereby given that the 21st Annual General Meeting of the Shareholders of M/s. City Online Services Limited will be held on Monday the 28th day of September, 2020 at 11.00 a.m. through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Financial Statements (including the Consolidated Financial statements) of the company for the year ended 31st March, 2020 including the Audited Balance Sheet as at 31st March, 2020 and the statement of Profit and Loss for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a director in place of Ms. 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**

Sd/-

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

**Place: Hyderabad
Date: 05.09.2020**

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NOTES:

1. In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs (“MCA”) has vide its circular dated May 5, 2020 read with circulars dated April 8, 2020 and April 13, 2020 (collectively referred to as “MCA Circulars”) permitted the holding of the Annual General Meeting (“AGM”) through VC / OAVM, without the physical presence of the Members at a common venue. In compliance with the provisions of the Companies Act, 2013 (“Act”), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”) and MCA Circulars, the AGM of the Company is being held through VC / OAVM.
2. Pursuant to the provisions of the Act, a Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a Member of the Company. Since this AGM is being held pursuant to the MCA Circulars through VC / OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.
3. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 (as amended), and MCA Circulars dated April 08, 2020, April 13, 2020 and May 05, 2020 the Company is providing facility of remote e-voting to its Members in respect of the business to be transacted at the AGM. For this purpose, the Company has entered into an agreement with Central Depository Services (India) Limited (CDSL) for facilitating voting through electronic means, as the authorized e-Voting’s agency. The facility of casting votes by a member using remote e-voting as well as the e-voting system on the date of the AGM will be provided by CDSL.
4. The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available to at least 1000 members on first come first served basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.

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5. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of ascertaining the quorum under Section 103 of the Companies Act, 2013.
6. In line with the Ministry of Corporate Affairs (MCA) Circular No. 17/2020 dated April 13, 2020, the Notice calling the AGM has been uploaded on the website of the Company at www.cityonlines.com. The Notice can also be accessed from the website of the Stock Exchange i.e. BSE Limited at www.bseindia.com. The AGM Notice is also disseminated on the website of CDSL (agency for providing the Remote e-Voting facility and e-voting system during the AGM) i.e. www.evotingindia.com.
7. 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.
8. 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.
9. The Register of Members and Share Transfer Books of the Company will remain closed from 22.09.2020 to 28.09.2020 (both days inclusive) for the purpose of AGM.
10. Shareholders holding shares in physical form may write to the company/company's R&T agents for any change in their address; shareholders holding shares in electronic form may inform the same to their depository participants immediately, where applicable.
11. The Securities and Exchange Board of India has mandated submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in demat form are, therefore, requested to submit PAN details to the Depository Participants with whom they have demat accounts. Members holding shares in physical form can submit their PAN details to the Company/ Registrar and Share Transfer Agents (M/s. XL Softech Systems Ltd.)
12. In consonance with the company's sustainability initiatives and Regulation 36 of the SEBI (LODR) Regulations, 2015, the company is sharing all documents with shareholders in the electronic mode, wherever the same has been agreed to by the shareholders. Further 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

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documents with its shareholders through an electronic mode. Shareholders are requested to support this green initiative by registering/ updating their e-mail addresses for receiving electronic communications. 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 **M/s. XL Softech Systems Ltd.**, Share Transfer Agents of the Company for their doing the needful.

13. As per SEBI Notification No. SEBI/LAD-NRO/GN/2018/24 dated June 8, 2018 and further amendment vide Notification No. SEBI/LAD-NRO/GN/2018/49 dated November 30, 2018, w.e.f. April 1, 2019 the transfer of securities of listed companies shall not be processed unless the securities are held in the dematerialized form (Demat) with a depository. Hence, the members of the company are requested to dematerialize their shareholding to avail the benefits of dematerialization. Only the requests for transmission and transposition of securities in physical form, will be accepted by the RTA.
14. 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.
15. 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 transmission /transposition, Demat / Remat, change of address, issue of duplicate shares certificates, ECS and nomination facility.
16. 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.
17. In compliance with the aforesaid MCA Circulars and SEBI Circular dated May 12, 2020, Notice of the AGM along with the Annual Report 2019-20 is being sent only through electronic mode to those Members whose e-mail addresses are registered with the Company/Depositories.
18. Since the AGM will be held through VC / OAVM, the Route Map is not annexed in this Notice.
19. Instructions for e-voting and joining the AGM are as follows:

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A. THE INSTRUCTIONS FOR SHAREHOLDERS FOR REMOTE E-VOTING ARE AS UNDER:

- I. In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by Central Depository Services (India) Limited (CDSL) on all the resolutions set forth in this Notice. The instructions for e-voting are given herein below.
- II. The remote e-voting period commences on 25th day of September, 2020 (9:00 a.m. IST) and ends on 27th day of September, 2020 (5:00 p.m. IST). During this period, Members holding shares either in physical form or in dematerialized form, as on 21st day of September, 2020 i.e. cut-off date, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Those Members, who will be present in the AGM through VC / OAVM facility and have not cast their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through e-voting system during the AGM.
- III. The Members who have cast their vote by remote e-voting prior to the AGM may also attend/participate in the AGM through VC / OAVM but shall not be entitled to cast their vote again. The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
- IV. The voting rights of Members shall be in proportion to their shares in the paid-up equity share capital of the Company as on the cut-off date.
- V. The details of the process and manner for remote e-voting are explained herein below:
 - (i) The shareholders should log on to the e-voting website www.evotingindia.com.
 - (ii) Click on Shareholders tab.
 - (iii) 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,

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- c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (iv) Next enter the Image Verification as displayed and Click on Login.
- (v) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vi) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form	
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">• 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.• 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.
Date of Birth (DOB)	<p>Enter the 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">• If the details are not recorded with the depository or company please enter the member id / folio number as mentioned in instruction (iii).

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

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- (ix) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (x) Click on the EVSN for the relevant <Company Name> on which you choose to vote.
- (xi) 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.
- (xii) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (xiii) 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.
- (xiv) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xv) You can also take a print of the votes cast by clicking on “Click here to print” option on the Voting page.
- (xvi) If a demat account holder has forgotten the changed password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xvii) 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, Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile.

B. INSTRUCTIONS FOR SHAREHOLDERS FOR E-VOTING DURING THE AGM ARE AS UNDER:

- (i) The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for Remote e-voting.
- (ii) Only those shareholders, who are present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system available during the AGM.

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- (iii) If any Votes are cast by the shareholders through the e-voting available during the AGM and if the same shareholders have not participated in the meeting through VC/OAVM facility, then the votes cast by such shareholders shall be considered invalid as the facility of e-voting during the meeting is available only to the shareholders attending the meeting.

C. NOTE FOR NON – INDIVIDUAL SHAREHOLDERS AND CUSTODIANS:

- (i) Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
- (ii) A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- (iii) 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.
- (iv) The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- (v) 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.
- (vi) Alternatively Non Individual shareholders are required to send the relevant Board Resolution/Authority letter etc. together with attested specimen signature of the duly authorized signatory who are authorized to vote, to the Scrutinizer at the e-mail address viveksurana24@gmail.com and to the Company at the e-mail address viz; corp@cityonlines.com, if they have voted from individual tab & not uploaded same in the CDSL e-voting system for the scrutinizer to verify the same.

D. PROCESS FOR THOSE SHAREHOLDERS WHOSE E-MAIL ADDRESSES ARE NOT REGISTERED WITH THE DEPOSITORIES FOR OBTAINING LOGIN CREDENTIALS FOR E-VOTING:

- (i) For Physical shareholders please provide necessary details like Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), AADHAR

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(self-attested scanned copy of Aadhar Card) by e-mail to Company/RTA email id.

- (ii) For Demat shareholders, please provide Demat account details (CDSL-16 digit beneficiary ID or NSDL-16 digit DPID + CLID), Name, client master or copy of Consolidated Account statement, PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) to Company/RTA e-mail id.
- (iii) The company/RTA shall co-ordinate with CDSL and provide the login credentials to the above mentioned shareholders.

E. INSTRUCTIONS FOR SHAREHOLDERS ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:

- (i) Shareholder will be provided with a facility to attend the EGM/AGM through VC/OAVM through the CDSL e-Voting system. Shareholders may access the same at <https://www.evotingindia.com> under shareholders/members login by using the remote e-voting credentials. The link for VC/OAVM will be available in shareholder/members login where the EVSN of Company will be displayed.
- (ii) Shareholders are encouraged to join the Meeting through Laptops / IPads for better experience.
- (iii) Further shareholders will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
- (iv) Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
- (v) Shareholders who would like to express their views/ask questions during the meeting may register themselves as a speaker by sending their request in advance at least 5 days prior to meeting mentioning their name, demat account number/folio number, e-mail id, mobile number at company e-mail id viz; corp@cityonlines.com. The shareholders who do not wish to speak during the AGM but have queries may send their queries in advance 5 days prior to meeting mentioning their name, demat account number/folio number, email id, mobile number at (company e-mail id). These queries will be replied to by the company suitably by e-mail.

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- (vi) Those shareholders who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting.
20. 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, under help section or write an email to helpdesk.evoting@cdslindia.com or call 1800225533.

All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Manager, (CDSL) Central Depository Services (India) Limited, A Wing, 25th Floor, Marathon Futorex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013 or send an e-mail to helpdesk.evoting@cdslindia.com or call 1800225533.

21. Mr. Vivek Surana, Practicing Company Secretary, bearing C.P. Number 12901 has been appointed as the Scrutinizer to scrutinize the e-voting process. The Scrutinizer shall, immediately after the conclusion of voting at the AGM, first count the votes cast during the AGM, thereafter unblock the votes cast through remote e-voting and make, not later than 48 hours of conclusion of the AGM, a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, to the Chairman or a person authorised by him in writing, who shall countersign the same.
22. The Results declared along with the Scrutinizer's Report shall be placed on the Company's website www.cityonlines.com and on the website of CDSL within two(2) days of passing of the resolutions at the AGM of the Company and communicated BSE Limited.

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

Sd/-

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

Place: Hyderabad

Date: 05.09.2020

CITY ONLINE SERVICES LIMITED

DIRECTOR'S REPORT

To
The Members,

The Director's have pleasure in presenting before you the 21st Director's Report of the Company together with the Audited Statements of Accounts for the year ended 31st March, 2020.

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

The performance during the period ended 31st March, 2020 has been as under:

(Rs. In Lakhs)

(Rs. In Lakhs)

Consolidated		Particular	Standalone	
2019-20	2018-19		2019-20	2018-19
1,248.67	1,406.84	Total Revenue	1,226.12	1,358.25
1,447.87	1,455.84	Total Expenditure	1,432.67	1,400.84
(199.20)	(49.00)	Profit/ Loss Before Tax	(206.55)	(42.59)
(94.55)	41.64	Provision for Tax	(94.95)	41.07
(104.64)	(90.64)	Profit/Loss after Tax	(111.60)	(83.66)
(104.64)	(90.64)	Balance Carried to Balance Sheet	(111.60)	(83.66)

During the year under review, the company has achieved total revenue of Rs.1,226.12 Lakhs and net profit/loss of Rs. (111.60) Lakhs as compared to total revenue of Rs. 1,358.25 Lakhs and net profit/loss of Rs. (83.66) Lakhs achieved in the previous financial year.

During the year under review, the company on consolidated basis has achieved total revenue of Rs. 1,248.67 Lakhs and net profit/loss of Rs. (104.64) Lakhs as compared to total revenue of Rs. 1,406.84 Lakhs and net profit/loss of Rs. (90.64) Lakhs achieved in the previous financial year.

2. MATERIAL CHANGES AND COMMITMENTS:

There were no material changes and commitments affecting financial position of the company between 31st March and the date of Board's

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Report. . (i.e. 31.07.2020)

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. SHARE CAPITAL:

There is no change in the share capital of the Company.

7. BOARD MEETINGS:

The Board of Directors duly met 5 (five) times on 24.04.2019, 30.05.2019, 14.08.2019, 13.11.2019 and 11.02.2020 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.

Meetings held and attended:

Name of the Director	Number of Board Meetings	
	Held	Attended
S. Raghava Rao	5	5
M. Nageswara Rao	5	5
Thomos P. Nicodemus	5	5
V. Satyanarayana	5	5
S. Naga Durga	5	5
Ch. Harinath	5	5
R. Krishna Mohan	5	5

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8. INVESTOR EDUCATION AND PROVIDENT FUND:

The Company was not required to transfer any amount to Investor Education and Provident Fund.

9. 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.

10. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Management Discussion and Analysis Report is appended to this Report.

11. 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:-

Name of the Director	S. Naga Durga
Director Identification No	06697556
Date of Birth	01/02/1964
Date of appointment	29/09/2014
Occupation	Business
Qualification	Intermediate
Profile	She has rich experience in administration and HR activities
Relationship between directors inter-se	Wife of Mr. S. Raghava Rao
Nature of expertise in specific functional area	Administration
Directorship in other Listed Entities	Nil
Membership of Committees of other Listed Companies	Nil
Shareholding in the Company	40,000

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During the year under review Mr. Naresh Swami was appointed as the Company Secretary and Compliance Officer of the Company w.e.f. 17.08.2019 and Mr. Sanchit Chaturvedi has resigned as Company Secretary and Compliance Officer of the Company w.e.f. 24.04.2019 due to his personal commitments.

12. FAMILIARISATION PROGRAMMES:

Independent Directors are familiarized about the Company's operations and businesses. Interaction with the Business heads and key executives of the Company is also facilitated. Detailed presentations on important policies of the Company is also made to the directors. Direct meetings with the Chairman is further facilitated to familiarize the incumbent Director about the Company/its businesses and the group practices.

The details of familiarisation programme held in FY 2019-20 are also disclosed on the Company's website at www.cityonlines.com.

13. AUDIT COMMITTEE:

A. BRIEF DESCRIPTION OF TERMS OF REFERENCE:

The terms of reference of the Audit Committee encompasses the requirements of Section 177 of Companies Act, 2013 and as per Regulation 18 of SEBI (LODR) Regulations, 2015 and, interalia, includes:

1. Overview of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement reflects a true and fair position and that sufficient and credible information is disclosed.
2. Recommending the appointment and removal of statutory auditors, internal auditors and cost auditors, fixation of their audit fees and approval for payment of any other services.
3. 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.
4. Reviewing the financial statement and draft audit report, including quarterly/half - yearly financial information.
5. Reviewing with the management the annual financial statements before submission to the Board, focusing primarily on:
 - i. Any changes in accounting policies and practices.

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- ii. Major accounting entries based on excises of judgment by the management.
 - iii. Qualifications in draft audit report.
 - iv. Significant adjustment arises out of audit.
 - v. The going concern assumption.
 - vi. Compliance with accounting standards, stock exchange and legal requirement concerning financial statements.
 - vii. Review and approval of related party transactions.
6. Reviewing the company's financial and risk management policies.
 7. Disclosure of contingent liabilities.
 8. Reviewing with management, external and internal auditors, the adequacy of internal control systems.
 9. 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.
 10. Discussion with internal auditors of any significant findings and follow-up thereon.
 11. 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.
 12. 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.
 13. Reviewing compliances as regards the Company's Whistle Blower Policy.

B. COMPOSITION, MEETINGS & ATTENDANCE:

There were four (4) Audit Committee Meetings held during the year on 30.05.2019, 14.08.2019, 13.11.2019 and 11.02.2020.

CITY ONLINE SERVICES LIMITED

Name	Designation	Category	Number of meetings during the year 2019-2020	
			Held	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

- C. The previous Annual General Meeting of the Company was held on 28.09.2019 and Chairman of the Audit Committee, attended previous AGM.

14. NOMINATION AND REMUNERATION COMMITTEE:

The terms of reference of the Nomination and Remuneration committee constituted in terms of Section 178 of Companies Act, 2013 and as per Regulation 19 of SEBI (LODR) Regulations, 2015 are as under:

A. BRIEF DESCRIPTION OF TERMS OF REFERENCE:

- To approve the fixation/revision of remuneration of Executive Directors of the Company and while approving:
 - a. To take into account the financial position of the Company, trend in the industry, appointee's qualification, experience, past performance, past remuneration etc.
 - b. To bring out objectivity in determining the remuneration package while striking balance between the interest of the Company and the Shareholders.
- To identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and to recommend to the Board their appointment and /or removal.
- To carry out evaluation of every Director's performance.
- To formulate the criteria for determining qualifications, positive attributes and independence of a Director, and recommend to the Board a policy, relating to the remuneration for the Directors, key managerial personnel and other employees.

CITY ONLINE SERVICES LIMITED

- To formulate the criteria for evaluation of Independent Directors and the Board.
- To recommend/review remuneration of the Managing Director and Whole-time Director(s) based on their performance and defined assessment criteria.
- Recommend to the board, all remuneration, in whatever form, payable to senior management.

B. COMPOSITION OF THE COMMITTEE, MEETINGS & ATTENDANCE:

There was one Nomination and Remuneration Committee Meetings held during the financial year on 13.02.2020

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

NED (I): Non-Executive, Independent Director

NED: Non-Executive Director

C. 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.

None of the Directors is drawing any Commission, Perquisites, Retirement benefits etc.,

POLICY FOR SELECTION OF DIRECTORS AND DETERMINING DIRECTORS' INDEPENDENCE:

CITY ONLINE SERVICES LIMITED

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.
- 2.2 **“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:

3.1 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.

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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.

An independent Director in relation to a Company, means a Director other than a managing Director or a whole-time Director or a nominee Director:-

- a) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
- b) (i) who is or was not a promoters of the Company or its holding, subsidiary or associate Company;

CITY ONLINE SERVICES LIMITED

- (ii) who is not related to promoters or Directors of the Company its holding, subsidiary or associate Company;
- c) who has or had no pecuniary relationship with the Company, its holding, subsidiary or associate Company, or their promoters, or Director, during the two immediately preceding financial year or during the current financial year;
- d) none of whose relative has or had pecuniary relationship or transaction with the Company, its holding, subsidiary or associate Company, or their promoters, or Directors, amounting to two per cent or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial year or during the current financial year;
- e) who, neither himself nor any of his relative:-
 - (i) Holds or has held the position of a key managerial personnel or is or has been employee of the or associate Company in any of the three financial years immediately preceding the finance year in which he is proposed to be appointed;
 - (ii) Is or has been an employee or proprietor or a partner, in any of the three finance year immediately preceding the financial year in which he is proposed to be appointed of-
- (A) a firm of auditors or Company secretaries in practice or cost auditors of the Company or its holding, subsidiary or associate Company; or
- (B) any legal or a consulting firm that has or had any transaction with the Company, its holding subsidiary or associate Company amounting to ten per cent or more of the gross turnover of more of the gross turnover of such firm;
 - (i) holds together with his relatives two per cent or more of the total voting power of the Company; or
 - (ii) is a chief Executive or Director, by whatever name called, of any non-profit organization that receives twenty-five per cent or more of its receipt from the Company any of its promoters, Directors or its holding subsidiary or associate Company or that holds two per cent or more of the total voting power of the Company; or
 - (iii) is a material supplier, service provider or customer or a lesser or lessee of the Company.

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- f) Shall possess appropriate skills experience and knowledge in one or more field of finance, law management, sales, marketing administration, research, corporate governance, technical operations, corporate social responsibility or this disciplines related to the Company's business.
- g) Shall possess such other qualifications as may be prescribed from time to time, under the Companies Act, 2013.
- h) who is not less than 21 years of age.

3.2.3 The Independent Director shall abide by the "Code for Independent Directors" as specified in Schedule IV to the companies Act, 2013.

3.3 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.

REMUNERATION POLICY FOR DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES:

CITY ONLINE SERVICES LIMITED

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 Officer 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:

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- (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.

15. STAKEHOLDERS RELATIONSHIP COMMITTEE:

There were four (4) Stakeholders Relationship Committee Meetings held during the year on 30.05.2019, 14.08.2019, 13.11.2019 and 11.02.2020.

A. COMPOSITION AND ATTENDANCE FOR MEETINGS:

The Details of composition of the Committee are given below:

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

NED (I): Non-Executive, Independent Director

NED: Non-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.

16. VIGIL MECHANISM/WHISTLE BLOWER POLICY:

In pursuant to the provisions of Section 177(9) & (10) of the Companies Act, 2013, a vigil Mechanism for Directors and employees to report genuine concerns has been established. It also provides for necessary safeguards for protection against victimization for whistle blowing in good faith.

Vigil Mechanism Policy has been established by the Company for directors and employees to report genuine concerns pursuant to the

CITY ONLINE SERVICES LIMITED

provisions of section 177(9) & (10) of the Companies Act, 2013. The same has been placed on the website of the Company.

17. 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.

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

As on 31st March, 2020 the Company has a wholly owned subsidiary Companies namely M/s. City Online Digital Private Limited and M/s. City Online Media Private Limited. The Financial performance of the subsidiary company is mentioned in Form AOC-1 in accordance with Section 129(3) of the Companies Act, 2013 which is annexed to this report.

Further, audited financial statements together with related information and other reports of each of the subsidiary companies, have also been placed on the website of the Company at www.cityonlines.com.

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

During the year neither any Company became its subsidiary nor ceased to be its subsidiary.

20. 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.

21. 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. Laxminivas & Co., as Statutory Auditors of the company for a period of 5 years in the AGM held on 28.09.2019 to hold office up to the conclusion of 25th Annual General Meeting of the company.

22. 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).

23. 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.

24. 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, 2020 and has noted that the statutory auditors have qualified their report for the following:

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- “Loans & Advances” in the Balance Sheet are carried at a cost of Rs. 82.68 Lakhs. A party having a loan outstanding of 48.36 Lakhs carries negative net worth and recovery of the same is unascertainable. However, no provision has been made in the books of accounts. Had the company created a provision of Rs. 48.36 Lakhs, the results of the operations of the company for the current financial year would have resulted in a loss of Rs. 254.91 Lakhs and the amount under “Loans & Advances” under current assets would be lower by Rs. 48.36 Lakhs.

The Board has noted the same and is confident of recovering the said amount.

(b) Secretarial Audit Report:

The Board has duly reviewed the Secretarial Audit Report for the year ended March 31, 2020 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.

25. 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

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26. RISK MANAGEMENT POLICY:

The Company as formulated a Risk Management Policy under which various risks associated with the business operations is identified and risk mitigation plans have been put in place.

27. CODE OF CONDUCT FOR THE PREVENTION OF INSIDER TRADING:

The Board of Directors has adopted the Insider Trading Policy in accordance with the requirements of the SEBI (Prohibition of Insider Trading) Regulation, 2015 and the applicable US Securities laws. The Insider Trading Policy of the Company lays down guidelines and procedures to be followed, and disclosures to be made while dealing with shares of the Company, as well as the consequences of violation. The policy has been formulated to regulate, monitor and ensure reporting of deals by employees and to maintain the highest ethical standards of dealing in Company securities.

The Insider Trading Policy of the Company covering code of practices and procedures for fair disclosure of unpublished price sensitive information and code of conduct for the prevention of insider trading, is available on our website www.cityonlines.com.

28. 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.

29. 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.

30. 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

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environment. The internal audit function is adequately resourced commensurate with the operations of the Company and reports to the Audit Committee of the Board.

31. INSURANCE:

The properties and assets of your Company are adequately insured.

32. 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.

33. CREDIT & GUARANTEE FACILITIES:

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

34. 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.

35. RELATED PARTY TRANSACTIONS:

All related party transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of business. There were no material significant related party transactions made by the Company with the Promoters, Directors, Key Managerial Personnel or the Senior Management which may have a potential conflict with the interest of the Company at large.

All related party transactions were placed before the Audit Committee/Board for approval. Prior approval of the Audit Committee was obtained for the transactions which are foreseen and are in repetitive in nature.

The Company has not entered into any contracts/arrangements with related parties referred to Section 188(1) of the Companies Act, 2013 including certain arm length transaction during the year. Accordingly no disclosure or reporting is required covered under this Section.

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36. DISCLOSURE ABOUT COST AUDIT:

Cost Audit is not applicable to your Company.

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

A table containing the particulars in accordance with the provisions of Section 197(12) of the Act, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed to this Annual Report as annexure.

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.

During the year 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 specified under the Section 197(12) of the Companies Act, 2013 read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

38. 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 7.75:1 and of Mr. R. Krishna Mohan, Whole-Time director & CFO and Mr. Ch. Harinath, Wholetime Director of the Company is 7.5:1.

39. 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.

40. SECRETARIAL STANDARDS:

The Company is in compliance with the applicable secretarial standards.

CITY ONLINE SERVICES LIMITED

41. MECHANISM FOR EVALUATION OF THE BOARD:

Evaluation of all Board members is performed on an annual basis. The evaluation is performed by the Board, Nomination and Remuneration Committee and Independent Directors with specific focus on the performance and effective functioning of the Board and Individual Directors.

In line with Securities and Exchange Board of India Circular No. SEBI/HO/CFD/CMD/CIR/P/2017/004, dated January 5, 2017 and the Companies Amendment Act, 2017 the Company adopted the recommended criteria by Securities and Exchange Board of India.

The Directors were given six Forms for evaluation of the following:

- (i) Evaluation of Board;
- (ii) Evaluation of Committees of the Board;
- (iii) Evaluation of Independent Directors;
- (iv) Evaluation of Chairperson;
- (v) Evaluation of Non-Executive and Non-Independent Directors; and
- (vi) Evaluation of Managing Director.

The Directors were requested to give following ratings for each criteria:

- 1. Could do more to meet expectations;
- 2. Meets expectations; and
- 3. Exceeds expectations.

The Directors have sent the duly filled forms to Nomination & Remuneration committee. Based on the evaluation done by the Directors, the Committee has prepared a report and submitted the Evaluation Report. Based on the report, the Board of Directors has informed the rankings to each Director and also informed that the performance of Directors is satisfactory and they are recommended for continuation as Directors of the Company.

42. ENVIRONMENTS AND HUMAN RESOURCE DEVELOPMENT:

Your Company always believes in keeping the environment pollution free and is fully committed to its social responsibility. The Company has been taking utmost care in complying with all pollution control measures from time to time strictly as per the directions of the Government.

CITY ONLINE SERVICES LIMITED

We would like to place on record our appreciation for the efforts made by the management and the keen interest shown by the Employees of your Company in this regard.

43. 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.

44. STATUTORY COMPLIANCE:

The Company has complied with the required provisions relating to statutory compliance with regard to the affairs of the Company in all respects.

45. 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.

Committee:

Name	Designation
A. Vijaya Laxmi	Presiding Officer
G. Renuka	Member
A.B. Ramanaiah	Member
D. Joji	External Member

All employees are covered under this policy. During the year 2019-20, there were no complaints received by the Committee.

46. CEO/CFO CERTIFICATION:

The Managing Director cum CEO and CFO certification of the financial statements for the year 2019-2020 is annexed in this Annual Report.

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47. ANNUAL SECRETARIAL COMPLIANCE REPORT:

Annual Secretarial Compliance Report pursuant to Regulation 24A of SEBI (Listing Obligations and Disclosure Requirement) (Amendment) Regulations, 2018 read with SEBI Circular dated 08.02.2019 and BSE circular dated 09.05.2019 and 14.05.2019 is not applicable to the Company as it does not attract the provisions of Regulation 15(2) of SEBI (LODR) Regulations, 2015 on Corporate Governance since paid up equity share capital as on 31.03.2020 is not exceeding Rs. 10 Crores and the net worth of the Company has not exceeded Rs. 25 Crores on the last day of previous financial year (i.e. 31.03.2020) or during the financial year (2019-20).

In view of the above, our Company is not required to submit Annual Secretarial Compliance Report for the year ended 31.03.2020 to the Stock Exchange/s pursuant to Regulation 24A of SEBI (Listing Obligations and Disclosure Requirement) (Amendment) Regulations, 2018.

48. IMPACT OF COVID-19:

The Company basis its assessment believes that the probability of the occurrence of forecasted transactions is not impacted by COVID-19. The Company has also considered the effect of changes, if any, in both counterparty credit risk and own credit risk while assessing hedge effectiveness and measuring hedge ineffectiveness and continues to believe that there is no impact on effectiveness of its hedges.

49. 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
For City Online Services Limited**

Sd/-

S. Raghava Rao

**Chairman & Managing Director
(DIN: 01441612)**

Sd/-

R. Krishna Mohan

**Whole-Time Director & CFO
(DIN: 01678152)**

**Place: Hyderabad
Date: 31.07.2020**

CITY ONLINE SERVICES LIMITED

Certificate of Code of Conduct for the year 2019-20

The shareholders

City Online Services Limited

The Company has formulated and implemented a Code of Conduct for Board Members and Senior Management of the Company. Requisite annual affirmations of compliance with the respective Codes have been made by the Directors and Senior Management of the Company.

Certificate of Code of Conduct for the year 2019-2020 as per Regulation 17(5) read with Regulation 34 (3) Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

City Online Services Limited is committed for conducting its business in accordance with the applicable laws, rules and regulations and with highest standards of business ethics. The Company has adopted a "Code of Ethics and Business Conduct" which is applicable to all Director, officers and employees.

I hereby certify that all the Board Members and Senior Management have affirmed the compliance with the Code of Ethics and Business Conduct, under a certificate of Code of Conduct for the year 2019-2020.

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

Sd/-

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

Place: Hyderabad

Date: 31.07.2020

CITY ONLINE SERVICES LIMITED

CERTIFICATE BY THE MANAGING DIRECTOR AND CFO OF THE COMPANY

To
The Board of Directors

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, 2020 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
For City Online Services Limited

Sd/-

S. Raghava Rao

Chairman & Managing Director
(DIN: 01441612)

Sd/-

R. Krishna Mohan

Whole-Time Director & CFO
(DIN: 01678152)

Place: Hyderabad
Date: 31.07.2020

CITY ONLINE SERVICES LIMITED

Management Discussion and Analysis Report:

(1)

(a) Industry structure and developments:

Companies in the Internet Industry operate in a highly competitive environment, subject to rapid technological change. Barriers to entry vary, depending upon the particular markets served. Internet companies operate on the global stage and results often depend upon the performance of overseas markets and currency exchange rates. Moreover, weakness in the retail economy or lower online advertising expenditures can hinder the performance of many participants. Still, long-term prospects for the industry are fairly encouraging. Trends such as increasing worldwide Internet usage, overseas expansion, and the continued popularity of online advertising ought to further benefit companies in this industry. As a result, many industry participants seem well-positioned in attractive markets. 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.

Given the dynamic nature of the Internet industry, companies must innovate to remain competitive. This can simply mean offering customers new products and services. However, industry participants must also position themselves to benefit from technological developments, and the creation or expansion of markets. For example, in the search engine arena, prospects appear bright in the mobile and video markets. The continued introduction of new applications in these areas appears likely.

(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

CITY ONLINE SERVICES LIMITED

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.

The Company is also exploring the business opportunity in IP TV services along with internet which supports mobiles, iPads and Setup Boxes.

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

During the year under review, the Company has recorded revenue of Rs. 12,26,11,587 and made a loss of Rs. 1,11,60,309 against revenue of Rs. 13,58,24,674 and a loss of Rs. 83,65,912 in the previous financial year 2018-19.

(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 an Industrial Undertaking 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

CITY ONLINE SERVICES LIMITED

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. 12,26,11,587 and made a loss of Rs. 1,11,60,309 against revenue of Rs. 13,58,24,674 and a loss of Rs. 83,65,912 in the previous financial year 2018-19.

(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. The Company has 55 employees as on 31.03.2020.

(i) Details of significant changes (i.e. change of 25% or more as compared to the immediately previous financial year) in key financial ratios along with detailed explanations thereof :

a.) Debtors Turnover: 3.66

b.) Inventory Turnover: NA

c.) Interest Coverage Ratio: (10.16)

d.) Current Ratio: 0.88

e.) Debt Equity Ratio:1.50

f.) Operating Profit Margin (%): (0.23)

g.) Net Profit Margin (%): (0.10)

h.) Sector-specific equivalent ratios, as applicable: N.A.

(i) Details of any change in return on net worth as compared to the immediately previous financial year along with a detailed explanation

CITY ONLINE SERVICES LIMITED

thereof: Return on net worth for the year 2019-20 – (0.69) and 2018-19 (0.30). The change is due to decrease in revenue and net profits.

(2) Disclosure of Accounting Treatment:

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

(3) Cautionary Statement:

Statements in this Management Discussion and Analysis Report may be “forward looking statements” within the meaning of applicable securities laws and regulations. These statements are based on certain assumption and expectations of future events. Actual results could differ materially from those expressed or implied. Important facts that could make a difference at the Company's operations include economic conditions affecting domestic demand and supply conditions, finished goods prices, changes in government regulations and tax regime etc. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements on the basis of subsequent developments, information or events.

CITY ONLINE SERVICES LIMITED

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 31st March, 2020

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 1st April, 2019 and ended 31st March, 2020, 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 31st of March, 2020 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;

CITY ONLINE SERVICES LIMITED

- (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 2019-20 :-
- 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.**

CITY ONLINE SERVICES LIMITED

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 with respect to board and general meetings.

We have relied on representation made by the Company and its Officer for due adherence of the applicable Secretarial Standards.

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

We have relied on the representation made by the Company and its officer for systems and mechanism framed by the Company for compliance under the applicable Acts, Laws and Regulation to the Company.

- a) 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

CITY ONLINE SERVICES LIMITED

- (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.
- (iii) 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. There was no change in the composition of the Board of Directors during the period under review were carried out in compliance with the provisions of the Act.
- 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.

CITY ONLINE SERVICES LIMITED

- The compliance by the Company of applicable financial laws like Direct and Indirect tax laws has not been reviewed thoroughly in this audit since the same have been subject to review by statutory financial audit and other designated professionals.
- 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**

**M.No: A24531, C.P. No: 12901
UDIN: A024531B000523810**

**Place: Hyderabad
Date: 29.07.2020**

CITY ONLINE SERVICES LIMITED

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

**Sd/-
Vivek Surana
Proprietor**

**Place: Hyderabad
Date: 29.07.2020**

**M.No: A24531, C.P. No: 12901
UDIN: A024531B000523810**

CITY ONLINE SERVICES LIMITED

REMUNERATION DETAILS PURSUANT TO SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5 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. Raghava Rao, Chairman & Managing Director of the Company to the median remuneration of the employees is 7.75: 1 and of Mr. R. Krishna Mohan, Whole-Time director & CFO and Mr. Ch. Harinath, Wholetime Director of the Company is 7.5:1.
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.	NA
3.	The percentage increase in the median remuneration of employees in the financial year.	4.85%
4.	The number of employees on the rolls of the company.	59
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.	4.85%. 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

7. Details of TOP 10 Employees

S. No	Name	Age	Designation	Remuneration per annum (in Rs.)	Qualification and Experience	Date of commencement of Employment.	Last employment	No. of equity shares held in the company	Relation with any director of the Company
1.	S. Raghava Rao	61	Managing Director	18,60,000/-	B. Tech	20/07/1999	N/A	684500	Nil
2.	R. Krishna Mohan	61	Wholetime Director & CFO	18,00,000/-	B. Tech	01/09/2001	N/A	153000	Nil
3.	Ch. Harinath	55	Executive Director	18,00,000/-	B.E, PGDCS, PGDIM	16/07/1999	N/A	201750	Nil
4.	S Jagan Mohan Rao Suryadevara	52	Branch Manager	10,80,000/-	Diploma in Electronics	01/06/2000	N/A	Nil	Nil
5.	Raishekar P	56	Marketing Manager	7,56,000/-	Graduation	05/03/2015	N/A	Nil	Nil
6.	Girish Kumar U.J	39	Network Manager	5,88,000/-	MCA	01/04/2006	N/A	Nil	Nil
7.	Yella Bhaskar	40	Network Manager	7,45,752/-	P. Graduation	13/03/2007	N/A	Nil	Nil
8.	Hanuman Kumar	37	Network Manager	5,90,388/-	Graduation	08/04/2007	N/A	Nil	Nil
9.	Chanakya	32	Network Manager	5,90,388/-	B. Tech	02/09/2009	N/A	Nil	Nil
10.	P.A. Naidu	42	Branch Manager	5,06,448/-	SSC	01/04/2004	N/A	Nil	Nil

* All the above are permanent employees of the Company

CITY ONLINE SERVICES LIMITED

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:
- (b) Nature of contracts/arrangements/transactions:
- (c) Duration of the contracts / arrangements/transactions:
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any
- (e) Justification for entering into such contracts or arrangements or transactions
- (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, if any:

- (a) Name(s) of the related party and nature of relationship:
- (b) Nature of contracts/arrangements/transactions:
- (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: 24.04.2019
- (f) Amount paid as advances, if any:

For point No. 2 (a), (b), (c), (d) and (f) please refer note no. 34 of financial statements attached to this report.

CITY ONLINE SERVICES LIMITED

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)

- Name of the Subsidiaries: **City Online Digital Private Limited**
City Online Media Private Limited
- Reporting Period: 01.04.2019 to 31.03.2020
- Reporting Currency: Indian Rupee

S.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	-44,88,089	85,699
3.	Total Assets	33,17,706	27,33,466
4.	Total Liabilities	33,17,706	27,33,466
5.	Investments	0	0
6.	Turnover (Income)	21,49,695	10,20,861
7.	Profit / loss before Taxation	-12,657	7,47,833
8.	Provision for Taxation	16,012	23,224
9.	Profit / loss after Taxation	-28,669	7,24,609
10.	Proposed Dividend	NIL	NIL
11.	% of Shareholding	100	100

CITY ONLINE SERVICES LIMITED

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

As per our report on even date
For Laxminivas & Co.

Chartered Accountants
Firm Registration Number: 011168S

Guharoy Ashish Kumar
Partner
M. No. 018659

Place: Hyderabad
Date: 31.07.2020

For and on behalf of the Board of Directors of,
City Online Services Limited

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

Sd/-
R. Krishna Mohan
Executive Director cum CFO
(DIN: 01678152)

Sd/-
Mr. Naresh Swami
Company Secretary

CITY ONLINE SERVICES LIMITED

MGT 9

Extract of Annual Return

As on the Financial Year 31.03.2020

[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	City Online Services Limited			
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 th 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	M/s. XL Softech Systems Limited, 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	

CITY ONLINE SERVICES LIMITED

	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
Individual/ HUF	732200	29500	761700	14.75	732200	29500	761700	14.75	0.00
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
Sub-total (A) (1) :-	732200	29500	761700	14.75	732200	29500	761700	14.75	0.00
(2) Foreign									
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
Sub-total(A) (2):-	0	0	0	0	0	0	0	0	0
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	732200	29500	761700	14.75	732200	29500	761700	14.75	0.00
B. Public Shareholding									
1.Institutions									
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) FIIIs	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
Sub-total (B)(1):-	200000	0	200000	3.87	200000	0	200000	3.87	0.00

CITY ONLINE SERVICES LIMITED

2. Non Institutions									
a) Bodies Corp.									
i) Indian	240493	34000	274493	5.31	239817	34000	273817	5.30	(0.01)
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals									
i) Individual shareholders holding nominal share capital up to Rs. 1 lakhs	481831	1089150	1570981	30.42	482507	1089150	1571657	30.43	0.01
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakhs	1815226	531000	2346226	45.43	1815226	531000	2346226	45.43	(0.00)
c) Others (specify)									
1. NRI	13000	10000	11300	0.22	1300	10000	11300	0.22	0.0
2. Clearing Members	0	0	0	0	0	0	0	0	0
Sub-total (B)(2):-	2538850	1664150	4203000	81.38	2538850	1664150	4203000	81.38	0.00
Total Public Shareholding (B)=(B)(1)+(B)(2)	2738850	1664150	4403000	85.25	2738850	1664150	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)	3471050	1693650	5164700	100	3471050	1693650	5164700	100	0.00

CITY ONLINE SERVICES LIMITED

(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.	DPS Equity Opportunities Fund	200000	3.87	200000	3.87
3.	Krishna Mohan Ramineni	153000	2.96	153000	2.96
4.	Goodworth Marketing Pvt. Ltd	125000	2.42	125000	2.42

CITY ONLINE SERVICES LIMITED

5.	CH Sunitha	123000	2.38	123000	2.38
6.	Ramineni Krishnamohan	117600	2.28	117600	2.28
7.	K. Satyavathi	116000	2.25	116000	2.25
8.	Adrian Francis Fernandes	100050	1.94	100050	1.94
9.	Qasim Elyas Sakriwala	100000	1.94	100000	1.94
10.	Geetika Sethi	100000	1.94	100000	1.94

(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	Suryadevara Raghava Rao – Managing Director				
	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	Krishna Mohan Ramineni – Whole-Time Director & CFO				
	At the beginning of the year	153000	2.96	153000	2.96
	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	153000	2.96	153000	2.96
3	Ch Harinath – Whole-Time Director				
	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
4	Suryadevara Naga Durga – Non-Executive Director				
	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
5	Nicodemus Pradhan Thomas - Independent Director				
	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	-	-	-	-
6	Satyanarayana Vasireddy - Independent Director				

CITY ONLINE SERVICES LIMITED

	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	-	-	-	-
7	Nageswara Rao Mandavilli - Independent Director				
	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	-	-	-	-
8	Mr. Naresh Swami Company Secretary				
	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 –

Indebtedness of the Company including interest outstanding/accrued but not due for payment:

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	1,50,85,630	4,46,722	NIL	1,55,32,352
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	1,50,85,630	4,46,722	NIL	1,55,32,352
Change in Indebtedness during the financial year				
Addition	3,48,364	NIL	NIL	3,48,364

CITY ONLINE SERVICES LIMITED

Reduction	NIL	4,46,722	NIL	(4,46,722)
Net Change	3,48,364	4,46,722	NIL	(98,358)
Indebtedness at the end of the financial year				
i) Principal Amount	1,47,37,266	NIL	NIL	1,47,37,266
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	NIL	NIL	NIL
Total (i+ii+iii)	1,47,37,266	NIL	NIL	1,47,37,266

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

:

CITY ONLINE SERVICES LIMITED

B. Remuneration to other directors:						
Sl. No.	Particulars of Remuneration	Name of Directors				Total Amount (Rs.)
		Mrs. S. Nagadurga	Mr. V. Satyanarayana	Mr. Nicodemus Pradhan Thomas	Mr. M. Nageswara Rao	
	3. Independent Directors	-	10,000	10,000	10,000	30,000
	o Fee for attending board / committee meetings					
	o Commission					
	o Others, please specify					
	Total (1)	-	10,000	10,000	10,000	30,000
	4. Other Non-Executive Directors	10,000	-	-	-	10,000
	• Fee for attending board / committee meetings					
	• commission					
	• Others, please specify					
	Total (2)	10,000	-	-	-	10,000
	Total (B)=(1+2)	10,000	10,000	10,000	10,000	40,000
	Total Managerial Remuneration	10,000	10,000	10,000	10,000	40,000
	Overall Ceiling as per the Act	Within the ceiling limits	Within the ceiling limits	Within the ceiling limits	Within the ceiling limits	Within the ceiling limits

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD					
Sl. No.	Particulars of Remuneration	Key Managerial Personnel			Total
		CEO	Company Secretary Sanchit Chaturvedi (from 01.04.2019 – 24.04.2019) Naresh Swami (w.e.f. 17.08.2019)	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	-	1,46,129	* As stated in table number VI (A)	1,46,129
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission - as % of profit - others, specify...	-	-	-	-
5.	Others, please specify	-	-	-	-
	Total	-	1,46,129	-	1,46,129

CITY ONLINE SERVICES LIMITED

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)
A. COMPANY					
Penalty	-		-	-	
Punishment	-	-	-	-	
Compounding	-	-	-	-	
B. DIRECTORS					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
C. OTHER OFFICERS IN DEFAULT					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

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

Sd/-

S. Raghava Rao

Chairman & Managing Director
(DIN: 01441612)

Sd/-

R. Krishna Mohan

Whole-Time Director & CFO
(DIN: 01678152)

Place: Hyderabad

Date: 31.07.2020

CITY ONLINE SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CITY ONLINE SERVICES LIMITED

Report on the Audit of the Standalone Financial Statements

Qualified Opinion

We have audited the Standalone financial statements of City Online Services Limited ("the Company") which comprise the balance sheet as at 31st March, 2020, and the statement of Profit and Loss, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the "Basis for Qualified Opinion" section of our report, the aforesaid financial statements give the information required by the Companies Act 2013 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2020 and its loss, changes in equity and its cash flows for the year ended on that date.

Basis for Qualified Opinion

The Company's "Loans & Advances" are carried in the Balance Sheet at Rs. 82.68 Lakhs. A party having a loan outstanding of 48.36 Lakhs carries negative net worth and recovery of the same is unascertainable. However, no provision has been made in the books of accounts. Had the company created a provision of Rs.48.36 Lakhs, the results of the operations of the company for the current financial year would have resulted in a loss of Rs.254.91 Lakhs and the amount under "Loans & Advances" under current assets would have been reduced by Rs.48.36 Lakhs.

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ("ICAI") together with ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information:

- The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's Report, Management Discussion & Analysis, but does not include the standalone financial statements and our auditor's report thereon.
- Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon
- In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit, or otherwise appears to be materially misstated.
- If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion We have determined that there are no key audit matters to communicate in our report.

Management's Responsibility for the Standalone 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 and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards("IND AS") specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design,

CITY ONLINE SERVICES LIMITED

implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

CITY ONLINE SERVICES LIMITED

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Emphasis of Matter

We draw attention to the following matters

- a. Balances shown under “Trade receivables” & “Trade payables” represents Rs.313.68 Lakhs & Rs. 340.80 Lakhs respectively. The balance confirmation is not received and the reconciliation could not be performed. The impact that may result on reconciliation cannot be ascertained, if any.
- b. The carrying value of the Inventory is Rs.110.86 Lakhs, Management is ascertaining the utility of the available inventory in order to upgrade the current technology by which the company may derive future economic benefits. After completing the aforementioned exercise, management will reclassify the assets according to its usage.

Our Opinion is not modified in respect of all above matters.

Other Matters:

The Comparative financial information of the company for the year ended March 31, 2019 prepared in accordance with Ind AS included in this statement have been audited by the predecessor auditor. The report of the predecessor auditor on this comparative financial information dated May 30, 2019 expressed an unmodified opinion. Our opinion on the statement is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act, we report that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) In our opinion, proper books of account as required by 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 (including other comprehensive income), and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- (d) In our opinion, the aforesaid standalone financial statements comply with the IND AS specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015 as amended.

CITY ONLINE SERVICES LIMITED

- (e) On the basis of the written representations received from the directors as on 31st March, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020 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 B”. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the 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 Auditors) Rules, 2014 as amended, 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 has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
2. 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 Companies Act, 2013, we give in the “**Annexure A**”, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable

For Laxminiwas & Co.
Chartered Accountants
Firm’s Registration Number: 011168S

Guha Roy Ashish Kumar
Partner
Membership Number: 018659
UDIN : 20018659AAAAAM7202

Hyderabad
31st July, 2020

CITY ONLINE SERVICES LIMITED

ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 2 under “Report on Other Legal and Regulatory Requirements” section of our report to the Members of City Online Services Limited of even date)

(i). In respect of the company’s fixed assets:

- a. The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- b. All the assets are physically verified by the Management during the year. No material discrepancies have been noticed on such verification.
- c. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the company has no immovable property, accordingly the provisions of clause 3 (i) (c) of the Order are not applicable

(ii). In respect of its inventories:

- a. The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. The Company has maintained proper records of inventories. Management is ascertaining the utility of the available inventory in order to upgrade the current technology by which the company may derive future economic benefits. After completing the aforementioned exercise, management will reclassify the assets according to its usage

(iii). According to the information and explanations given to us, the Company has granted unsecured loans to companies, covered in the register maintained under Section 189 of the Companies Act, 2013, in respect of which

- a. The terms and conditions of the grant of such loans is, in our opinion, prejudicial to the Company’s interest as no interest charged against such loan.
- b. The schedule of repayment of principal and payment of interest has not been stipulated

CITY ONLINE SERVICES LIMITED

- c. The total amount remaining outstanding as at the year-end is Rs.82.68 Lakhs
- (iv). In our opinion and according to the information and explanations given to us, the Company has not complied with the provisions of section 185 and 186 of the Act, with respect to the loans given to the companies as mentioned in point (iii) above
- (v). The company has not accepted any deposits during the year and does not have any unclaimed deposits as at 31st March, 2020 and therefore the provisions of the clause 3 (v) of the order are not applicable to the company.
- (vi). The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Companies Act, 2013 for the business activities carried out by the Company. Thus, reporting under clause 3(vi) of the order is not applicable to the Company.
- (vii). According to the information and explanations given to us, in respect of statutory dues:
- a) The Company has generally been regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Customs duty, Goods and Service Tax, Cess and other material statutory dues applicable to it with the appropriate authorities,
- b) There were undisputed amounts payable in respect of Income Tax, Service tax, Professional Tax dues in arrears as at 31st March, 2020 for a period of more than six months from the date they became payable. Details are given below:

Sl. No.	Pending from the period	Name of the Statute	Details of Section	Amount in Rupees
1	2016-17	Income Tax Act, 1961	TDS U/S 195	3,69,392
2	2016-17	Service Tax	KKC Tax Payable-Hyd	1,79,740
3	2016-17	Service Tax	SBC Tax Payable-Hyd	9,38,328
4	2016-17	Service Tax	Service Tax Payable-Hyderabad	23,89,210
5	2016-17	Professional Tax	Professional Tax Payable (Bangaloru)	38,900
	Total			40,15,601

CITY ONLINE SERVICES LIMITED

- (viii). According to the information and explanation given to us, the company has not defaulted in repayment of dues to bank and financial institutions as at balance sheet date.
- (ix). The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause 3 (ix) of the Order is not applicable the company
- (x). To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or no fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi). In our opinion and according to the information and explanations given to us, the Company has paid/provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- (xii). The Company is not a Nidhi company and hence reporting under clause 3(xii) of the Order is not applicable to the Company.
- (xiii). In our opinion and according to the information and explanations given to us, the Company is in compliance with Section 177 and 188 of the Companies Act, 2013 where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv). During the year, the company has not made any preferential allotment or private placement of shares or fully or partly paid convertible debentures and hence reporting under clause 3 (xiv) of the order is not applicable to the company.
- (xv). In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its Directors or persons connected to its directors and hence provisions of section 192 of the Companies Act, 2013 are not applicable to the Company
- (xvi). The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

For Laxminiwas & Co.
Chartered Accountants
Firm's Registration Number: 011168S

Guha Roy Ashish Kumar
Partner
Membership Number: 018659
UDIN : 20018659AAAAAM7202

Hyderabad
31st July, 2020

CITY ONLINE SERVICES LIMITED

ANNEXURE “B” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 1 (f) under “Report on other Legal and Regulatory Requirements section of our report to the members of City Online Services Limited 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”).

We have audited the internal financial controls over financial reporting of City Online Services Limited (“the Company”) as of 31st March 2020 in conjunction with our audit of the 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 (‘ICAI’).
- 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 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, to the extent applicable to an audit of internal financial controls, both issued by 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.

CITY ONLINE SERVICES LIMITED

- 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 of the Company.

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 authorizations of management and directors of the company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized 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

CITY ONLINE SERVICES LIMITED

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, according to the information and explanations given to us, the Company has maintained, in all material respects, an adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2020, 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.

For Laxminiwas & Co.
Chartered Accountants
Firm's Registration Number: 011168S

Guha Roy Ashish Kumar
Partner
Membership Number: 018659
UDIN : 20018659AAAAAM7202

Hyderabad
31st July, 2020

CITY ONLINE SERVICES LIMITED

Balance Sheet as at March 31, 2020 (All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note	As at March 31, 2020	As at March 31, 2019
A ASSETS			
1 Non-Current Assets			
(a) Property, plant and equipment	3	1,21,66,818	1,36,84,085
(b) Intangible assets	4	1,03,702	62,612
(c) Right to use	5	29,40,396	-
(d) Financial Assets			
- Investments	6	4,82,065	15,01,535
- Other non-current financial assets	7	15,99,232	15,19,439
(e) Deferred tax (liabilities)/assets [Net]	8	1,43,88,633	48,93,913
(f) Other non-current assets	9	19,520	55,168
Total Non-Current Assets [A]		3,17,00,367	2,17,16,752
2 Current Assets			
(a) Inventories	10	1,10,86,296	1,47,73,293
(b) Financial Assets			
- Loans and Advances	11	82,68,169	88,08,185
- Trade receivables	12	3,13,67,562	4,67,35,299
- Cash and cash equivalents	13	6,65,179	15,17,360
- other Bank balances	14	1,16,49,420	1,16,49,420
- Other current financial assets	15	10,41,705	9,04,304
(d) Other current assets	16	50,99,625	97,49,477
Total Current Assets [B]		6,91,77,956	9,41,37,338
TOTAL ASSETS [A+B]		10,08,78,323	11,58,54,090
B EQUITY AND LIABILITIES			
1 Equity			
(a) Equity Share Capital	17	5,60,98,330	5,60,98,330
(b) Other Equity	18	-3,96,10,577	-2,84,52,247
Total Equity [A]		1,64,87,753	2,76,46,083
2 Non-Current Liabilities			
(a) Financial Liabilities			
- Borrowings	19	3,37,418	12,61,839
Lease liability	20	31,92,685	-
(b) Provisions	21	23,39,129	21,68,060
Total Non-Current Liabilities [B]		58,69,232	34,29,899
3 Current Liabilities			
(a) Financial Liabilities			
- Borrowings	22	1,78,81,516	1,34,95,577
- Trade payables	23	3,40,80,246	4,17,52,181
Provisions	24	4,15,000	-
(b) Other current liabilities	25	2,61,44,576	2,95,30,350
Total Current Liabilities [C]		7,85,21,338	8,47,78,108
TOTAL EQUITY AND LIABILITIES [A+B+C]		10,08,78,323	11,58,54,090
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 Laxminivas & Co.

For and on behalf of the Board of Directors of,
City Online Services Limited

Chartered Accountants
Firm Registration Number: 011168S

Guharoy Ashish Kumar
Partner
M. No. 018659
UDIN : 20018659AAAAAM7202

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

Sd/-
R. Krishna Mohan
Executive Director cum CFO
(DIN: 01678152)

Sd/-
Naresh Swami
Company Secretary

Place: Hyderabad
Date: 31.07.2020

CITY ONLINE SERVICES LIMITED

Statement of Profit and Loss for the year ended March 31, 2020

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note	For the period ended March 31, 2020	For the period ended March 31, 2019
I REVENUE			
Revenue from Operations [Gross]	26	11,46,72,777	13,10,68,714
Other operative income	27	13,53,540	3,41,513
Total Revenue from Operations		11,60,26,317	13,14,10,227
Other Income	28	65,85,270	44,14,447
TOTAL REVENUE [I]		12,26,11,587	13,58,24,674
II EXPENSES			
Employee benefit expenses	29	2,01,12,300	1,78,84,270
Finance costs	30	20,33,595	15,50,866
Depreciation and amortization expense	3 & 4	42,11,740	36,42,144
Bandwidth expenses	31	8,28,27,147	9,24,10,870
Other expenses	32	3,40,81,833	2,45,95,800
TOTAL EXPENSES [II]		14,32,66,615	14,00,83,950
III Profit/(Loss) Before Tax		-2,06,55,028	-42,59,276
IV Tax Expense:			
- Current tax	33	-	-
- Deferred tax	33	-94,94,719	41,06,636
V Profit/(Loss) for the period		-1,11,60,309	-83,65,912
VI Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
- Remeasurements of post-employment benefit obligations		5,886	1,76,899
- Remeasurements of financial assets		9,915	5,02,389
- Recognition of borrowings using effective interest rate			-11,349
Other comprehensive income for the year, net of tax		-1,11,44,508	-76,97,972
VII Earnings per equity share Rs. 10/- each fully paid			
- Basic	38	-2.16	-1.62
- Diluted	38	-2.16	-1.62

As per our report on even date
For Laxminivas & Co.

For and on behalf of the Board of Directors of,
City Online Services Limited

Chartered Accountants
Firm Registration Number: 011168S

Guharoy Ashish Kumar
Partner
M. No. 018659
UDIN : 20018659AAAAAM7202

Place: Hyderabad
Date: 31.07.2020

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

Sd/-
R. Krishna Mohan
Executive Director cum CFO
(DIN: 01678152)

Sd/-
Naresh Swami
Company Secretary

CITY ONLINE SERVICES LIMITED

Standalone Cash Flow Statement for the period ended March 31, 2020

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note	Year ended March 31,2020		Year ended March 31, 2019	
A. Cash flow from operating activities					
Profit / (Loss) before tax		-2,06,55,028		-42,59,276	
Adjustments:					
Depreciation and amortisation		42,11,740		36,42,144	
Interest expense		20,33,595		15,50,866	
Impairment Loss		1,23,83,776			
Write Back of Liabilities		63,06,160			
Remeasurement of post employee benefits		5,886		1,76,899	
Remeasurements of financial assets		9,915			
Interest on capital from partnership firm		-		-77,430	
Expected credit loss allowance		-		-5,01,802	
Share of (profit)/loss from partnership firm		-		4,18,690	
Profit on sale of property, plant & equipment		-		-6,33,972	
Provision written back		-38,531			
Interest income		-2,40,579		40,16,933	
		40,16,933		5,28,413	
Cash generated before working capital changes				8,44,532	
Increase in trade payables		-1,39,78,095		-1,81,37,172	
Increase in other current liabilities		-33,85,775		84,59,947	
Increase in provisions		6,24,600		87,060	
Decrease/(Increase) in inventories		36,86,997		-6,60,480	
Increase in short term loans and advances		5,40,016		-19,79,058	
Increase in trade receivables		23,25,722		68,26,088	
(Decrease)/Increase in other non-current financial assets		-79,793		4,48,093	
Decrease in other non current assets		35,647		38,754	
Decrease/(Increase) in other current financial assets		-1,37,401		2,34,670	
Decrease/(Increase) in other current assets		46,49,853		-57,18,229	
		-17,01,296		49,27,604	
Cash generated from operations				11,90,038	
Direct taxes refund/ (paid)				-26,19,281	
Net cash flow from operating activities (A)		-17,01,296		-14,29,243	
B. Cash flows from investing activities					
Purchase of property, plant and equipment, including intangible assets		-8,19,386		-39,06,248	
Investment in bank deposits		-		13,55,205	
Interest received		2,40,579		-5,28,413	
Proceeds from sale of property, plant and equipment		-		12,62,000	
Interest on capital from partnership firm		-		77,430	
Share of (profit)/loss from partnership firm		-		-4,18,690	
Increase in non current investments		-		3,41,260	
Net cash flow used in investing activities (B)		-5,78,807		-18,17,456	
C. Cash flows from financing activities					
Repayment of long term borrowings		-9,24,421		12,61,839	
(Repayment) / Proceeds from working capital borrowings		43,85,939		-3,491	
Interest paid		-20,33,595		-15,50,866	
Net cash flow used in financing activities (C)		14,27,923		-2,92,518	
		14,27,923		-2,92,518	
D. Net Increase/(decrease) in cash and cash equivalents (A+B+C)		-8,52,180		-35,39,217	
E. Cash and cash equivalents					
at the beginning of the year	13	15,17,359		-79,87,870	
at the end of the year		6,65,179		-1,15,27,087	
Components of cash and cash equivalents					
Balance with banks					
- In current accounts		1,17,865		9,29,100	
- Deposits with maturity less than 3 months		5,03,375		5,03,375	
Cash on hand		43,939		84,885	
Less: Bank overdraft		-		1,30,44,447	
Cash and cash equivalents at the end of the year		6,65,179		-1,15,27,088	
Corporate information					
Summary of significant accounting policies					
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 Laxminivas & Co.

For and on behalf of the Board of Directors of,
City Online Services Limited

Chartered Accountants
Firm Registration Number: 011168S

Guharoy Ashish Kumar
Partner
M. No. 018659
UDIN : 20018659AAAAAM7202

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

Sd/-
R. Krishna Mohan
Executive Director cum CFO
(DIN: 01678152)

Sd/-
Naresh Swami
Company Secretary

Place: Hyderabad
Date: 31.07.2020

CITY ONLINE SERVICES LIMITED

Notes to financial statements for the year ended March 31, 2020
(All amounts in Indian Rupees, unless otherwise stated)

A. Equity Share Capital

Particulars	As at March 31, 2020	As at March 31, 2019
<i>Equity shares of Rs. 10 each issued, subscribed and fully paid up</i>		
Balance at the beginning of the reporting year	5,60,98,330	5,60,98,330
Changes in equity share capital during the year	-	-
Balance at the end of the reporting year	5,60,98,330	5,60,98,330

B. Other Equity

Particulars	For the period ended March 31, 2020	For the period ended March 31, 2019
<i>Movement in other equity is as follows:</i>		
I. Investment subsidy	4,00,000	4,00,000
II. Retained Earnings		
(i) Opening Balance	-2,88,52,247	-2,11,54,275
Adjustment	23,44,555	-
(ii) Profit for the year	-1,11,60,309	-83,65,912
(iii) Other comprehensive income	-28,39,698	6,67,939
	4,85,420	-
	-4,099	-
	15,801	-
	-4,00,10,577	-2,88,52,247
Total	-3,96,10,577	-2,84,52,247

As per our report on even date
For Laxminivas & Co.

For and on behalf of the Board of Directors of,
City Online Services Limited

Chartered Accountants
Firm Registration Number: 011168S

Guharoy Ashish Kumar
Partner
M. No. 018659
UDIN : 20018659AAAAAM7202

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

Sd/-
R. Krishna Mohan
Executive Director cum CFO
(DIN: 01678152)

Sd/-
Naresh Swami
Company Secretary

Place: Hyderabad
Date: 31.07.2020

Note 3: Property, plant and equipment

Particulars	As at March 31, 2020	As at March 31, 2019
Plant & Machinery	61,52,679	76,43,637
Furniture and Fittings	4,15,723	4,40,751
Motor Vehicles	18,22,723	18,89,585
Computers and Data Processing Units	26,91,716	30,59,802
Office Equipment	10,83,977	6,50,311
Total	1,21,66,818	1,49,68,303

CITY ONLINE SERVICES LIMITED

For the year 2019-20

Description of Assets	Plant & Machinery	Furniture and Fittings	Motor Vehicles	Computers and Data Processing Units	Office Equipment	Total
I. Gross Block						
Opening Balance	4,90,94,497	8,24,103	22,01,625	1,32,05,931	67,20,470	7,20,46,626
Additions	-	-	-	34,000	6,57,736	6,91,736
Disposals	-	-	-	-	-	-
Balance as at March 31, 2020	4,90,94,497	8,24,103	22,01,625	1,32,39,931	73,78,206	7,27,38,362
II. Accumulated Depreciation						
Opening Balance	4,14,50,880	3,83,352	3,12,040	1,01,46,129	60,70,160	5,83,62,541
Depreciation expense for the period	14,90,959	25,027	66,862	4,02,086	2,24,070	22,09,003
Eliminated on disposal of assets	-	-	-	-	-	-
Balance as at March 31, 2020	4,29,41,818	4,08,380	3,78,902	1,05,48,214	62,94,230	6,05,71,544
III. Net Block [H-I]						
Carrying value as at March 31, 2020	61,52,679	4,15,723	18,22,723	26,91,716	10,83,977	1,21,66,818
Carrying value as at March 31, 2019	76,43,637	4,40,751	18,89,585	30,59,802	6,50,311	1,36,84,085

For the year 2018-19

Description of Assets	Plant & Machinery	Furniture and Fittings	Motor Vehicles	Computers and Data Processing Units	Office Equipment	Total
I. Gross Block						
Opening Balance	4,90,94,497	8,24,103	34,77,368	1,21,70,084	60,29,169	7,15,95,221
Additions	-	-	20,90,237	10,35,847	7,22,801	38,48,885
Disposals	-	-	33,65,980	-	31,500	33,97,480
Balance as at March 31, 2019	4,90,94,497	8,24,103	22,01,625	1,32,05,931	67,20,470	7,20,46,626
II. Accumulated Depreciation						
Opening Balance	4,02,50,575	3,24,978	26,21,254	97,16,989	46,05,533	5,75,19,340
Depreciation expense for the period	12,00,284	88,374	4,49,732	4,29,130	14,75,132	36,12,653
Eliminated on disposal of assets	-	-	27,58,946	-	10,506	27,69,452
Balance as at March 31, 2019	4,14,50,880	3,83,352	3,12,040	1,01,46,129	60,70,160	5,83,62,541
III. Net Block [I-II]						
Carrying value as at March 31, 2019	76,43,637	4,40,751	18,89,585	30,59,802	6,50,311	1,36,84,085
Carrying value as at March 31, 2018	88,43,922	4,99,125	8,56,114	24,53,085	14,23,636	1,40,75,882

CITY ONLINE SERVICES LIMITED

Note 4: Intangible Assets

Particulars	As at March 31, 2020	As at March 31, 2019
Computer Software	1,03,702	62,612
Total	1,03,702	62,612

For the year 2019-20

Description of Assets	Computer Software
I. Gross Block	
Opening Balance	3,62,947
Additions	1,27,649
Disposals	-
Balance as at March 31, 2020	4,90,596
II. Accumulated Amortization	
Opening Balance	3,00,335
Amortization expense for the year	86,559
Eliminated on disposal of assets	-
Balance as at March 31, 2020	3,86,894
III. Net Block [I-II]	
Carrying value as at March 31, 2020	1,03,702
Carrying value as at March 31, 2019	62,612

For the year 2018-19

Description of Assets	Computer Software
I. Gross Block	
Opening Balance	3,05,584
Additions	57,363
Disposals	-
Balance as at March 31, 2019	3,62,947
II. Accumulated Amortization	
Opening Balance	2,70,844
Amortization expense for the year	29,491
Eliminated on disposal of assets	-
Balance as at March 31, 2018	3,00,335
III. Net Block [I-II]	
Carrying value as at March 31, 2019	62,612
Carrying value as at March 31, 2018	34,740

CITY ONLINE SERVICES LIMITED

Note 5: Right to use

Particulars	As at March 31, 2020	As at March 31, 2019
Right to use	50,09,932	-
Adjustment Entry.	1,53,358	
Less: Depreciation	19,16,178	
Total	29,40,396	-

Note 6: Non-Current Investments

Particulars	As at March 31, 2020	As at March 31, 2019
(i) Investments in equity instruments (fully paid-up)		
<i>Unquoted Investments</i>		
Investment in Subsidiaries (Valued at cost)		
- City Online Digital Private Limited [10,000 (31.03.2020: 10,000) equity shares of par value Rs. 10 each]	1,00,000	1,00,000
- City Online Media Private Limited [10,000 (31.03.2020: 10,000) equity shares of par value Rs. 10 each]	1,00,000	1,00,000
Total investment in equity instruments [A]	2,00,000	2,00,000
(ii) Others investments, unquoted		
(a) Investments in partnership firms		
- Broadway City Online Consortium	-	6,75,855
- In-fo City Online Consortium	2,32,065	5,75,680
(b) Investments in government securities [valued at cost]		
National savings certificates [Refer Note (i) below] [5 Bonds (31.03.2020: Rs.50,000) of Rs. 10,000 each]	50,000	50,000
Total investment in other non-current investments [B]	2,82,065	13,01,535
Total [A+B]	4,82,065	15,01,535

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	4,82,065	15,01,535
Investments carried at cost	4,82,065	15,01,535

Note 7: Other non-current financial assets

Particulars	As at March 31, 2020	As at March 31, 2019
Security Deposits	16,93,806	15,19,439
Provision on security deposits	-94,574	-
Total	15,99,232	15,19,439

CITY ONLINE SERVICES LIMITED

Note 8: Deferred tax asset [Net]

Particulars	As at March 31, 2020	As at March 31, 2019
Deferred tax asset		
- Depreciation		-4,71,679
- Employee benefits		5,63,696
	1,43,88,633	
- Carry forward losses		48,01,897
Total	1,43,88,633	48,93,913

Note 9: Other non-current assets

Particulars	As at March 31, 2020	As at March 31, 2019
Prepaid expenses	19,520	55,168
Total	19,520	55,168

Note 10: Inventories

Particulars	As at March 31, 2020	As at March 31, 2019
Stock in trade	1,10,86,296	1,47,73,293
Total	1,10,86,296	1,47,73,293

Note 11: Current Loans

Particulars	As at March 31, 2020	As at March 31, 2019
<i>Unsecured, considered good</i>		
Loans and advances to related parties	82,68,169	88,08,185
Total	82,68,169	88,08,185

Note 12: Trade Receivables

Particulars	As at March 31, 2020	As at March 31, 2019
<i>Unsecured, considered good</i>		
Outstanding for a period exceeding six months	3,36,73,764	1,32,88,057
Others	-	3,52,68,024
Less: Provision for credit losses	-23,06,202	-18,20,782
Total	3,13,67,562	4,67,35,299

CITY ONLINE SERVICES LIMITED

Note 13: Cash and cash equivalents

Particulars	As at March 31, 2020	As at March 31, 2019
Balance with banks		
- In current accounts	1,17,865	9,29,100
- Deposits with original maturity of less than 3 months	5,03,375	5,03,375
Cash on hand	43,939	84,885
Total	6,65,179	15,17,360

Note 14: Bank balances other than above

Particulars	As at March 31, 2020	As at March 31, 2019
On deposit accounts		
- Remaining maturity for less than 12 months	1,16,49,420	1,16,49,420
Total	1,16,49,420	1,16,49,420

Note 15: Other current financial assets

Particulars	As at March 31, 2020	As at March 31, 2019
Security Deposits	5,51,655	5,50,075
Interest accrued but not due	1,67,138	1,62,229
Loans to employees	3,22,912	1,92,000
Total	10,41,705	9,04,304

Note 16: Other current assets

Particulars	As at March 31, 2020	As at March 31, 2019
Prepaid expenses	43,914	29,65,922
Advance Income Tax	49,95,909	67,83,555
Other current assets	59,802	-
Total	50,99,625	97,49,477

CITY ONLINE SERVICES LIMITED

Note 17: Share Capital

Particulars	As at March 31, 2020		As at March 31, 2019	
	Number of Shares	Amount	Number of Shares	Amount
Authorised				
Equity shares of Rs.10 each	77,00,000	7,70,00,000	77,00,000	7,70,00,000
Issued				
Equity shares of Rs.10 each	70,00,000	7,00,00,000	70,00,000	7,00,00,000
Subscribed and called up				
Equity shares of Rs.10 each	69,25,000	6,92,50,000	69,25,000	6,92,50,000
Paid up capital				
Equity shares of Rs.10 each, fully paid-up	51,64,700	5,16,47,000	51,64,700	5,16,47,000
Share forfeiture account				
Equity shares of Rs.10 each	17,60,300	44,51,330	17,60,300	44,51,330
Total	69,25,000	5,60,98,330	69,25,000	5,60,98,330

(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
Equity shares				
Period ended March 31, 2019				
- Number of shares	51,64,700	-	-	51,64,700
- Amount	5,16,47,000	-	-	5,16,47,000
Year ended March 31, 2018				
- Number of shares	51,64,700	-	-	51,64,700
- Amount	5,16,47,000	-	-	5,16,47,000

(b) Rights, preferences and restrictions attached to shares

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

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

Name of the shareholder	As at March 31, 2020		As at March 31, 2019	
	Number of Shares held	Percentage of Holding	Number of Shares held	Percentage of Holding
S. Raghava Rao	6,84,500	13.25%	6,84,500	13.25%

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

CITY ONLINE SERVICES LIMITED

Note 18: Other Equity

Particulars	As at March 31, 2020	As at March 31, 2019
Investment subsidy	4,00,000	4,00,000
Retained Earnings	-4,00,10,577	-2,88,52,247
Total	-3,96,10,577	-2,84,52,247

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.

Note 19: Non-Current Borrowings

Particulars	As at March 31, 2020	As at March 31, 2019
Term Loan from Banks		
Secured:		
- From Banks	3,37,418	12,61,839
Total	3,37,418	12,61,839

Note:

1. 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 loan was matured in the month of August'2018.

2. The term loan taken from HDFC Bank is secured by way of hypothecation of vehicle purchased. The loan is repayable in 60 equal monthly installments. The applicable interest rate is 11.25%. The period of maturity with respect to balance sheet date is 52 installments.

3. The term loan taken from Mahindra Finance is secured by way of hypothecation of generator purchased. The loan is repayable in 12 equal monthly installments. The applicable interest rate is 18.07%. The period of maturity

Note 20: Leases

Particulars	As at March 31, 2020	As at March 31, 2019
Lease liability	50,09,932	-
Adjustment entry	1,53,358	-
Interest on lease liability	3,68,943	-
Rent payable	20,32,832	-
	31,92,685	-

CITY ONLINE SERVICES LIMITED

Note 21: Non-Current Provisions

Particulars	As at March 31, 2020	As at March 31, 2019
Provision for Employee Benefits - Gratuity	23,39,129	21,68,060
Total	23,39,129	21,68,060

Note 22: Current Borrowings

Particulars	As at March 31, 2020	As at March 31, 2019
From Banks - Secured [Refer Note 19]	9,24,419	4,51,130
Bank overdraft - Secured	1,69,57,097	1,30,44,447
Total	1,78,81,516	1,34,95,577

Note 23: Trade payables

Particulars	As at March 31, 2020	As at March 31, 2019
Creditors - Suppliers	3,12,34,855	3,97,70,837
Other Payables	28,45,391	19,81,344
Total	3,40,80,246	4,17,52,181

Note 24: Provision

Particulars	As at March 31, 2020	As at March 31, 2019
Audit fees	4,15,000	-
Total	4,15,000	-

Note 25: Other Current Liabilities

Particulars	As at March 31, 2020	As at March 31, 2019
Statutory remittances	1,93,34,371	1,92,30,478
Advance from customers	13,92,314	95,91,848
Other current liabilities	49,20,074	-
Deposited From Franchise	23,500	-
Deposits from customers	4,74,317	2,61,302
Loans from related parties	-	4,46,722
Total	2,61,44,576	2,95,30,350

CITY ONLINE SERVICES LIMITED

Note 26: Revenue from operations [Gross]

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Income from internet services	11,18,09,793	12,96,14,554
Income from VOIP services	-	-52,645
Income from hardware sales	9,15,423	-
Income from Installation charges	19,47,560	15,06,805
Total	11,46,72,777	13,10,68,714

Note 27: Other operative income

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Miscellaneous income	13,53,540	3,41,513
Total	13,53,540	3,41,513

Note 28: Other Income

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Share of profit from Partnership firm	-	-
Interest income on deposits	2,40,579	5,28,413
Profit on sale of property, plant & equipment	-	6,33,972
Excess provisions written back	38,531	31,74,632
Interest income:		
- On Income tax refund	-	-
- On Capital in the Partnership Firm	-	77,430
Write back of Trade Payables	63,06,160	-
Rent	-	-
Total	65,85,270	44,14,447

Note 29: Employee Benefit Expenses

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries, allowances and wages [Refer Note 34]	1,85,74,972	1,63,54,836
Contribution to provident and other funds	10,30,329	12,05,742
Staff welfare expenses	5,06,999	3,23,691
Total	2,01,12,300	1,78,84,270

CITY ONLINE SERVICES LIMITED

Note 30: Finance Costs

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest expense on:		
- Working Capital	-	-
- Term Loan	1,37,208	1,30,057
- Interest on lease liability	3,68,943	-
Other borrowing costs	15,27,445	14,20,809
Total	20,33,595	15,50,866

Note 31: Bandwidth Expenses

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Bandwidth charges	6,69,76,280	7,88,88,388
Repairs and maintenance	29,82,901	27,37,818
VOIP activation charges	-	-
Electricity	36,30,841	33,75,907
Rent networking	44,72,332	25,10,044
Cost of sales	9,15,423	-
Cable line expenses	11,25,623	4,50,392
Installation expenses	1,30,000	86,146
Last mile charges	24,73,777	41,90,476
Other operating expenses	1,19,970	1,71,699
Total	8,28,27,147	9,24,10,870

CITY ONLINE SERVICES LIMITED

Note 32: Other Expenses

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Rent	20,59,674	31,67,503
Rates and taxes	8,91,363	9,56,375
Director's remuneration	54,60,000	54,60,000
Sales commission	17,57,868	32,48,451
Insurance	2,06,413	1,36,739
Auditors' remuneration /Provision on audit fees:		
- Statutory audit	5,00,000	3,00,000
- Tax audit	50,000	50,000
- Fees for limited review	50,000	50,000
- Certification	1,86,751	15,000
Travelling and conveyance	16,06,880	21,38,479
Impairment Loss	1,30,42,017	-
Expected credit losses	4,85,420	-
Legal and professional charges	6,86,500	7,61,600
Advertisement expenses	88,790	1,26,643
Communication cost	7,37,964	12,93,949
Bad debts written off	-	3,18,530
Printing and stationery	1,99,705	3,47,551
Repairs and maintenance		
- Others	47,79,903	45,27,048
Postage and courier	91,239	1,77,998
Net loss on foreign currency transaction and translation		20,310
Share of loss from Partnership firm	-	4,18,690
Miscellaneous expenses	12,01,346	10,80,935
Total	3,40,81,833	2,45,95,800

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Note 33: Income Tax

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
<u>(a) Major components of income tax expense:</u>		
(i) Current Income Tax		
- Current income tax charge	-	-
- Adjustments in respect of current income tax of previous year	-	-
	-	-
(ii) Deferred Tax		
- Relating to origination/reversal of temporary differences	-	41,06,636
	-	41,06,636
Income tax expense reported in the statement of profit or loss	-	41,06,636
<u>(b) Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate:</u>		
Profit/(Loss) before tax from continuing operations		-42,59,276
Indian tax rate		0
Tax at the Indian tax rate		-
Effect of:		
Non-Deductible expenses for tax purposes	-	-
Tax exempt income	-	-
Income taxed at special rates	-	-
Others	-	41,06,636
Total Income Tax Expense	-	41,06,636
	-	-

31. Contingent Liabilities:

i) Performance Guarantee:

Particulars	As at March 31, 2020	As at March 31, 2020
Performance Guarantee	52,52,000	52,52,000

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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, 2020	March 31, 2019
Current service cost	1,08,123	1,00,215
Interest cost on benefit obligation	1,65,033	1,63,743
Past Service cost – vested benefits	-	-
Expected return on plan assets	-	-
Net actuarial loss/(gain) recognized in the year	(5886)	(1,76,898)
Net benefit expense	2,67,270	87,060

Balance Sheet

Benefit liability

Particulars	March 31, 2020	March 31, 2019
Present value of defined benefit obligation	23,39,128	21,68,060
Fair value of plan assets	-	-
Plan liability	23,39,128	21,68,060

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

Particulars	March 31, 2020	March 31, 2019
Opening defined benefit obligation	21,68,060	20,81,000
Current service cost	1,08,123	1,00,215
Interest cost	1,65,033	1,63,743
Benefits paid	(96,201)	-
Actuarial gain/(losses) on obligation	(5886)	(176,899)
Closing defined benefit obligation	23,39,128	21,68,060

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

Particulars	March 31, 2020	March 31, 2019
Opening fair value of plan assets	-	-
Expected return	-	-
Contributions by employer	96,201	-
Benefits paid	(96,201)	-
Actuarial (losses)/gains	-	-
Closing fair value of plan assets	-	-

CITY ONLINE SERVICES LIMITED

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

Particulars	March 31, 2020	March 31, 2019
Discount rate (%)	6.71%	7.61%
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
	City Online Digital Private Limited
	City Online Media Private Limited
Key Management Personnel (KMP):	C.H. Harinath
	S. Raghava Rao
	R. Krishna Mohan
Relatives of Key Management Personnel	R Vijaya Durga
	S. Naga Durga
Investment in partnership firms:	Info-Fi City online Consortium
	Broadway City Online Consortium

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b) Transactions with related parties:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Managerial Remuneration:	54,60,000	54,60,000
- 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
Loans and advances given:	5,80,012	42,59,320
- City Online Digital Private Limited	2,11,331	41,82,920
- City Online Media Private Limited	3,68,681	76,400
Loans and advances recovered:	11,40,000	22,80,262
- City Online Digital Private Limited	5,70,000	22,33,762
- City Online Media Private Limited	57,0,000	46,500
- Anu Digital Arts Private Limited	-	-
Loans taken from:	0	4,82,000
- S Naga Durga	0	4,82,000
- R Vijaya Durga	-	-
Loans repaid to:	2,35,278	2,35,278
- S Naga Durga	4,64,722	35,278
- R Vijaya Durga	0	2,00,000
Share of profit/(loss) in partnership firm:	0	(1,47,002)
- Info-Fi City online Consortium	0	(1,47,002)
Interest on capital:	0	77,430
- Info-Fi City online Consortium	0	77,430
Sales:	24,69,625	38,56,170
- Info-Fi City online Consortium	24,69,625	38,56,170
- Broadway City Online Consortium	-	-
Payments received for sale of services :	31,00,000	49,59,629
- Info-Fi City online Consortium	31,00,000	49,59,629
- Broadway City Online Consortium	-	-
Sharing of Expenses:	4,80,000	4,80,000
Salaries		
- City Online Digital Private Limited	3,00,000	3,00,000
Electricity and Maintenance		
- City Online Digital Private Limited	60,000	60,000
Rent		
- City Online Digital Private Limited	1,20,000	1,20,000

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c) Related party balances:

Particulars	As at March 31, 2020	As at March 31, 2019
Non-current investments:	14,51,535	14,51,535
- 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 City online Consortium	2,32,065	5,75,680
Loans and Advances Given/(Taken):	97,18,169	88,08,185
- City Online Media Private Limited	7,98,377	5,29,696
- City Online Digital Private Limited	89,19,792	82,78,489
- S Naga Durga	0	(4,46,722)
- R Vijaya Durga	-	-
Advance from customers:	18,34,304	16,48,458
- Info-Fi Cityonline Consortium	18,34,304	16,48,458
Trade receivable:	37,53,412	17,93,712
- Broadway City Online Consortium	26,73,212	17,93,712
- City Online Media Private Limited	10,80,200	

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, 2020	For the year ended March 31, 2019
Cancellable	20,59,674	31,67,503
Total	20,59,674	31,67,503

36. Earnings per Share (EPS):

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

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Profit after taxation as per statement of profit and loss (for basic EPS)	(1,11,60,309)	(83,65,912)
Less: Effect of dilutive potential ordinary shares	-	-
Net Profit for dilutive earnings per share	(1,11,60,309)	(83,65,912)

CITY ONLINE SERVICES LIMITED

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

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Number of weighted average equity shares considered for calculating of basic EPS	51,64,700	51,64,700
Add: Dilutive effect of potential ordinary shares	-	-
Number of weighted average equity shares considered for calculating of diluted EPS	51,64,700	51,64,700

iii. Earnings per share:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
- Basic (Rs.)	(2.16)	(1.62)
- Diluted (Rs.)	(2.16)	(1.62)

37. Expenditure in Foreign Currency:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Membership Fee	6,01,345	4,58,385
Total	6,01,345	4,58,385

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, 2020 and March 31, 2019 in the financial statements based on information received and available with the company.

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 3.

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ii. Financial assets and financial liabilities measured at fair value

Particulars	March 31, 2020	March 31, 2019
Fair Value Hierarchy	3	3
Financial Assets		
Other Financial Assets – Security Deposits	21,50,887	20,69,514
Other Financial Assets – Trade Receivables	3,13,67,562	4,67,35,299
Financial Liabilities		
Borrowings	9,24,419	4,51,130

iii. Financial Instruments by category

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

Particulars	31-03-2020			31-03-2019		
	FVTPL	FVOCI	Amortised Cost	FVTPL	FVOCI	Amortised Cost
FINANCIAL ASSETS						
Other investments	-	-	4,82,065	-	-	15,01,535
- Loans	-	-	82,68,169	-	-	88,08,185
- Trade receivables	-	3,13,67,562	-	-	4,67,35,299	-
- Cash and cash equivalents	-	-	6,65,179	-	-	15,17,360
- Bank balances other than above	-	-	1,16,49,420	-	-	1,16,49,420
- Other current financial assets	-	21,50,887	4,90,050	-	20,69,514	3,54,229
TOTAL	-	3,35,18,449	2,15,54,883	-	4,88,04,813	2,38,30,729
FINANCIAL LIABILITIES						
Borrowings	-	1,82,18,934	-	-	1,47,57,416	-
Trade Payables	-	-	3,40,80,246	-	-	4,17,52,181
TOTAL	-	1,82,18,934	3,40,80,246	-	1,47,57,416	4,17,52,181

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 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,

CITY ONLINE SERVICES LIMITED

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, 2020	March 31, 2019
<i>Past due not impaired:</i>		
0-90 Days	1,76,55,554	2,49,50,776
91-180 Days	84,59,501	1,03,17,248
180-360 Days	75,58,709	69,89,848
Greater than 360 Days	-	62,98,210
Less: Provision for Credit Losses	-23,06,202	-18,20,782
Total	3,13,67,562	4,67,35,300

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.

CITY ONLINE SERVICES LIMITED

Particulars	Upto 1 year	From 1-3 years	More than 3 years	Total
<u>March 31, 2020</u>				
Borrowings	1,78,81,516	3,37,418	-	1,82,18,934
Trade Payables	3,40,80,246	-	-	3,40,80,246
Total	5,19,61,762	3,37,418		5,22,99,180
<u>March 31, 2019</u>				
Borrowings	1,34,95,577	12,61,839	-	1,47,57,416
Trade Payables	4,17,52,181	-	-	4,17,52,181
Total	5,65,09,597	12,61,839		5,65,09,597

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-20	31-Mar-19
Current Borrowings [Refer Note 22]	1,78,81,516	13,495,577
Total Debt	17881516	13,495,577
As a percentage of total capital	39.28%	32.80%
Equity [Refer Note 17 and 18]	27,646,083	27,646,083
As a percentage of total capital	60.72%	67.20%
Total Capital [Debt and Equity]	45527598	41,141,660

As per our report on even date
For Laxminivas & Co.

For and on behalf of the Board of Directors of,
City Online Services Limited

Chartered Accountants
Firm Registration Number: 011168S

Guharoy Ashish Kumar
Partner
M. No. 018659
UDIN : 20018659AAAAAM7202

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

Sd/-
R. Krishna Mohan
Executive Director cum CFO
(DIN: 01678152)

Sd/-
Naresh Swami
Company Secretary

Place: Hyderabad
Date: 31.07.2020

CITY ONLINE SERVICES LIMITED

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, 7th 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) 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 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and / or disclosure purposes in these financial statements is determined on such basis, except for measurements that have some similarities to fair value but are not fair value, such as net realizable value in Ind AS 2.

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.

b) 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

CITY ONLINE SERVICES LIMITED

future periods.

c) 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 at least 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 at least 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.

d) 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.

CITY ONLINE SERVICES LIMITED

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.

e) **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 of 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 are reviewed at each financial year end and adjusted prospectively, if appropriate.

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.

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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:

Effective from 1st April, 2018, the Company has adopted Ind AS 115, "Revenue from Contracts with Customers". 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 and excluding 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:

At the inception of a lease, the lease arrangement is classified either as a finance lease or an operating lease, based on the substance of the arrangement.

CITY ONLINE SERVICES LIMITED

Assets acquired by way of finance lease are capitalized at the lower of the fair value and the present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between finance charge and reduction of the lease liability based on the implicit rate of return. Finance charges are recognized as finance costs in the Statement of Profit and Loss.

Leases other than finance leases are operating leases, and the leased assets are not recognized on the Company's balance sheet. Payments made under operating leases are recognized in the Statement of Profit or Loss as an expense over the term of lease.

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
- 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:

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- 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

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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 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.

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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.

CITY ONLINE SERVICES LIMITED

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

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.

As per our report on even date
For Laxminivas & Co.

Chartered Accountants
Firm Registration Number: 011168S

Guharoy Ashish Kumar
Partner
M. No. 018659
UDIN : 20018659AAAAAM7202

Place: Hyderabad
Date: 31.07.2020

For and on behalf of the Board of Directors of,
City Online Services Limited

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

Sd/-
R. Krishna Mohan
Executive Director cum CFO
(DIN: 01678152)

Sd/-
Naresh Swami
Company Secretary

CITY ONLINE SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CITY ONLINE SERVICES LIMITED

Report on the Audit of the Consolidated Financial Statements.

Opinion

We have audited the accompanying consolidated financial statements of City Online Services Limited (hereinafter referred to as the "Holding Company") and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), which comprise the consolidated balance sheet as at March 31, 2020, the consolidated statement of Profit and Loss, the consolidated statement of changes in equity, the consolidated cash flows statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 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 company, as at March 31, 2020, of consolidated loss including other comprehensive income, consolidated changes in equity and its consolidated cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group with the Code of Ethics issued by the Institute of Chartered Accountants of India ("ICAI") together with ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no Key Audit matters to communicate in our report.

Management's Responsibility for the Consolidated Financial Statements.

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

In preparing the consolidated financial statements, the management of the group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the s management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are responsible for overseeing the Company's financial reporting process of the Group.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements.

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Group has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are

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based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Emphasis of Matter

We draw attention to the following matters

- (a) Balances shown under "Trade receivables" & "Trade payables" represents Rs.345.61 Lakhs & Rs. 346.20 Lakhs respectively. The balance confirmation is not received and the reconciliation could not be performed. The impact that may result on reconciliation cannot be ascertained, if any.
- (b) The carrying value of the Inventory is Rs.110.86 Lakhs, Management is ascertaining the utility of the available inventory in order to upgrade the current technology by which the company may derive future economic

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benefits. After completing the aforementioned exercise, management will reclassify the assets according to its usage.

Our Opinion is not modified in respect of all above matters.

Other Matters:

- The Comparative financial information of the company for the year ended March 31, 2019 prepared in accordance with Ind AS included in this statement have been audited by the predecessor auditor. The report of the predecessor auditor on this comparative financial information dated May 30, 2019 expressed an unmodified opinion. Our opinion on the statement is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the group so far as it appears from our examination of those books;
 - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained;
 - (d) In our opinion, the aforesaid Consolidated Financial Statements comply with the IND AS specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
 - (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2020 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies, none of the directors of the Group companies, incorporated in India, is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act;

CITY ONLINE SERVICES LIMITED

- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate Report in “**Annexure A**” 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 Group does not have any pending litigations which would impact its consolidated financial position of the Group.
 - (ii) The Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - (iii) There has been no delay in transferring amounts required to be transferred to the Investor Education and Protection Fund by the Holding Company, and its subsidiary companies incorporated in India

For Laxminiwas & Co.
Chartered Accountants
Firm’s Registration Number: 011168S

Guha Roy Ashish Kumar
Partner
Membership Number: 018659
UDIN : 20018659AAAAAN8020

Hyderabad
31st July, 2020

CITY ONLINE SERVICES LIMITED

ANNEXURE – “A” TO THE CONSOLIDATED AUDITOR’S REPORT

(Referred to in paragraph 1(f) under “Report on other Legal and Regulatory Requirements section of our report to the members of City Online Services Limited 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”).

We have audited the internal financial controls over financial reporting of City Online Services Limited (“the Company”) as of 31st March 2020 in conjunction with our audit of the 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 (‘ICAI’).

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 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 standards on auditing, to the extent applicable to an audit of internal financial controls, both issued by 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.

CITY ONLINE SERVICES LIMITED

- 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 of the Company.

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 authorizations of management and directors of the company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized 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

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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, according to the information and explanations given to us, the Company has maintained, in all material respects, an adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2020, 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.

For Laxminiwas & Co.
Chartered Accountants
Firm's Registration Number: 011168S

Guha Roy Ashish Kumar
Partner
Membership Number: 018659
UDIN : 20018659AAAAAN8020

Hyderabad
31st July, 2020

CITY ONLINE SERVICES LIMITED

Consolidated Balance Sheet as at March 31, 2020
(All amounts in Indian Rupees, unless otherwise stated)

	Particulars	Note	As at March 31, 2020	As at March 31, 2019
A	ASSETS			
1	Non-Current Assets			
	(a) Property, plant and equipment	3	1,31,31,977	1,49,68,303
	(b) Intangible assets	4	1,03,702	62,612
	(c) Right of use Assets	5	29,40,396	-
	(d) Financial Assets		-	-
	- Investments	6	2,82,065	13,01,535
	- Other non-current financial assets	7	15,99,232	15,19,439
	(e) Deferred tax assets [Net]	8	1,43,88,633	48,35,665
	(f) Other non-current assets	9	19,520	55,168
	Total Non-Current Assets [A]		3,24,65,526	2,27,42,722
2	Current Assets			
	(a) Inventories	10	1,10,86,296	1,47,73,293
	(b) Financial Assets		-	-
	- Loans	11	-	-
	- Investments	12	-	2,123
	- Trade receivables	13	3,45,60,870	5,05,78,740
	- Cash and cash equivalents	14	7,92,369	15,77,795
	- Bank balances other than above	15	1,16,49,420	1,16,49,420
	- Other current financial assets	16	10,41,705	9,04,304
	(c) Income Taxes	17	49,95,909	68,00,295
	(d) Other current assets	18	8,65,508	32,57,147
	Total Current Assets [B]		6,49,92,077	8,95,43,117
	TOTAL ASSETS [A+B]		9,74,57,603	11,22,85,839
B	EQUITY AND LIABILITIES			
1	Equity			
	(a) Equity Share Capital	19	5,60,98,330	5,60,98,330
	(b) Other Equity	20	-4,40,12,966	-3,35,50,574
	Total Equity [A]		1,20,85,364	2,25,47,756
2	Non-Current Liabilities			
	(a) Financial Liabilities			
	- Borrowings	21	3,37,418	12,61,839
	- Lease liability	22	31,92,685	-
	(b) Provisions	23	23,39,129	21,68,060
	(C) Deferred tax liability (net)		97,484	-
	Total Non-Current Liabilities [B]		59,66,716	34,29,899
3	Current Liabilities			
	(a) Financial Liabilities			
	- Borrowings	24	1,78,81,516	1,43,31,234
	- Trade payables	25	-	-
	Due to micro and small enterprises		-	-
	Due to Others		3,46,19,751	4,22,59,883
	- Lease Liability		-	-
	- Provision	26	4,15,000	-
	(b) Other current liabilities	27	2,64,89,255	2,97,17,069
	Total Current Liabilities [C]		7,94,05,523	8,63,08,186
	TOTAL EQUITY AND LIABILITIES [A+B+C]		9,74,57,603	11,22,85,841
	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 Laxminivas & Co.

For and on behalf of the Board of Directors of,
City Online Services Limited

Chartered Accountants
Firm Registration Number: 011168S

Guharoy Ashish Kumar
Partner
M. No. 018659
UDIN : 20018659AAAAAN8020

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

Sd/-
R. Krishna Mohan
Executive Director cum CFO
(DIN: 01678152)

Sd/-
Naresh Swami
Company Secretary

Place: Hyderabad
Date: 31.07.2020

CITY ONLINE SERVICES LIMITED

Consolidated Statement of Profit and Loss for the period ended March 31, 2020

(All amounts in Indian Rupees, unless otherwise stated)

Particulars		Note	For the Period ended March 31, 2020	For the Period ended March 31, 2019
I	REVENUE			
	Revenue from Operations [Gross]	26	11,52,53,153	13,56,52,109
	Other Income	27	96,13,567	50,32,208
	TOTAL REVENUE [I]		12,48,66,719	14,06,84,317
II	EXPENSES			
	Bandwidth expenses	31	8,22,83,884	9,30,13,429
	Purchases of Stock in trade		-	37,08,678
	Cost of Sales	30	-	-
	Finance costs	29	20,38,315	15,64,270
	Employee benefit expenses	28	2,01,12,300	1,83,50,186
	Depreciation and amortization expense	3 & 4	45,30,799	39,96,730
	Other expenses	32	3,58,21,274	2,49,50,944
	TOTAL EXPENSES [II]		14,47,86,572	14,55,84,237
III	Profit/(Loss) Before Tax [I-II]		-1,99,19,853	-48,99,921
IV	Tax Expense:			
	- Current tax	33	-	-
	- Deferred tax	33	-94,55,483	41,63,949
	Total Tax Expense [IV]		-94,55,483	41,63,949
V	Profit/(Loss) for the period [III-IV]		-1,04,64,370	-90,63,869
VI	Other Comprehensive Income			
	Items that will not be reclassified to profit or loss			
	- Remeasurements of post-employment benefit obligations		5,886	1,76,899
	- Remeasurements of financial assets		9,915	5,02,389
	- Recognition of borrowings using effective interest rate		-	-11,349
	Other comprehensive income for the year, net of tax		-1,04,48,568	-83,95,930
VII	Earnings per equity share Rs. 10/- each fully paid			
	- Basic	36	-2.02	-1.75
	- Diluted	36	-2.02	-1.75
	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 Laxminivas & Co.

Chartered Accountants
Firm Registration Number: 011168S

Guharoy Ashish Kumar
Partner
M. No. 018659
UDIN : 20018659AAAAAN8020

Place: Hyderabad
Date: 31.07.2020

For and on behalf of the Board of Directors of,
City Online Services Limited

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

Sd/-
R. Krishna Mohan
Executive Director cum CFO
(DIN: 01678152)

Sd/-
Naresh Swami
Company Secretary

CITY ONLINE SERVICES LIMITED

Consolidated Cash Flow Statement for the period ended March 31, 2020

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note	Year ended	
		March 31, 2020	March 31, 2019
A. Cash flow from operating activities			
Profit / (Loss) before tax		-1,99,19,853	-48,99,920
Adjustments:			
Depreciation and amortisation		45,30,799	39,96,730
Interest expense		20,38,315	15,64,270
Interest income		-2,40,579	-5,28,413
Impairment Loss		1,00,18,434	-
Write Back of Liabilities		63,06,160	-
Provision written back		-38,531	-
Remeasurements of financial assets		9,915	-
Interest on security deposit		-26,048	-
Chit dividend		-	-40,616
Loss on chit funds		-	-
Expected credit loss allowance		-	-5,01,802
Share of profit from Partnership firm [Net]		-	-4,60,256
Profit on sale of property, plant & equipment		-	-6,33,972
Interest on capital from Partnership firm		-	-77,430
Remeasurement of post employee benefits		5,886	1,76,899
Cash generated before working capital changes		26,84,498	-14,04,509
Movements in working capital:			
Increase in other non-current financial assets		-79,793	4,48,093
Decrease in other non-current assets		35,647	38,754
Decrease/ (Increase) in inventories		36,86,997	-5,60,480
Increase in Bank OD's		-	-
(Decrease)/Increase in other current borrowings		76,367	-
Increase in short term loans and advances		3,07,258	-
Increase in trade receivables		29,75,856	53,20,935
Decrease/ (Increase) in current loans		-	-
Decrease/ (Increase) in other current financial assets		-1,37,401	2,34,670
Decrease/ (Increase) in other current assets		46,49,853	49,44,628
Increase in trade payables		-1,28,66,095	-1,81,21,732
Increase/(Decrease) in other current liabilities		-33,88,699	80,82,525
Increase in other current financial liabilities		-	-11,09,994
Increase/(Decrease) in other current liabilities		-3,890	-
Increase/(Decrease) in other current assets		-2,37,807	-
Increase in provisions		6,24,600	-43,57,109
		87,060	-6,35,541
Cash generated from operations		-16,72,611	-20,40,950
Direct taxes (paid)/ refund		16,740	-26,19,281
Cash flow before extraordinary items		-16,55,871	-46,59,331
Extra ordinary items		-	-
Net cash flow from operating activities (A)		-16,55,871	-46,59,331
B. Cash flows from investing activities			
Investment in fixed deposits		-	13,55,205
(Proceeds)/ Investment in chit fund		-	23,00,000
Investment in partnership firm		-	2,99,695
Chit dividend		-	40,616
Interest received		2,40,579	5,28,413
Interest on Security Deposit.		26,048	-
Interest on capital from Partnership firm		-	77,430
Share of profit from Partnership firm [Net]		-	4,80,256
Sale of property, plant and equipment		-	12,62,000
Purchase of property, plant and equipment, including intangible assets		-8,19,388	-48,51,702
Net cash flow used in investing activities (B)		-5,52,759	14,71,912
C. Cash flows from financing activities			
Repayment of long term borrowings		-9,24,421	12,61,839
Proceeds/ (repayment) of short term borrowings		43,85,939	-37,101
Interest paid		-20,38,315	-15,64,270
Net cash flow (used in)/ from financing activities (C)		14,23,203	-3,39,532
D. Net Increase/(decrease) in cash and cash equivalents (A+B+C)		-7,85,426	-35,26,951
E. Cash and cash equivalents			
at the beginning of the year		15,77,795	-79,41,742
at the end of the year		7,92,369	-1,14,68,693
Components of cash and cash equivalents			
Balance with banks	14	-	-
- In current accounts		2,27,801	9,88,146
- Deposits with original maturity of less than 3 months		5,03,375	5,03,375
Cash on hand		61,192	86,274
Less: Bank overdraft		-	-1,14,68,693
Cash and cash equivalents at the end of the year		7,92,369	-1,14,68,693
Corporate information	1		
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As per our report on even date
For Laxminivas & Co.

For and on behalf of the Board of Directors of,
City Online Services Limited

Chartered Accountants
Firm Registration Number: 0111685

Guharoy Ashish Kumar
Partner
M. No. 018659
UDIN : 20018659AAAAAN8020

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

Sd/-
R. Krishna Mohan
Executive Director cum CFO
(DIN: 01678152)

Sd/-
Naresh Swami
Company Secretary

Place: Hyderabad
Date: 31.07.2020

CITY ONLINE SERVICES LIMITED

Statement of Changes in Equity for the year ended March 31, 2020

(All amounts in Indian Rupees, unless otherwise stated)

A. Equity Share Capital

Particulars	As at March 31, 2020	As at March 31, 2019
<i>Equity shares of Rs. 10 each issued, subscribed and fully paid up</i>		
Balance at the beginning of the reporting year	5,60,98,330	5,60,98,330
Changes in equity share capital during the year	-	-
Balance at the end of the reporting year	5,60,98,330	5,60,98,330

B. Other Equity

Particulars	For the period ended March 31, 2020	For the period ended March 31, 2019
<i>Movement in other equity is as follows:</i>		
I. Investment subsidy	4,00,000	4,00,000
II. Retained Earnings		
(i) Opening Balance	-3,39,50,574	-2,55,54,644
Adjustment	23,44,555	-
(ii) Profit for the year	-1,04,64,372	-90,63,869
(iii) Other comprehensive income	-28,39,698	6,67,939
	4,85,420	-
	-4,099	-
	15,801	-
	-4,44,12,966	-3,39,50,574
Total	-4,40,12,966	-3,35,50,574

Note 3: Property, plant and equipment

Particulars	As at March 31, 2020	As at March 31, 2019
Plant & Machinery	70,22,121	76,43,637
Furniture and Fittings	4,39,229	4,67,252
Motor Vehicles	18,22,723	18,89,585
Computers and Data Processing Units	34,32,363	39,89,573
Office Equipment	13,30,964	9,78,255
Total	1,40,47,401	1,49,68,302

CITY ONLINE SERVICES LIMITED

For the year 2019-20						
Description of Assets	Plant & Machinery	Furniture and Fittings	Motor Vehicles	Computers and Data Processing Units	Office Equipment	Total
I. Gross Block						
Opening Balance	4,90,94,497	8,57,695	22,01,625	1,46,06,331	71,37,769	7,38,97,917
Additions	9,15,423	-	-	34,000	6,57,736	16,07,159
Disposals	-	-	-	-	-	-
Balance as at March 31, 2020	5,00,09,920	8,57,695	22,01,625	1,46,40,331	77,95,505	7,55,05,076
II. Accumulated Depreciation						
Opening Balance	4,14,50,860	3,90,442	3,12,040	1,06,16,758	61,59,513	5,89,29,614
Depreciation expense for the period	15,36,939	28,024	66,862	5,91,210	3,05,028	25,28,062
Eliminated on disposal of assets	-	-	-	-	-	-
Balance as at March 31, 2020	4,29,87,799	4,18,466	3,78,902	1,12,07,968	64,64,541	6,14,57,676
III. Net Block [I-II]						
Carrying value as at March 31, 2020	70,22,121	4,39,229	18,22,723	34,32,363	13,30,964	1,40,47,400
Carrying value as at March 31, 2019	76,43,637	4,67,253	18,89,585	39,89,573	9,78,256	1,49,68,304

For the year 2018-19						
Description of Assets	Plant & Machinery	Furniture and Fittings	Motor Vehicles	Computers and Data Processing Units	Office Equipment	Total
I. Gross Block						
Opening Balance	4,90,94,497	8,57,695	34,77,368	1,27,58,679	63,12,819	7,25,01,058
Additions	-	-	20,90,237	18,47,652	8,56,450	47,94,339
Disposals	-	-	33,65,980	-	31,500	33,97,480
Balance as at March 31, 2019	4,90,94,497	8,57,695	22,01,625	1,46,06,331	71,37,769	7,38,97,917
II. Accumulated Depreciation						
Opening Balance	4,02,50,575	3,28,337	26,21,254	99,13,131	46,18,529	5,77,31,827
Depreciation expense for the year	12,00,284	62,105	4,49,732	7,03,627	15,51,490	39,67,238
Eliminated on disposal of assets	-	-	27,58,946	-	10,506	27,69,452
Balance as at March 31, 2019	4,14,50,860	3,90,442	3,12,040	1,06,16,758	61,59,513	5,89,29,614
III. Net Block [I-II]						
Carrying value as at March 31, 2019	76,43,637	4,67,253	18,89,585	39,89,573	9,78,256	1,49,68,304
Carrying value as at March 31, 2018	86,43,922	5,29,558	8,56,114	28,45,547	16,94,290	1,47,69,230

CITY ONLINE SERVICES LIMITED

Note 4: Intangible Assets

Particulars	As at June 30, 2019	As at March 31, 2019
Computer Software	1,03,702	62,612
Total	1,03,702	62,612

For the year 2019-20

Description of Assets	Computer Software
I. Gross Block	
Opening Balance	3,62,947
Additions	1,27,649
Disposals	-
Balance as at March 31, 2020	4,90,596
II. Accumulated Amortization	
Opening Balance	3,00,335
Amortization expense for the period	86,559
Eliminated on disposal of assets	-
Balance as at March 31, 2020	3,86,894
III. Net Block [I-II]	
Carrying value as at March 31, 2020	1,03,702
Carrying value as at March 31, 2019	62,612

For the year 2018-19

Description of Assets	Computer Software
I. Gross Block	
Opening Balance	3,05,584
Additions	57,363
Disposals	-
Balance as at March 31, 2019	3,62,947
II. Accumulated Amortization	
Opening Balance	2,70,844
Amortization expense for the year	29,491
Eliminated on disposal of assets	-
Balance as at March 31, 2019	3,00,335
III. Net Block [I-II]	
Carrying value as at March 31, 2019	62,612
Carrying value as at March 31, 2018	34,740

CITY ONLINE SERVICES LIMITED

Note 5: Right to Use

Particulars	As at March 31, 2020	As at March 31, 2019
Right to use	50,09,932	-
Adjustment Entry.	1,53,358	
Less: Depreciation	19,16,178	
Total	29,40,396	-

Note 6: Non-Current Investments

Particulars	As at March 31, 2020	As at March 31, 2019
(i) Investments in equity instruments (fully paid-up) <i>Unquoted Investments</i> Investment in Subsidiaries (Valued at cost) - City Online Digital Private Limited [10,000 (31.03.2020: 10,000) equity shares of par value Rs. 10 each]	-	-
- City Online Media Private Limited [10,000 (31.03.2020: 10,000) equity shares of par value Rs. 10 each]	-	-
Total investment in equity instruments [A]	-	-
(ii) Others investments, unquoted		
(a) Investments in partnership firms		
- Broadway City Online Consortium	-	6,75,855
- In-fo City Online Consortium	2,32,065	5,75,680
(b) Investments in government securities [valued at cost]		
National savings certificates [Refer Note (i) below] [5 Bonds (31.03.2020: Rs.50,000) of Rs. 10,000 each]	50,000	50,000
Total investment in other non-current investments [B]	2,82,065	13,01,535
Total [A+B]	2,82,065	13,01,535

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	2,82,065	13,01,535
Investments carried at cost	2,82,065	13,01,535

CITY ONLINE SERVICES LIMITED

Note 7: Other non-current financial assets

Particulars	As at March 31, 2020	As at March 31, 2019
Security Deposits	16,93,806	15,19,439
provision on security deposits	-94,574	-
Total	15,99,232	15,19,439

Note 8: Deferred tax asset [Net]

Particulars	As at March 31, 2020	As at March 31, 2019
Deferred tax asset		
- Depreciation	10,80,551	-4,71,679
- Employee benefits		5,63,696
- Carry forward losses	1,33,08,081	48,01,897
Total	1,43,88,632	48,93,913

Note 9: Other non-current assets

Particulars	As at March 31, 2020	As at March 31, 2019
Prepaid expenses	19,520	55,168
Total	19,520	55,168

Note 10: Inventories

Particulars	As at March 31, 2020	As at March 31, 2019
Stock in trade	1,10,86,296	1,47,73,293
Total	1,10,86,296	1,47,73,293

Note 11: Current Loans

Particulars	As at March 31, 2020	As at March 31, 2019
<i>Unsecured, considered good</i>		
Loans and advances to related parties	83,56,469	88,08,185
Total	83,56,469	88,08,185

CITY ONLINE SERVICES LIMITED

Note 12: Current Investments

Particulars	As at March 31, 2020	As at March 31, 2019
<i>Other investments, unquoted</i>		
Investments in partnership firms		
- City Online Exozen Constructions	-	2,123
Total	-	2,123

Note 13: Trade Receivables

Particulars	As at March 31, 2020	As at March 31, 2019
<i>Unsecured, considered good</i>		
Outstanding for a period exceeding six months	3,68,67,072	1,58,17,931
Others	-	3,65,81,592
Less: Provision for credit losses	-23,06,202	-18,20,782
Total	3,45,60,870	5,05,78,741

Note 14: Cash and cash equivalents

Particulars	As at March 31, 2020	As at March 31, 2019
Balance with banks		
- In current accounts	2,27,801	9,88,146
- Deposits with original maturity of less than 3 months	5,03,375	5,03,375
Cash on hand	61,192	86,274
Total	7,92,369	15,77,795

Note 15: Bank balances other than above

Particulars	As at March 31, 2020	As at March 31, 2019
On deposit accounts		
- Remaining maturity for less than 12 months	1,16,49,420	1,16,49,420
Total	1,16,49,420	1,16,49,420

CITY ONLINE SERVICES LIMITED

Note 16: Other current financial assets

Particulars	As at March 31, 2020	As at March 31, 2019
Security deposits	5,51,655	5,50,075
Interest accrued but not due	1,67,138	1,62,229
Loans to employees	3,22,912	1,92,000
Total	10,41,705	9,04,304

Note 17: Income Taxes

Particulars	As at March 31, 2020	As at March 31, 2019
Advance Income Tax	49,95,909	68,00,295
Current Tax Liabilities	-	-
Total	49,95,909	68,00,295

Note 18: Other current assets

Particulars	As at March 31, 2020	As at March 31, 2019
Prepaid expenses	43,914	29,65,922
Balance with government authorities	6,61,793	1,32,000
Other current assets	1,59,802	1,59,225
Total	8,65,508	32,57,147

Note 19: Share Capital

Particulars	As at March 31, 2020		As at March 31, 2019	
	Number of Shares	Amount	Number of Shares	Amount
Authorised				
Equity shares of Rs.10 each	77,00,000	7,70,00,000	77,00,000	7,70,00,000
Issued				
Equity shares of Rs.10 each	70,00,000	7,00,00,000	70,00,000	7,00,00,000
Subscribed and called up				
Equity shares of Rs.10 each	69,25,000	6,92,50,000	69,25,000	6,92,50,000
Paid up capital				
Equity shares of Rs.10 each, fully paid-up	51,64,700	5,16,47,000	51,64,700	5,16,47,000
Share forfeiture account				
Equity shares of Rs.10 each	17,60,300	44,51,330	17,60,300	44,51,330
Total	69,25,000	5,60,98,330	69,25,000	5,60,98,330

CITY ONLINE SERVICES LIMITED

(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
Equity shares				
Period ended March 31, 2020				
- Number of shares	51,64,700	-	-	51,64,700
- Amount	5,16,47,000	-	-	5,16,47,000
Year ended March 31, 2019				
- Number of shares	51,64,700	-	-	51,64,700
- Amount	5,16,47,000	-	-	5,16,47,000

(b) Rights, preferences and restrictions attached to shares

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

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

Name of the shareholder	As at March 31, 2020		As at March 31, 2019	
	Number of Shares held	Percentage of Holding	Number of Shares held	Percentage of Holding
S. Raghava Rao	6,84,500	13.25%	6,84,500	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 20: Other Equity

Particulars	As at March 31, 2020	As at March 31, 2019
Investment subsidy	4,00,000	4,00,000
Retained Earnings	-4,40,12,966	-3,39,50,574
Total	-4,36,12,966	-3,35,50,574

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.

CITY ONLINE SERVICES LIMITED

Note 21: Non-Current Borrowings

Particulars	As at March 31, 2020	As at March 31, 2019
Term Loan from Banks		
Secured:		
- From Banks	3,37,418	12,61,839
Total	3,37,418	12,61,839

Note:

1. 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 loan was matured in the month of August'2018.

2. The term loan taken from HDFC Bank is secured by way of hypothecation of vehicle purchased. The loan is repayable in 60 equal monthly installments. The applicable interest rate is 11.25%. The period of maturity with respect to balance sheet date is 46 installments.

3. The term loan taken from Mahindra Finance is secured by way of hypothecation of generator purchased. The loan is repayable in 12 equal monthly installments. The applicable interest rate is 18.07%. The period of maturity with respect to balance sheet date is 8 installments.

Note 22: Lease Liability

Particulars	As at March 31, 2020	As at March 31, 2019
Lease liability	50,09,932	-
Adjustment entry	1,53,358	
Interest on lease liability	3,68,943	
Rent payable	20,32,832	
Total	31,92,685	-

Note 23: Non-Current Provisions

Particulars	As at March 31, 2020	As at March 31, 2019
Provision for Employee Benefits		
- Gratuity	23,39,129	21,68,060
Total	23,39,129	21,68,060

CITY ONLINE SERVICES LIMITED

Note 24: Current Borrowings

Particulars	As at March 31, 2020	As at March 31, 2019
From Banks		
- Secured	9,24,419	4,51,130
Bank overdraft		
- Secured	1,69,57,097	1,30,46,488
Loan from related parties		
- Unsecured	83,56,469	82,78,489
Total	1,78,81,516	1,34,97,618

Note 25: Trade payables

Particulars	As at March 31, 2020	As at March 31, 2019
Creditors - Suppliers	3,14,31,250	3,97,70,837
Other Payables	31,88,501	19,81,344
Total	3,46,19,751	4,17,52,181

Note 26: Current Provision

Particulars	As at March 31, 2020	As at March 31, 2019
Audit fees	4,15,000	-
Total	4,15,000	-

Note 27: Other Current Liabilities

Particulars	As at March 31, 2020	As at March 31, 2019
Statutory remittances	1,96,79,052	1,92,30,478
Advance from customers	13,92,314	95,91,848
Other current liabilities	49,20,074	-
Deposited From Franchise	23,500	-
Deposits from customers	4,74,317	2,61,302
Loans from related parties	-	4,46,722
Total	2,64,89,256	2,95,30,350

CITY ONLINE SERVICES LIMITED

Note 26: Revenue from operations [Gross]

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Income from internet services	11,30,81,942	12,97,46,011
Income from VOIP services	-	-52,645
Income from sale of Hardware	11,39,073	59,58,743
Income from Installation charges	19,47,560	-
Total	11,61,68,576	13,56,52,109

Note 27: Other Income

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Share of profit from Partnership firm	-	41,565
Share of Profit from Exozen	-	-
Chit dividend	-	40,616
Interest income on deposits	2,40,579	5,28,413
Interest on deposits with MCF	26,048	-
Profit on sale of property, plant & equipment	-	6,33,972
Excess provisions written back	2,22,820	31,97,758
Interest income:	-	-
- On Income tax refund	-	-
On TDS	8,880	-
- On Capital in the Partnership Firm	-	77,430
Write Back off Loans	14,50,000	-
Write Back off Trade Payables	63,06,160	-
Rent	-	-
Miscellaneous income	13,59,080	5,12,453
Total	96,13,567	50,32,207

Note 28: Employee Benefit Expenses

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries, allowances and wages	1,85,74,972	1,66,54,836
Contribution to provident and other funds	10,30,329	13,70,742
Staff welfare expenses	5,06,999	3,24,607
Total	2,01,12,300	1,83,50,185

CITY ONLINE SERVICES LIMITED

Note 29: Finance Costs

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest expense on:		
- Working Capital	-	-
- Term Loan	1,37,208	1.30.057
- Interest on TDS	-	-
Bank charges	4,720	-
Interest on lease liability	3,68,943	-
Other borrowing costs	15,27,445	14,34,213
Total	20,38,315	15,64,270

Note 30: Cost of Sales

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Cost of sales	9,15,423	-
Total	9,15,423	-

Note 31: Bandwidth Expenses

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Bandwidth charges	6,69,76,280	7,88,88,388
Cost of material consumed	3,72,161	37,08,678
Repairs and maintenance	29,82,901	32,36,591
VOIP activation charges	-	-
Electricity	36,30,841	34,52,807
Rent networking	44,72,332	25,10,044
Cable line expenses	11,25,623	4,50,392
Installation expenses	1,30,000	1,13,032
Last mile charges	24,73,777	41,90,476
Other operating expenses	1,19,970	1,71,699
Total	8,22,83,884	9,67,22,107

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Note 32: Other Expenses

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Rent	20,59,674	32,87,503
Rates and taxes	8,91,363	9,56,375
Director's remuneration	54,60,000	54,60,000
Sales commission	17,57,868	32,48,451
Insurance	2,06,413	1,36,739
Auditors' remuneration:	-	-
- Statutory audit	3,91,751	3,60,000
- Tax audit	-	50,000
- Fees for limited review	-	50,000
- Certification	-	15,000
Provision on audit fees	-	-
- Statutory audit	3,00,000	-
- Tax audit	50,000	-
- Fees for limited review	50,000	-
- Certification	15,000	-
Travelling and conveyance	16,11,880	22,20,379
Impairment Loss	1,30,44,140	-
Installation charges	42,776	-
Expected credit losses	4,85,420	-
Legal and professional charges	6,86,500	7,61,600
Advertisement expenses	88,790	1,26,643
Communication cost	7,37,964	12,93,949
Bad debts written off	-	3,18,530
Printing and stationery	1,99,705	3,47,551
Repairs and maintenance	-	-
- Building	-	-
- Others	57,58,738	45,27,048
Postage and courier	96,439	1,83,572
Net loss on foreign currency transaction and translation	-	20,310
Professional Charges	-	41,200
Other expenses	36,200	-
Share of loss from Partnership firm	-	4,18,690
Miscellaneous expenses	18,50,653	11,27,405
Total	3,58,21,274	2,49,50,945

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Note 33: Income Tax

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
<u>(a) Major components of income tax expense:</u>		
(i) Current Income Tax		
- Current income tax charge	-	-
- Adjustments in respect of current income tax of previous year	-	-
	-	-
(ii) Deferred Tax		
- Relating to origination/reversal of temporary differences	-94,55,483	41,63,949
	-94,55,483	41,63,949
Income tax expense reported in the statement of profit or loss	-94,55,483	41,63,949
<u>(b) Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate:</u>		
Profit/(Loss) before tax from continuing operations	-1,99,19,853	-49,41,485
Indian tax rate	26.00%	26.00%
Tax at the Indian tax rate	1,94,436	3,225
Effect of:		
Non-Deductible expenses for tax purposes	-	-
Deductible expenses for tax purposes	35,928	-
Deferred tax relating to origination/reversal of temporary differences	39,236	57,313
Tax exempt income	-	-
Income taxed at special rates	-	-
Effect of brought forward losses.	-1,73,800	-2,847
Others	-94,94,719	41,06,258
Total Income Tax Expense	-91,23,175	41,63,949

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Contingent liabilities :

l) Bank Guarantees:

Particulars	As at March 31, 2020	As at March 31, 2019
Performance Guarantee	52,52,000	52,52,000

34. 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

Net emp

Particulars	March 31, 2020	March 31, 2019
Current service cost	1,08,123	1,00,215
Interest cost on benefit obligation	1,65,033	1,63,743
Past Service cost – vested benefits	-	-
Expected return on plan assets	-	-
Net actuarial loss/(gain) recognized in the year	(5886)	(1,76,899)
Net benefit expense	2,67,270	87,060

Balance Sheet

Benefit liability

Particulars	March 31, 2020	March 31, 2019
Present value of defined benefit obligation	23,39,128	21,68,060
Fair value of plan assets	-	-
Plan liability	23,39,128	21,68,060

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

Particulars	March 31, 2020	March 31, 2019
Opening defined benefit obligation	21,68,060	20,81,000
Current service cost	1,08,123	1,00,215
Interest cost	1,65,033	1,63,743
Benefits paid	(96,201)	-
Actuarial gain/(losses) on obligation	(5886)	(176,899)
Closing defined benefit obligation	23,39,128	21,68,060

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

Particulars	March 31, 2020	March 31, 2019
Opening fair value of plan assets	-	-
Expected return	-	-
Contributions by employer	96,201	-
Benefits paid	(96,201)	-
Actuarial (losses)/gains	-	-
Closing fair value of plan assets	-	-

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

Particulars	March 31, 2020	March 31, 2019
Discount rate (%)	6.71%	7.61%
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.

35. 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.

36. 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
	S. Naga Durga
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

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b) Transactions with related parties:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Remuneration Paid:	54,60,000	54,60,000
- 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
Loans and advances given:	-	-
- City Online Exozen Consortium	-	-
Loans and advances recovered:	-	-
- Anu Digital Arts Private Limited	-	-
- City Online Media Private Limited	-	-
Unsecured Loans Taken:	-	5,27,610
- S Naga Durga	-	4,82,000
- R. Vijaya Durga	-	-
- In-fo City Online consortium	-	-
- R. Krishna Mohan	-	45,610
Unsecured Loans Repaid:	4,64,722	2,47,278
- S Naga Durga	4,64,722	35,278
- R Vijaya Durga	-	2,00,000
- R. Krishna Mohan	-	12,000
Investments made:	-	-
- City Online Exozen Consortium	-	-
Share of profit/(loss) from partnership firm:	-	3,77,125
- Info-Fi Cityonline Consortium	-	-4,18,690
- City Online Exozen Consortium	-	41,565
Interest on capital:	-	77,430
- Info-Fi Cityonline Consortium	-	77,430
Sales:	28,93,353	81,27,508
- Info-Fi Cityonline Consortium	28,93,353	45,50,296
- Broadway City Online Consortium	-	18,70,000
- City Online Exozen Consortium	-	17,07,212
Payments received for sale of services:	31,00,000	53,59,629
- Info-Fi Cityonline Consortium	31,00,000	49,59,629
- Broadway City Online Consortium	-	4,00,000

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c) Related party balances:

Particulars	As at March 31, 2020	As at March 31, 2019
Investments made:	2,32,065	12,53,658
- Broadway City Online Consortium	-	675,855
- Info-Fi Cityonline Consortium	2,32,065	5,75,680
- City Online Exozen Consortium	-	2,123
Loans and Advances Given/(Taken):	(5,00,000)	(8,14,722)
- Anu Digital Arts Private Limited	-	132,000
- S Naga Durga	-	(4,46,722)
- R Vijaya Durga	-	-
- In-fo City Online consortium	(5,00,000)	(5,00,000)
- R. Krishna Mohan	-	-
Advance from customers:	18,34,304	16,48,458
- Info-Fi Cityonline Consortium	18,34,304	16,48,458
Trade receivable:	41,07,293	28,85,493
- Anu Digital Arts Private Limited	3,54,000	-
- Broadway City Online Consortium	26,73,212	17,93,712
- City Online Exozen Constructions	10,80,081	10,91,781

37. 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, 2020	For the year ended March 31, 2019
Cancellable	20,59,674	32,87,503
Total	20,59,674	32,87,503

38. Earnings per Share (EPS):

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

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Profit after taxation as per statement of profit and loss (for basic EPS)	(1,04,64,370)	(90,63,869)
Less: Effect of dilutive potential ordinary shares	-	-
Net Profit for dilutive earnings per share	(1,04,64,370)	(90,63,869)

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

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Number of weighted average equity shares considered for calculating of basic EPS	51,64,700	51,64,700
Add: Dilutive effect of potential ordinary shares	-	-
Number of weighted average equity shares considered for calculating of diluted EPS	51,64,700	51,64,700

iii. Earnings per share:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
- Basic (Rs.)	(2.02)	(1.75)
- Diluted (Rs.)	(2.02)	(1.75)

39. Value of imports on C.I.F. basis :

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Purchase of Hardware	-	-

40. Expenditure in Foreign Currency:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Membership Fee	6,01,345	4,58,385
Total	6,01,345	4,58,385

41. 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.

42. Due to Micro and Small Enterprises

The Group has no dues to Micro and Small Enterprises as at March 31, 2019 and March 31, 2018 in the financial statements based on information received and available with the group.

43. 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.

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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 3.

ii. Financial assets and financial liabilities measured at fair value

Particulars	March 31, 2020	March 31, 2019
Fair Value Hierarchy	3	3
Financial Assets		
Other Financial Assets – Security Deposits	21,50,887	20,69,514
Other Financial Assets – Trade receivables	3,45,60,870	467,35,299
Other Investments	-	12,62,093
Financial Liabilities		
Borrowings	92,80,888	143,31,234

iii. Financial Instruments by category

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

Particulars	31-Mar-20			31-Mar-19		
	FVTPL	FVOCI	Amortized Cost	FVTPL	FVOCI	Amortized Cost
FINANCIAL ASSETS						
Other investments	-	-	4,82,065	-	-	13,01,535
Trade receivables	-	3,13,67,562	3193308	-	4,67,35,299	38,43,440
Loans	-	-	83,56,469	-	-	-
Cash and cash equivalents	-	-	7,92,369	-	-	15,77,796
Other bank balances	-	-	1,16,49,420	-	-	1,16,49,420
Other financial assets	-	21,50,887	4,90,050	-	20,69,514	3,54,229
TOTAL	-	3,35,18,449	2,49,63,681	-	4,88,04,813	1,87,26,420

FINANCIAL LIABILITIES

Borrowings		1,82,18,934	83,56,469	-	1,43,31,234	-
Trade payables		-	3,56,99,951	-	-	4,22,59,882
Other financial liabilities		-	-	-	-	-
TOTAL		1,82,18,934	4,40,56,420	-	1,43,31,234	4,22,59,882

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

CITY ONLINE SERVICES LIMITED

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.

44. 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 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, 2020	March 31, 2019
Past due not impaired:		
0-90 Days	1,80,09,554	2,52,37,778
91-180 Days	84,59,501	1,14,68,338
Greater than 180 Days	1,03,98,017	1,56,93,407
Less: Provision for Credit Losses	-23,06,202	(18,20,782)
Total	3,45,60,870	5,05,78,741

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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
March 31, 2020				
Borrowings	2,62,37,985	3,37,418	-	2,65,75,403
Trade Payables	3,56,99,951	-	-	3,56,99,951
Other current financial liabilities	-	-	-	-
Total	6,19,37,936	3,37,418	-	6,22,75,354
March 31, 2019				
Borrowings	1,43,31,234	-	-	1,43,31,234
Trade Payables	4,22,59,882	-	-	4,22,59,882
Other current financial liabilities	-	-	-	-
Total	5,65,91,116	-	-	5,65,91,116

45. 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.

CITY ONLINE SERVICES LIMITED

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

Particulars	31-Mar-20	31-Mar-19
Current Borrowings [Refer Note 24]	2,62,37,985	1,43,31,234
Total Debt	2,62,37,985	1,43,31,234
As a percentage of total capital	52.81%	38.90%
Equity [Refer Note 19 and 20]	2,34,43,694	2,25,06,189
As a percentage of total capital	47.19%	61.10%
Total Capital [Debt and Equity]	4,96,81,679	3,68,37,423

As per our report on even date
For Laxminivas & Co.

Chartered Accountants
Firm Registration Number: 011168S

Guharoy Ashish Kumar
Partner
M. No. 018659
UDIN : 20018659AAAAAN8020

Place: Hyderabad
Date: 31.07.2020

For and on behalf of the Board of Directors of,
City Online Services Limited

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

Sd/-
R. Krishna Mohan
Executive Director cum CFO
(DIN: 01678152)

Sd/-
Naresh Swami
Company Secretary

CITY ONLINE SERVICES LIMITED

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) 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, 2020	As at March 31, 2019
City Online Digital Private Limited	India	100.00	100.00
City Online Media Private Limited	India	100.00	100.00

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b) 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.

c) 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 at least 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 at least 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.

d) Property, plant and equipment:

i. Recognition and initial measurement:

Property, plant and equipment are stated in the balance sheet at their carrying

CITY ONLINE SERVICES LIMITED

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 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.

e) **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 I 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.

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

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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

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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

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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.

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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 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.

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 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

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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 base 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 on-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 losses 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 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.

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

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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 Group 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 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.

As per our report on even date
For Laxminivas & Co.

Chartered Accountants
Firm Registration Number: 011168S

Guharoy Ashish Kumar
Partner
M. No. 018659
UDIN : 20018659AAAAAN8020

Place: Hyderabad
Date: 31.07.2020

For and on behalf of the Board of Directors of,
City Online Services Limited

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

Sd/-
R. Krishna Mohan
Executive Director cum CFO
(DIN: 01678152)

Sd/-
Naresh Swami
Company Secretary

If undelivered please return to :
CITY ONLINE SERVICES LIMITED

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Telangana – 500038.
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