

NETTLINX LIMITED



**18th
ANNUAL REPORT
2010-2011**



NETTLINX LIMITED

BOARD OF DIRECTORS

- | | | | |
|----|----------------------------------|---|-----------------------------------|
| 1. | Dr. Loka Narayan Reddy | - | Director |
| 2. | Sri K. Kameswara Rao | - | Director |
| 3. | Sri V. Harish Kumar | - | Director |
| 4. | Sri M. Suresh Kumar Reddy | - | Director |
| 5. | Sri J.V. Hanumanth Rao | - | Director |
| 6. | Dr. M. Appa Rao | - | Director |
| 7. | Sri Chandra Sekhar Pogula | - | Director & COO |
| 8. | Dr. Manohar Loka Reddy | - | Chairman (From 27th April,2011) |
| 9. | Sri N. Sunder Raj | - | Director (Upto 30th October,2010) |

REGISTERED OFFICE:

5-9-22, 3rd Floor, My Home Sarovar Plaza Secretariat Road,
Saifabad, Hyderabad - 500 063
Ph.: -91-040-23232200/23231621.
Fax :23231610 E-mail: secretarial@nettlinx.org

AUDITORS**M/s DEVA & CO**

Chartered Accountants
Flat No.: 303, H.No.:5-9-42/2
Siddu Residency, Hill Fort,
Street No. 2, Basheerbagh
Hyderabad - 500 063.

PHYSICAL & DEMAT REGISTRARS

Venture Capital and Corporate Investments Pvt. Ltd.,
Regd. Off.: 12-10-167, Bharat Nagar,
Hyderabad - 500 018.

Tel : 91-40-23818475/23818476/23868023,
Fax : 040-23868024
E-mail:info@vccilindia.com

BANKERS**1) M/s ICICI Bank Limited**

Hyderabad Branch,
H. No.6-2-1012, TGV Mansion,
Khairatabad, Hyderabad - 500 004.

2) M/s HDFC Bank Limited

Lakdikapul Branch, 6-173, GR
and 3RD Floor Saeed Plaza ,
Hyderabad - 500 004. Andhra Pradesh

3) M/s Oriental Bank of Commerce,

H.No.:6-3-865, My Home Jupally,
Greenlands, Ameerpet,
Hyderabad - 500 016

**4) M/s Andhra Bank Limited,
Saifabad Branch,**

5-9-22, Hotel Sarovara Complex ,
Hyderabad - 500 063

Important Communication to Members

1. The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice / documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register the same with the Registrar and Share Transfer Agent (RTA) M/s. Venture Capital & Corporate Investments Private Limited, Regd. Off: 12-10-167, Bharat Nagar, Hyderabad 500 018. Tel:91-040-23818475 / 23818476, Fax:040-23868023 E-mail:info@vccilindia.com.

2. SEBI has made it mandatory for every participant in the securities/capital market to furnish the details of Income Tax Permanent Account Number (PAN). Accordingly, all the shareholders holding shares in physical form are requested to submit their details of PAN along with photocopy of both sides of PAN card, duly attested to the Registrar and Share Transfer Agent of the company, Venture Capital & Corporate Investments Private Limited, Regd. Off: 12-10-167, Bharat Nagar, Hyderabad 500 018. Tel:91-040-23818475 / 23818476, Fax:040-23868023 E-mail:info@vccilindia.com.

NOTICE

NOTICE is hereby given that the 18th Annual General Meeting of the Members of M/s. Nettlinx Limited will be held at ICWAI Bhavan, Beside Dena Bank, Post Office Road, Sanath Nagar, Industrial Estate, Hyderabad – 500 018 on Wednesday, the 28th September, 2011 at 3.30 PM to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2011, the Profit and Loss Account for the Year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Sri K Kameshwara Rao, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Sri V Harish Kumar, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s. DEVA & CO, Chartered Accountants, Hyderabad, Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to consider and if thought fit to pass with or without

modification(s), the following resolution as an ordinary resolution.

"RESOLVED FURTHER THAT pursuant to the provisions of Section 224(1) of the Companies Act, 1956 and subject to the approval of the members at the Annual General Meeting of the Company M/s Deva & Co. Chartered Accountants, be and are hereby re-appointed as the Auditors of the Company to hold office, from the conclusion of ensuing Annual General Meeting to the conclusion of the next Annual General Meeting of the Company at a remuneration as may be decided by the Board with the mutual consent of the auditors."

By Order of The Board

Sd/-

Dr. Loka Manohar Reddy
Chairman

Regd. Off : 3rd Floor, 5-9-22,
My Home Sarovar Plaza,
Secretariat Road, Saifabad,
Hyderabad 500 063.

Date : 24th August 2011

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy instead of himself and the proxy need not be a member of the Company. The proxies to be effected should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 23rd day of September 2011 to 28th day of September 2011 (both days inclusive).
3. Members holding shares in physical form are requested to intimate the change if any, in their registered address to the Company quoting their registered folio. If the shares are held on Demat form, intimation regarding the change of address if any, has to be informed to the concerned depository participant where the shareholder is maintaining demat account.
4. Members desiring any information on the accounts are requested to write to the Company.
5. Consequent up on introduction of Section 109A of the Companies Act, 1956, Shareholders are entitled to make nomination in respect of shares held by them in physical form. Individual shareholder(s) can avail of the facility of nomination. For further details please contact Company's Secretarial Department. Shareholders desirous of making nominations are requested to send their requests in Form 2B, (which will be making available on request to the Physical and Demat Registrar M/s Venture Capital and Corporate Investments Pvt. Ltd.
6. As a measure of economy, copies of the Annual report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report to the Meeting.
7. Members are requested to note that the Company's Equity Shares are compulsorily traded in demat form for the investors, effective from 26th March 2001. Members are requested to open Depository Account in their names with a Depository participant to dematerialize their holdings. This would be necessary for facilitating the transfers of Company's Equity shares in all Stock Exchanges connected to the Depository System.

Brief Profile of the Directors retiring at this AGM (as per clause 49 of the listing agreement)
 1. **Sri K Kameshwara Rao -**
A post Graduate in geology and is aged about 69 years. He has considerable experience in Banking Industry and held various positions in State Bank of India and at the time of Retirement he was Chief General Manager of State Bank of India.
 2. **Sri. V. Harish Kumar -**
B.Com., PGDT, A.C.S.,L.L.B, Advocate doing Law Practice and aged about 43 years. He is a director in M/s Ramky Infrastructure Limited and Net Matrix Limited.

By Order of the Board
for **NETTLINX LIMITED**

Sd/-
Dr. Loka Manohar Reddy
Chairman

Place : Hyderabad
Date : 24th August 2011

Director's Report

To

The Members

Nettlinx Limited

Your Directors present the Eighteenth Annual Report together with the Audited Statements of Account for the year ended 31st March 2011.

1. Financial Results

| Particulars | Rs. in lacs | |
|--|-------------------------------------|-------------------------------------|
| | For the year ended 31.03.2011 | For the year ended 31.03.2010 |
| Income from operations and other income | 584.32 | 549.94 |
| Total Expenditure | 677.94 | 482.08 |
| Interest | 59.77 | 66.93 |
| Depreciation | 67.19 | 71.59 |
| Profit / (Loss) Before Taxation | (220.58) | (70.67) |
| Provision for Taxation | | |
| - Current Tax | 0.00 | 0.00 |
| - Deferred Tax Asset | 6.62 | 5.30 |
| Profit / (Loss) after Tax | (213.95) | (65.36) |

MANAGEMENT'S DISCUSSION AND ANALYSIS

As required by Clause 49 of the Listing Agreement with the Stock Exchanges, the Management's discussion and Analysis Report is enclosed as a part of this Report as Annexure -1.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Sri K Kameshwara Rao and Sri. V. Harish Kumar retire by rotation at this Annual General Meeting and being eligible offer themselves for reappointment.

During the year, Sri. N. Sunder Raj, Director has resigned and Board wishes to place on record

their appreciation for the services rendered by him during his tenure as Director of the Company respectively.

Mr. Manohar Loka Reddy has resigned as Managing Director of the Company and has been appointed as Chairman of the Company

DIRECTORS RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 217(2AA) OF THE COMPANIES ACT, 1956:

In Compliance of section 217(2AA), as incorporated by the Companies (Amendment) Act, 2000, in the Companies Act, 1956, your directors confirm: -

- A. That in the preparation of the accounts for the financial year ended 31st March, 2011 the applicable accounting standards have been followed along with proper explanation relating to material departures;
- B. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the company for the year under review;
- C. The Directors' have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of your company and for preventing and detecting fraud and other irregularities.
- D. That the Directors have prepared the accounts for the financial year ended 31st March 2011 on a going concern basis.

SUBSIDIARIES

Company has invested in 100% of the paid up capital of Nettlinx Inc., Nettlinx Realty Pvt. Ltd., Nettlinx Channel Pvt. Ltd., and Host Department LLC. Consolidated Financial performance has been given separately.

CORPORATE GOVERNANCE

Your Directors affirm their commitment to the Corporate Governance Standards prescribed by the Securities and Exchange Board of India (SEBI). A report on Corporate Governance with Management Discussion and Analysis as required under Clause 49 of the Listing Agreement is Annexed to this report as Annexure-II.

Audit Committee has been constituted of the following members.

1. Sri K. Kameswara Rao, Chairman
2. Sri V. Harish Kumar
3. Sri J.V. Hanumanth Rao

FIXED DEPOSITS

Your Company has not accepted any deposits and, as such, no amount of principal or interest was outstanding as at the close of the Financial Year.

AUDITORS

M/s. DEVA & CO Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of the forthcoming Annual General Meeting and are eligible for reappointment. The Statutory Auditors have intimated to the Company that the appointment, if made, would be within the prescribed limits under section 224 (1-B) of the Companies Act, 1956 and that they are not otherwise disqualified within the meaning of subsection (3) of section 226 to the Companies Act, 1956, for such appointment.

The notes to the accounts referred to in the Auditors' Report is self explanatory and therefore do not call for any further Comments.

PARTICULARS OF EMPLOYEES

During the year under review, there were no employees drawing remuneration in excess of the limits laid down in section 217(2A) of the Companies Act, 1956 read with (Particulars of Employees) Rules, 1975.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The information required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (disclosures of particulars in the Report of Board of Directors) Rules 1988 are set out in Annexure III, attached hereto and forms part of this report.

EMPLOYEE STOCK OPTION PLANS

Company has offered Stock Options to the employees under Nettlinx Stock Option Plan 2007 aggregating to 2,90,000 options at a price of Rs. 11.20. For the year ending 31st March, 2011 there are 5,10,000 stock options outstanding, and vesting options to the extent of 50% will fall due on 30.8.2011.

Disclosures Pursuant to Para 12 of the Securities Exchange Board of India (Employees Stock Options Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 are set out as Annexure IV to the report.

ACKNOWLEDGEMENTS:

Your Directors place on record their sincere appreciation for the services of the Department of Telecommunications (DOT), Bankers and the Software Technology Park of India (STPI). Your Directors also place on record their sincere appreciation and gratitude for the valuable assistance, support and co-operation from the Company's Customers, Employees and Shareholders during the period under review,

For and on behalf of the Board
Sd/-

(Dr. Manohar Loka Reddy)
Chairman

Date : 24th August, 2011
Place : Hyderabad

ANNEXURE-I

MANAGEMENT'S DISCUSSION & ANALYSIS REPORT:**A) INDUSTRY STRUCTURE AND DEVELOPMENT, OPPORTUNITIES & THREATS, PERFORMANCE, OUTLOOK AND RISKS & CONCERNS:**

Your Company registered a Gross Revenue of Rs.584.32 Lakhs and Net Loss of Rs.213.95 Lakhs for the year ending 31st March' 2011, as against a Gross Revenue and Net Loss of Rs.549.94 Lakhs and Rs.65.36 Lakhs respectively for the previous year ending 31st March' 2010.

Your Company, as part of expansion plan in its core internet service business, is still cautiously considering the possibility of obtaining Category-A ISP license to roll-out internet service distribution activity to several potential towns in selected states of India. This is against our current operations restricting ourselves within Andhra Pradesh geographical area by virtue of having only a B-category license. Additionally, we have identified potential growth in the home broadband segment which gives us a larger direct customer base with stable realizations. In this connection, we propose to aggressively plan our foray into tier-II and tier-III rural towns across Andhra Pradesh for acquiring small operators networks in selective towns. This is against our current reliance on third party distribution networks.

Nettlinx Channel – It is kept on hold due to adverse market conditions which continued throughout the year. Additionally, Your Company is also exploring the possibility to exit totally out of this Nettlinx Channel segment by selling off the Company, subject to commercial viability & Board approval.

IADFAC Laboratories Pvt. Ltd – based on Board approval, Nettlinx Limited has exited totally by disposing off nettlinx's 67% share of equity in IADFAC Laboratories Pvt. Ltd. Your Company could get back their original investment of Rs.40,00,000 apart from the loan previously extended.

Nettlinx Realty Pvt. Ltd. – After a lot of business analysis on our Nagpur Lands,

- ⊛ MOU signed with BHAIJI INFRA PROJECT PVT.LTD, Nagpur on 17th January,2011, towards out right sale of 7.52 acres out of total available land of 17.41 acres.
- ⊛ In the second phase 6.50 acres is earmarked for joint development activity at 36 : 64 between Nettlinx Realty and proposed developer .
- ⊛ After this , your company will still retain and hold 3.39 acres as a future asset.

Overall performance based on the consolidated Accounts, our Company has registered a Net Loss of Rs.154.77 Lakhs, as against of Net Loss of Rs.63.40 Lakhs in the previous year ending 31st March' 2010.

B) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company has a proper and adequate system of internal control to ensure all the assets are safeguarded and protected against loss from unauthorized use or disposition and the transactions are authorized, regarded and reported correctly.

The internal control is supplemented by an extensive program of internal audits, review by management and procedures. The internal control is designed to ensure that the financial and other records are reliable for preparing financial statements and other data, and for maintaining accountability of assets.

The Company's Internal Audit Department is regularly carrying out the Audit in all areas. Additionally the Audit committee is reviewing all Audit Reports with significant control, all issues raised by internal and external auditing regularly, reports on the business development, all the past and the future plans are given to the Board of Directors, Internal Auditor's reports are regularly circulated to all the senior management to comply with the findings.

Normal forcible risks of the Company's Assets are adequately covered by comprehensive insurances.

C) MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRY RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED:

The Company recognizes the importance and contribution of its human resources for its growth and development and is committed to the development of its people. The company has been practicing methods and practices for human resources with integrity, through a variety of services by using appropriate training,

motivation techniques and employees' welfare activities. Industrial Relations were cordial and satisfactory.

As on 31st March'2011, the company has about 90 employees.

D) CAUTIONERY STATEMENT:

Statement in the Management's Discussions and Analysis describing the company's projections, estimates, expectations or predictions may be 'forward looking predictions' within the meaning of applicable securities laws and regulations.

ANNEXURE II

REPORT ON CORPORATE GOVERNANCE

1) Company's Philosophy on code of Corporate Governance

The Company firmly believes in and has consistently endeavored to practice good corporate Governance. The Company's Philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, professionalism and accountability, in all facets of its operations, and in all its interactions with its stake holders, including shareholders and employees.

2) Board of Directors

The Board of Directors consists of 8 Directors.

The composition and category of Directors as on 31.03.2011 is as follows:

| SL. No: | Name of the Director | Category | Designation | No: of Board Meetings attended | Attendance in last AGM held on 29.09.2010 |
|---------|---|-------------------------|--|--------------------------------|---|
| 1 | Dr. Loka Narayan Reddy | Promoter, Non-Executive | Director | NIL | No |
| 2. | Dr. Manohar Loka Reddy | Promoter, Non-Executive | Chairman (Managing Director upto 27.04.2011) | 5 | No |
| 3. | Mr. Chandra Sekhar Pogula | Executive | Whole Time Director and COO | 5 | Yes |
| 4. | Mr. K. Kameswara Rao | Independent | Director | 4 | Yes |
| 5. | Mr. V Harish Kumar | Independent, | Director | 5 | No |
| 6. | Mr. M Suresh Kumar Reddy | Independent | Director | Nil | No |
| 7. | Mr. J.V. Hanumanth Rao | Independent | Director | 4 | Yes |
| 8. | Dr. M. Appa Rao | Independent | Director | Nil | No |
| 9. | Mr. Sundar Raj (Director upto 30.10.2010) | Independent | Director | 2 | Yes |

b) Number of other Directorships & Committee Membership/ Chairmanship

| SI. No. | Name of Director | Other Directorship | Committee Membership | Committee Chairmanship |
|---------|---------------------------|--------------------|----------------------|------------------------|
| 1. | Dr. Loka Narayan Reddy | 0 | - | - |
| 2. | Dr. Manohar Loka Reddy | 8 | - | - |
| 3. | Mr. Chandra Sekhar Pogula | 5 | - | - |
| 4. | Mr. K. Kameswara Rao | 1 | - | - |
| 5. | Mr. V Harish Kumar | 2 | - | - |
| 6. | Mr. M Suresh Kumar Reddy | 1 | 1 | - |
| 7. | Mr. J.V. Hanumanth Rao | 0 | - | - |
| 8. | Dr. M. Appa Rao | 4 | - | - |

Number of Board Meetings held and the date on which held

Five Board Meetings were held during the year, the dates on which the meetings were held are as follows:

11th May,2010

29th July,2010

26th August,2010

29th October,2010

31st January,2011

3) Audit Committee

The Audit Committee consists of non-executive directors Viz., Sri. K. Kameswara Rao, Chairman, Sri V. Harish Kumar, Sri J. V. Hanumanth Rao (The constitution of Audit Committee also meets with the requirements under Section 292 A of the Companies Act, 1956).

The Composition, role, functions and powers of the Audit Committee are in line with the requirements of applicable laws and regulations.

The Audit Committee shall oversee financial reporting process and disclosures, review annual financial statements, review adequacy of internal audit function, related party transactions, review financial and risk management policies, oversee compliance with Stock Exchange and legal requirements concerning financial statements, review auditor's qualifications (draft), compliance with Accounting Standards, recommending the appointment and renewal of external Auditor, fixation of Audit fee and also approval for payment for any other services, etc.

During the year, the Audit committee has met five times as against the minimum requirement of four meetings. Attendance of each member at the committee meeting were as follows:

| S. No. | Name of the Member | Status | No. of Meetings Attended |
|--------|-------------------------|----------------------|--------------------------|
| 1 | Sri K. Kameswara Rao | Independent Director | 4 |
| 2 | Sri V. Harish Kumar | Independent Director | 5 |
| 3 | Sri J. V. Hanumanth Rao | Independent Director | 4 |

4) Remuneration Committee

The Remuneration Committee consists of Non-Executive Independent Directors viz., Sri V. Harish Kumar, Sri K. Kameswara Rao and Sri M. Suresh Kumar Reddy.

The Remuneration committee has been constituted to recommend / review the Remuneration Packages of the Executive Directors. The remuneration policy is in consonance with the existing industry practice and also with the provisions of the Companies Act, 1956.

Details of remuneration paid to the Managing Director / Executive Director for the year ending 31.03.2011

The aggregate of salary and perquisites paid for the year ended 31st March 2011 to Managing Chairman and Director & COO, were as follows:

Dr. Loka Manohar Reddy – Chairman – Nil

Sri Chandra Sekhar Pogula - Director & COO –Rs.15,00,000/- P.A.

b) Non Executive Directors

No remuneration is paid to Non Executive Directors except sitting fees for attending the meeting of the Board and committees thereof.

5) SHAREHOLDERS / INVESTORS' GRIEVANCE COMMITTEE

Shareholders / Investors Grievance Committee consists of

Sri Chandra Sekhar Pogula-Chairman,

Sri V. Harish Kumar and

Sri K. Kameswara Rao.

The Committee reviews redressing of Shareholders and investors Complaints like transfer of shares, non-receipt of Balance sheet, non-receipt of declared Dividends, etc besides complaints from SEBI, Stock Exchanges, and various Investor Forums. The Committee also oversees the performance of Physical and Demat Registrar and recommends measures for overall improvement in the quality of investor's services.

i) Name and Designation of Compliance Officer: Mr. Chandra Sekhar Pogula, Secretarial Officer, 5-9-22, 3Rd Floor, My Home Sarovar Plaza, Secretariat Road, Saifabad, Hyderabad 500 063. Ph: 91-040-23232200/23231621 Fax:040-23231610 E-Mail: secretarial@nettlinx.org

ii) The Company received ..Nil. Complaints from the shareholders/investors during 2010-11. The Company received 3 requests for share transfer and 7 requests for dematerialization of shares during the year. All the requests were approved and dealt with and there were no pending requests as on March 31, 2011.

6) General Body Meeting :
6.1. Location and Time for Last Three Annual General Meetings held:

| Date | Venue | Time | No. Of Special Resolutions |
|------------|------------------------------------|------------|----------------------------|
| 28.09.2010 | Hotel Anmol Continental, Hyderabad | 3.30 P.M. | NIL |
| 29.09.2009 | Hotel Anmol Continental, Hyderabad | 10.30 A.M. | 1 |
| 27.09.2008 | Hotel Anmol Continental, Hyderabad | 11.30 AM | 2 |

7) Disclosures

a) Disclosure on materially significant related party transactions i.e., transactions of the Company of material nature, with its promoters, the Directors or the Management, their Subsidiaries or Relatives, etc., that may have potential conflict with the interest of the Company at large.

During the year, the Company had not entered into any transaction of a material nature with any of the related parties, which were in conflict with the interest of the Company except that referred to point No.6 under Notes on Accounts.

All transactions with the Related Parties were in the ordinary course of business and at arms length.

- b) Details of non-compliance by the Company, penalties, and strictures imposed on the Company by stock exchanges or SEBI, or any Statutory Authority, on any matter related to Capital markets, during the last three years - **NIL**

8) Means of Communication

Quarterly Results

Quarterly Results are normally published in the all India editions of the Business Standard (National Daily) and Andhra Bhoomi (Regional Newspaper) along with the official news release.

All material information about the Company is promptly sent through facsimile / letters to the Indian Stock Exchanges where the Company's shares are listed.

The quarterly results and other official news release are displayed in www.nettlinx.com

The Management Discussions and Analysis (MD&A) is a part of the Annual Report.

9) General Shareholders information

1. As indicated in the Notice to our shareholders, the Annual General Meeting of the Company will be held at ICWAI Bhavan, Beside Dena Bank, Post Office Road, Sanath Nagar, Industrial Estate, Hyderabad – 500 018 on Wednesday, the 28th September, 2011 at 3.30 PM

2. Tentative Calendar of events for the financial year April, 2010 - March, 2011 is given below:

| | | |
|----------------------------------|----------------|---------------|
| Un audited Financial results for | First Quarter | July, 2010 |
| | Second Quarter | October, 2010 |
| | Third Quarter | January, 2011 |
| | Fourth Quarter | April, 2011 |

3. **Book Closure:** From, the 23rd September, 2011 to the 28th September, 2011 (both days inclusive) for the purpose of Annual General Meeting.

4. (a) The Shares of the Company are listed on:

- ✪ The Bombay Stock Exchange, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400001
- ✪ The Calcutta Stock Exchange, 7 Lyons Range, Calcutta 700001 – **Delisted w.e.f. 10th Feb, 2010**

As Securities Exchange Board of India, Mumbai has De-recognized The Hyderabad Stock Exchange Limited. Your Company Shares are not listed / Traded on The Hyderabad Stock Exchange Limited

(b) Depositories for Equity Shares: NSDL and CSDL

- ✪ **ISIN number for the company's equity shares INE027D01019**

- ✪ **PHYSICAL & DEMAT REGISTRARS:**

Venture Capital & Corporate Investments Private Limited
 Regd. Off: 12-10-167, Bharat Nagar, Hyderabad 500 018.
 Tel:91-040-23818475 / 23818476, Fax:040-23868023
 E-mail:info@vccilindia.com

5. Stock Code: Scrip Code No. : Bombay Stock Exchange: 511658

Trading Symbol : Bombay Stock Exchange : Nettlinx

6. a) **Stock Market Data**

Bombay Stock Exchange (BSE)

| Month & Year | High | Low |
|----------------|-------|-------|
| April 2010 | 12.80 | 10.60 |
| May 2010 | 12.50 | 9.80 |
| June 2010 | 10.95 | 9.51 |
| July 2010 | 11.52 | 9.51 |
| August 2010 | 12.00 | 9.50 |
| September 2010 | 10.45 | 8.80 |
| October 2010 | 11.29 | 9.06 |
| November 2010 | 11.60 | 9.08 |
| December 2010 | 12.00 | 9.72 |
| January 2011 | 11.23 | 9.54 |
| February 2011 | 10.92 | 9.22 |
| March 2011 | 14.01 | 9.36 |

- b) The listing fee for the year 2010-2011 has been paid to the Stock Exchange, Mumbai.
- c) The Company has appointed Venture Capital & Corporate Investments Private Limited for Physical and Demat shares and for redressal of related grievances and in this regard, shareholders may contact M/s. Venture Capital & Corporate Investment Private Limited at Regd. Off: 12-10-167, Bharat Nagar, Hyderabad - 500 018, Tel: 91-040-23818475 /23818476, Fax: 040-23868024, Email: info@vccilindia.com for their requirements.
- d) The Company's shares are covered under the Compulsory dematerialization list and are transferable through the depository system. As per the internal quality standards, the Company has put in processes for physical share transfers and the same have been reviewed by the Investors Grievance Committee. Shares received for physical transfer are generally registered within a period of 30 days from the date of receipt, if the documents are clear in all respects. As regards shares held in Electronics form, the credit being given as per guidelines issued by SEBI/NSDL/CDSL.

7. (a) Shareholding Pattern as on 31st March 2011

| Sl. No. | Category | No. of Shares (Issued Equity) | Percentage (%) |
|---------|--|-------------------------------|----------------|
| 1 | Promoters & Associates | 6593744 | 57.52% |
| 2 | Indian Financial Institutions, Banks, Mutual Funds | 900 | 0.01% |
| 3 | Foreign Institutional Investors / NRIs | Nil | Nil |
| 4 | Others | 4868668 | 42.47% |
| | Total | 11463312 | 100% |

(b) Distribution of Shareholding as on 31st March 2011

| No. of Shares Held | No. of Shareholders | % of Shareholders | No. of Shares (Issued Equity) | % of Shareholding |
|--------------------|---------------------|-------------------|-------------------------------|-------------------|
| 1 - 500 | 1,728 | 70.24 | 2,93,794 | 2.56 |
| 501 - 1000 | 311 | 12.64 | 2,79,448 | 2.43 |
| 1001 - 2000 | 151 | 6.13 | 2,46,420 | 2.15 |
| 2001 - 3000 | 79 | 3.21 | 2,06,343 | 1.80 |
| 3001 - 4000 | 36 | 1.46 | 1,29,474 | 1.12 |
| 4001 - 5000 | 44 | 1.78 | 2,08,547 | 1.81 |
| 5001 - 10000 | 46 | 1.87 | 3,50,429 | 3.05 |
| 10000 – and above | 65 | 2.64 | 97,48,857 | 85.04 |
| TOTAL | 2460 | 100.00 | 1,14,63,312 | 100.00 |

8. Dematerialization of Shares and Liquidity: The Company appointed Venture Capital and Corporate Investments Private Limited as a Depository Transfer Agent (DTA) and signed tripartite agreements with NSDL/CDSL and Venture Capital & Corporate Investments Private Limited to facilitate dematerialization of shares. Shares received for dematerialization are generally confirmed, within a period of 10 days from the date of receipt, if the documents are clear in all respects. As on 31.03.2011, 88.30% of Companies Share Capital was dematerialized.

Liquidity of Shares: The shares of the Company are traded in the Stock Exchange, Mumbai (BSE).

9. Investor correspondence:

- a) For transfer / dematerialization of shares and any other query relating to the shares of the Company.

M/s. Venture Capital and Corporate Investments Private Limited,
Regd.off:12-10-167, Bharat Nagar,
Hyderabad 500 018.
Tel:91-040-3818475,23818476,
Fax:040-23868024,
Email: info@vccilindia.com

b) Any query on Annual Report

Secretarial Department, Nettlinx Limited,
5-9-22, 3rd Floor, My Home Sarovar Plaza,
Secretariat Road, Saifabad,
Hyderabad - 500 063.
Ph: 91-040-23232200; Fax: 23231610
Email: secretarial@nettlinx.org

10. Code of Conduct

The Nettlinx Code of Conduct as adopted by the Board of Directors is applicable to the Directors, both executive and non-executive and Senior Management team comprising of members of Management one level below the Executive Directors, including the functional heads.

CERTIFICATE OF COMPLIANCE WITH THE CODE OF CONDUCT

To

The Shareholders

I hereby declare that all the Board members and Senior Management Personnel have affirmed compliance with the code of conduct adopted by the Company and have submitted declaration in this behalf for the year ended 31st March 2011.

Sd/-
Dr. Manohar Loka Reddy
Chairman

Place : Hyderabad
Date : 24.08.2011

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of Nettlinx Limited.

We have examined the compliance of conditions of Corporate Governance by Nettlinx Limited (the Company), for the year ended 31st March 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

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

For M/s. DEVA & CO

Chartered Accountants
Firm Reg.No:000722S

Sd/-

(M. Devaraja Reddy)

Partner

Membership No. 026202

Place: Hyderabad

Date: 24.08.2011

ANNEXURE-III

TO THE DIRECTOR'S REPORT

Information as per Section 217 (1)(e) read with Companies (Disclosure of particulars in the report of Board of Directors) Rules 1988 and forming part of the Directors' report.

A. ENERGY CONSERVATION

The operations of your Company are not energy intensive. Your Company evaluates on an on-going basis new technologies and techniques to make infrastructure more energy efficient. Adequate measures have been taken to reduce energy consumption.

B. TECHNOLOGY ABSORPTION

There was no Technology Absorption by the Company during the year under review.

C. RESEARCH AND DEVELOPMENT

There was no R & D carried on during the year under review.

D. FOREIGN EXCHANGE EARNING & OUTGO:

Foreign Exchange Inflow Rs.1,11,87,547/-

Foreign Exchange outflow Rs.34,81,010/-

Details of Stock Options Annexure IV

Pursuant to SEBI guidelines on Stock Options Nettlinx Stock Option Plan 2007

| Sl. No. | Description | NETTLINX ESOP 2007 |
|---------|---|--|
| 1. | Options Granted during the Year 2009-10 | 4,15,000 |
| 2. | Pricing Formula | Market Price as defined in SEBI (ESOS & ESPS) Guidelines, 1999 in vogue - @ Rs.11.20 |
| 3. | Options Vested | Nil |
| 4. | Options Exercised | Nil |
| 5. | Total No of Shares arising as a result of exercise of options | Nil |
| 6. | Options lapsed | 1,25,000 |
| 7. | Variation of terms of options | Nil |
| 8. | Money realized by exercise of Options | Nil |
| 9. | Total No of options in force | 2,90,000 |
| 10. | Options granted | 415000 |
| (a) 1 | Chandra Sekhar Pogula | 75000 |
| 2 | N.Venkateswara Rao | 40000 |
| 3 | Ch.C.S.V.Raju | 10000 |
| 4 | L.Balu | 10000 |
| 5 | B.Bala Bhaskara Rao | 10000 |
| 6 | Y.Srinivas Reddy | 10000 |

| | | |
|----|--------------------|-----------------|
| 7 | Mohd. Wasif Ali | 5000 |
| 8 | G.Vidya Sagar | 10000 |
| 9 | P. Vasanth | 5000 |
| 10 | V.N.Prasad Grandhi | 5000 |
| 11 | J. Shyam Kumar | 5000 |
| 12 | R. Ayyappa | 5000 |
| 13 | A. Uday Kiran | 5000 |
| 14 | P.Jayachandra | 5000 |
| 15 | V. Ramesh Babu | 5000 |
| 16 | V.Raveendra Reddy | 5000 |
| 17 | V.Chandra Kiran | 15000 |
| 18 | Sreekanth Reddy | 50000 |
| 19 | K. Raju | 5000 |
| 20 | N. Koteswara Rao | 5000 |
| 21 | P. Anil Kumar | 5000 |
| | Total | 2,90,000 |

Blocked for Future Allocation to Employees **5,10,000**

- (b) Any other employee who received a grant in any one year of options amounting to 5% or more of options granted during the year **Nil**
- (c) Identified employees who were granted option, during any one year, Equal to or exceeding 1% of the issued capital(excluding outstanding warrants and conversions)of the Company at the time of grant. **Nil**
- 11 Diluted EPS as per Accounting Standard-20 Rs.(1.87)

AUDITOR'S REPORT

To the Members of **NETTLINX LIMITED**

1. We have audited the attached Balance Sheet of **NETTLINX LIMITED**, as at 31st March, 2011 and also the Profit and Loss Account of the company for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion..
3. As required by the Companies (Auditors Report) Order, 2003, as amended, issued by the Central Government of India in terms of sub section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have 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 appears from our examination of those books;
 - (c) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (e) On the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors are disqualified as at 31st March, 2011 from being appointed as a director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the balance sheet, of the state of affairs of the company as at 31st March, 2011;
 - (ii) in the case of profit and loss account, of the loss for the year ended on that date; and
 - (iii) in the case of cash flow statement, of the cash flows of the company for the year ended on that date..

For M/s. DEVA & CO
Chartered Accountants
Firm Reg.No:000722S

Sd/-
(M. Devaraja Reddy)
Partner
Membership No. 026202

Place : Hyderabad
Date : 24.08.2011

ANNEXURE TO THE AUDITOR'S REPORT

The annexure referred to in paragraph 3 of our report of even date to the members of **NETTLINX LIMITED** as at 31st March 2011

- (1) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) According to the information and explanation given to us, the fixed assets have been physically verified by the management at regular intervals and no material discrepancies between the book records and the physical inventory have been noticed on such verification.
- (c) Fixed assets disposed off during the year were not substantial and therefore, do not effect the going concern assumption.
- (2) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory 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 is maintaining proper records of inventory and no material discrepancies were noticed on such physical verification.
- (3) (a) As Informed, the company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956. Therefore the provisions of clause (iii) (b) to (d) of the order are not applicable.
- (b) As informed, the company has not taken any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the companies Act, 1956. Hence the provisions of clause (iii) (f) & (g) of the order are not applicable.
- (4) In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with size of the company and the nature of its business, with regard to the purchase of fixed assets and for of services. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weakness in the aforesaid internal control system.
- (5) According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the companies Act 1956 during the year to be entered in the register required to be maintained under that section. Accordingly, commenting on transactions made in pursuance of such contracts or arrangements does not arise.
- (6) The company has not accepted any deposits from the public within the meaning of Section 58A and 58AA of the Act and the rules framed there under.
- (7) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (8) As per the information and explanations given to us, in respect of the class of industry the Company falls under, the maintenance of cost records has not been prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956. Therefore, the provision of clause (viii) of paragraph 4 of the Order is not applicable to the Company.
- (9) (a) According to the information and explanations given to us, and as per the records of the Company, in our opinion the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues with the appropriate authorities, where applicable. Based on the information furnished to us, there are no undisputed statutory dues as on 31st March 2011, which are outstanding for a period exceeding six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no cases of non-deposit with the appropriate authorities of disputed dues of sales tax/ income tax/ customs tax/ wealth tax/ service tax/ excise duty and Cess.
- (10) The company has not incurred cash losses during the financial year under audit and in the immediately preceding financial year.

- (11) According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- (12) The company has not granted any loans and advances on the basis of security by way of pledge of shares, securities, debentures and other investments.
- (13) The company is not a chit fund or a nidhi / mutual benefit fund /society. Therefore, the provisions of sub clause (a), (b), (c) and (d) of clause (xiii) of paragraph 4 of the Order are not applicable to the Company.
- (14) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of paragraph 4 of the Companies (Auditors Report)Order 2003 are not applicable to the Company.
- (15) The company has not given any guarantee for loans taken by others from bank or financial institutions and hence clause (xv) of paragraph 4 of the Order is not applicable to the Company.
- (16) The company has not obtained any term loans during the Financial Year.
- (17) On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
- (18) According to the information and explanation given to us, the company has not made any preferential allotment of share to the parties and companies covered in the register maintained under sec.301 of the companies Act 1956 and hence the applicability of the clause regarding the price at which shares have been issued and whether the same is prejudicial to the interest of the company does not rise.
- (19) The company has not issued debentures and hence clause (xix) of paragraph 4 of the Order is not applicable to the Company.
- (20) The Company has not raised any money through a public issue during the year. Therefore, the provision of clause (xx) of paragraph 4 of the Order is not applicable to the Company.
- (21) Based on the audit procedures performed and information given to us and the representation made by the Management, we report that no fraud on or by the Company has been noticed or reported during the year

For M/s. DEVA & CO

Chartered Accountants
Firm Reg.No:000722S

Sd/-

(M. Devaraja Reddy)

Partner
Membership No. 026202

Place : Hyderabad

Date : 24.08.2011

BALANCE SHEET AS AT 31st MARCH, 2011

| SCHEDULE | As At | | |
|--|------------------------|------------------------|------------------|
| | 31st March 2011 Rs. | 31st March 2010 Rs. | |
| A) SOURCES OF FUNDS | | | |
| 1. Shareholders' Funds | | | |
| a) Share Capital | 1 | 114633120 | 114633120 |
| b) Reserves and Surplus | 2 | 55414461 | 76809965 |
| TOTAL SHAREHOLDERS' FUNDS | | 170047581 | 191443085 |
| 2. Loan Funds | | | |
| Secured Loans | 3 | 26985837 | 44895609 |
| Un Secured Loans | 4 | 510000 | 0 |
| TOTAL FUNDS EMPLOYED | | 197543417 | 236338694 |
| B) APPLICATION OF FUNDS | | | |
| 1. Fixed Assets | | | |
| a) Gross Block | 5 | 152137733 | 152169072 |
| b) Less : Accumulated Depreciation/Amortisation | | 115605206 | 108911421 |
| c) Net Block | | 36532527 | 43257651 |
| d) Capital work-in-progress | | 0 | 0 |
| | | 36532527 | 43257651 |
| 2. Investments | 6 | 89757093 | 108568064 |
| 3. DEFERRED TAX ASSET (NET) (Refer Note 2.j, Schedule 19) | | 3501878 | 2839516 |
| 4.. Current Assets, Loans and Advances | | | |
| A. CURRENT ASSETS | | | |
| a) Inventories | 7 | 820197 | 1858019 |
| b) Sundry Debtors | 8 | 16212276 | 21551770 |
| c) Cash and Bank Balance | 9 | 1807496 | 2350506 |
| d) Other Current Assets | 10 | 10591157 | 9982742 |
| | | 29431126 | 35743037 |
| B. LOANS AND ADVANCES | | | |
| | 11 | 53249603 | 65485790 |
| | | 82680729 | 101228827 |
| Less : Current Liabilities & Provisions | | | |
| a) Current Liabilities | 12 | 14178045 | 17947510 |
| b) Provisions | 13 | 848365 | 1803054 |
| | | 15026410 | 19750564 |
| Net Current Assets | | 67654319 | 81478263 |
| 5. Miscellaneous Expenditure | | | |
| (to the extent not written off or adjusted) | | 97600 | 195200 |
| TOTAL | | 197543417 | 236338694 |

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS 19

Schedules 1 to 19 annexed hereto form part of these accounts.

As per our report of even date

For **DEVA & CO.,**
Chartered Accountants
Firm Reg. No.000722S

For and on behalf of the Board of Directors

Sd/-
(M. Devaraja Reddy)
Partner
Membership No.026202

Sd/-
(Manohar Loka Reddy)
Chairman

Sd/-
(J.V. Hanumanth Rao)
Director

Place: Hyderabad
Date : 24-08-2011

Sd/-
(Chandra Sekhar Pogula)
Director & COO and Compliance Officer

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011

| SCHEDULE | For the year ended 31 st March 2011 Rs. | Previous year ended 31 st March 2010 Rs. |
|---|---|--|
| INCOME | | |
| Income from services and other operations | 14 | 49271071 |
| Other Income | 15 | 5984655 |
| Provisions/Liabilities no longer required - Written Back | | 3176175 |
| | <u>58431900</u> | <u>54994196</u> |
| EXPENDITURE | | |
| Operating and Other Expenses | 16 | 37573539 |
| Employee Cost | 17 | 15703242 |
| Financial Charges | 18 | 5976933 |
| Depreciation | 05 | 6718985 |
| Provision for Diminution in the carrying cost of investment (Refer note Schedule 19.B.1) | | 14419466 |
| Miscellaneous Expenditure Written off | | 97600 |
| | <u>80489765</u> | <u>62061427</u> |
| Profit / (Loss) before Tax and Prior Period items | (22057866) | (7067232) |
| Less: Provision for Taxation : | | |
| Current Tax | 0 | 0 |
| Deferred Tax - Asset | 662362 | 530330 |
| Profit/(Loss) After Tax | (21395504) | (6536901) |
| Less: Prior Period Item / Adjustment | 0 | 0 |
| Profit / (Loss) After Tax and Prior Period items | (21395504) | (6536901) |
| Balance Brought forward from Previous Year | 24210390 | 30747291 |
| Profit / (Loss) Carried to Balance Sheet | <u>2814886</u> | <u>24210390</u> |
| Earnings per Share-basic and diluted | (1.87) | (0.57) |

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS 19
Schedules 1 to 19 annexed hereto form part of these accounts.

As per our report of even date

For **DEVA & CO.,**
Chartered Accountants
Firm Reg. No.000722S

For and on behalf of the Board of Directors

Sd/-
(M. Devaraja Reddy)
Partner
Membership No.026202

Sd/-
(Manohar Loka Reddy)
Chairman

Sd/-
(J.V. Hanumanth Rao)
Director

Place: Hyderabad
Date : 24-08-2011

Sd/-
(Chandra Sekhar Pogula)
Director & COO and Compliance Officer

SCHEDULES FORMING PART OF THE BALANCE SHEET

| | As At 31 st March 2011 Rs. | As At 31 st March 2010 Rs. |
|---|---|---|
| Schedule - 1 | | |
| SHARE CAPITAL | | |
| AUTHORISED | | |
| 2,00,00,000 Equity Shares of Rs.10 each | <u>200000000</u> | <u>200000000</u> |
| ISSUED, SUBSCRIBED AND PAID UP | | |
| 1,14,63,312 Equity Shares of Rs.10/- each fully paid up. | 114633120 | 114633120 |
| (Previous year 1,14,63,312 Equity Shares of Rs.10/- each fully paid up.) | <u>114633120</u> | <u>114633120</u> |
| Schedule - 2 | | |
| RESERVES AND SURPLUS | | |
| a) Capital Reserves | 15000000 | 15000000 |
| b) Revenue Reserves | | |
| Security Premium | 24599575 | 24599575 |
| General Reserve | 13000000 | 13000000 |
| Profit and Loss Account | 2814886 | 24210390 |
| | <u>55414461</u> | <u>76809965</u> |
| Schedule - 3 | | |
| SECURED LOANS : | | |
| Vehicle Loans from : | | |
| HDFC Bank Ltd Lakadikapool Br.Hyd | 620746 | 1260262 |
| (Total EMIs-36 EMI's Completed -28 for Captiva) | | |
| (Total EMIs-36 EMI's Completed -12 for EECO) | | |
| Bank Loans | | |
| ICICI Bk - Term Loan (INR) | 20000004 | 36666668 |
| ICICI Bk - CC Account | 6365086 | 6968679 |
| | <u>26985837</u> | <u>44895609</u> |
| <p>Note:1.Secured by Equitable Mortgage on immovable property of Borrower Flat #301,3rd Floor, My Home sarovar Plaza, Saifabad, Hyderabad -500063</p> <p>2.Equitable Mortgage on immovable property of Nettlinx Realty P.Ltd- Survey No.23 Gachibowli, R.R. Dist- admeasuring 3630sq yards by</p> | | |
| Schedule - 4 | | |
| UNSECURED LOANS : | | |
| From Others | | |
| Loan from Directors | 510000 | 0 |
| | <u>510000</u> | <u>0</u> |

NETTLINX LIMITED

**Schedule - 5
FIXED ASSETS**



(Amount in Rs.)

| DESCRIPTION OF THE ASSET | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|--------------------------|------------------|---------------------------|---------------------------|------------------|------------------|-----------------|---------------------------|-----------------------|-----------------|-----------------|
| | ASAT 01.04.10 | ADDITIONS DURING THE YEAR | DELETIONS DURING THE YEAR | ASAT 31.03.11 | ASAT 01.04.10 | DURING THE YEAR | DELETIONS DURING THE YEAR | TOTAL 31.03.11 | ASAT 31.03.11 | ASAT 31.03.10 |
| Land | 2440105 | 0 | 0 | 2440105 | 0 | 0 | 0 | 0 | 2440105 | 2440105 |
| Buildings | 13563910 | 0 | 1546000 | 12017910 | 1389711 | 195892 | 25,200 | 1560403 | 10457507 | 12174199 |
| Plant and Machinery | 117321976 | 1370393 | 0 | 118692369 | 96643948 | 5308126 | 0 | 101952075 | 16740294 | 20678028 |
| Office Equipment | 4246859 | 78341 | 0 | 4325200 | 2497335 | 200588 | 0 | 2697924 | 1627276 | 1749523 |
| Furniture and Fixtures | 7470784 | 65927 | 0 | 7536711 | 5382214 | 458491 | 0 | 5840705 | 1696006 | 2088570 |
| Vehicles | 7125438 | 0 | 0 | 7125438 | 2998212 | 555888 | 0 | 3554101 | 3571337 | 4127226 |
| TOTAL | 152169072 | 1514661 | 1546000 | 152137733 | 108911421 | 6718985 | 25200 | 115,605,206.41 | 36532526 | 43257651 |
| 31st March, 2010 | 140693814 | 11475258 | 0 | 152169072 | 101752067 | 71593534 | 0 | 108911420.8 | 43257651 | 38941747 |

SCHEDULES TO THE BALANCE SHEET

| | As At 31 st March 2011 Rs. | As At 31 st March 2010 Rs. |
|---|---|---|
| Schedule - 6 | | |
| INVESTMENTS | | |
| (At cost, unless otherwise stated) | | |
| QUOTED - CURRENT | | |
| NON TRADE | | |
| SBEC Systems (India) Ltd. (462 Equity Shares of Rs.10/- each) | 0 | 6930 |
| Prashant India Ltd. (200 Equity Shares of Rs.10/- each) | 0 | 9500 |
| Kunal Engineering Company Ltd. (834 Equity Shares of Rs.10/- each) | 0 | 25020 |
| Swarna Securities Ltd. (89350 Equity Shares of Rs.10/- each) | 794800 | 794800 |
| Paramani Replast Ltd. (100 Equity Shares of Rs.10/- each) | 0 | 500 |
| Sri Kanyaka Investments Ltd. (500 Equity Shares of Rs.10/- each) | 0 | 1500 |
| SBI Magnum Multiplier Plus 1993 (2000 Equity Shares of Rs.10/- each) | 0 | 19400 |
| UNIT MASTERGAIN UNIT SCHEME (100 Units of Rs.10/- each) | 0 | 1050 |
| Neocure Therapeutics Ltd. (5000 Equity Shares of Rs.10/- each) | 0 | 72540 |
| Southern Online Services Ltd (1600 Equity shares of 10 each) | 0 | 16000 |
| Sirpur Paper Mills Ltd (1600 Equity shares of PP Rs.10/- each) and Premium @ 48/- each share) | 0 | 144000 |
| Fast Track ENT (10000 Equity Shares of Rs.1/- each) | 0 | 77467 |
| M/s.Surana Telecom. (500 Equity shares of Rs.10/- each) | 0 | 17598 |
| Sub Total : | <u>794800</u> | <u>1186305</u> |

SCHEDULES TO THE BALANCE SHEET

| | As At 31 st March 2011 Rs. | As At 31 st March 2010 Rs. |
|---|---|---|
| UNQUOTED - LONG TERM | | |
| NON - TRADE | | |
| Northeast Broking Services Ltd. (11,600 Equity Shares of Rs.10/- each) | 116000 | 116000 |
| Northeast Commodities Pvt. Ltd (1,20,000 Equity Shares of Rs.10/- each) | 1200000 | 1200000 |
| Nettlinx Inc., USA @ \$15/- each total USD \$103000/- for 6867 shares | 5001560 | 5001560 |
| IADFAC Laboratories Private Limited-Bangalore (33,500 Equity Shares of Rs.10/- each) | 0 | 4000000 |
| Nettlinx Realty Private Limited (309,990 Equity Shares of Rs.10/- each) | 3099900 | 3099900 |
| Nettlinx Channel Private Limited | 42000000 | 42000000 |
| Host Department LLC USA | 37544833 | 51964299 |
| Less: Provision for Diminution in the Carrying cost of Longterm Investment | 519664299 <u>14419466</u> | 37544833 51964299 |
| Sub Total : | <u>88962293</u> | <u>107381759</u> |
| Total : | <u>89757093</u> | <u>108568064</u> |

Notes:

| | | |
|---|----------|-----------|
| Aggregate carrying cost of quoted Investments | 794800 | 1186305 |
| Aggregate Market Value of quoted Investments | 1002507 | 59380 |
| Aggregate cost of unquoted Investments | 88962293 | 107381759 |

Schedule - 7**INVENTORIES**

(Valued at lower of Cost or net realisable value , as physically verified and certified by Management)

| | | |
|----------------------------|---------------|----------------|
| Closing Stock -Voip Phones | 820197 | 1858019 |
| | 820197 | 1858019 |

Schedule - 8**SUNDRY DEBTORS**

(Unsecured and Considered good)

Sundry Debtors:

| | | |
|-----------------------------|------------------------|------------------------|
| - Less than six months | 6308841 | 5931220 |
| - More than six months | 15144049 | |
| Less: Bad debts written off | (5240614) | |
| | <u>9903435</u> | <u>15620550</u> |
| | <u>16212276</u> | <u>21551770</u> |

SCHEDULES TO THE BALANCE SHEET

| | As At 31 st March 2011 Rs. | As At 31 st March 2010 Rs. |
|--|---|---|
| Schedule - 9 | | |
| CASH AND BANK BALANCES | | |
| Cash on hand | 203093 | 230061 |
| <i>With Scheduled Banks :</i> | | |
| - In Current Accounts-(Book Overdraft) | (342283) | 556635 |
| - In Fixed Deposits / Margin accounts (100%against Bank Guarantees) | <u>1946687</u> | <u>1563810</u> |
| | <u>1807496</u> | <u>2350506</u> |
| Schedule - 10 | | |
| Other Current Assets | | |
| VAT Tax Credit A/c | 197154 | 189639 |
| Service Tax and Cenvat Credit A/c | 196357 | 196357 |
| Interest Accrued But not due on FDRs | 127076 | 20787 |
| Interest Receivable | 2743487 | 2493558 |
| Tax deducted at Source | 4347094 | 4102412 |
| TDS Adjustment a/c | 2862989 | 2862989 |
| Advance Taxes | 117000 | 117000 |
| | <u>10591157</u> | <u>9982742</u> |
| Schedule - 11 | | |
| Loans and Advances | | |
| (Unsecured and considered good recoverable in cash or kind or value to be received) | | |
| Staff Advances | 88995 | 162149 |
| Rent Deposits- Office | 919600 | 857800 |
| Prepaid Expenses | 136435 | 123807 |
| Loans and advances to subsidiary companies | 18688334 | 37715482 |
| Other Deposits / Receivables | 20116239 | 13326551 |
| ICDs | 13300000 | 13300000 |
| | <u>53249603</u> | <u>65485790</u> |
| Schedule - 12 | | |
| CURRENT LIABILITIES | | |
| Other Liabilities | 4656892 | 5195907 |
| Provision for Service Tax Payable | 2312637 | 2106193 |
| Provision for Expenses | 2208889 | 2005675 |
| Other Provisions/Payables | 837311 | 2331609 |
| For Supplies and Services | 2779274 | 3511069 |
| TDS Payable | 17185 | 263684 |
| Security Deposits | 377972 | 1437355 |
| Advances from Customers | 987885 | 1096019 |
| | <u>14178045</u> | <u>17947510</u> |

SCHEDULES TO THE BALANCE SHEET

| | As At 31 st March 2011 Rs. | As At 31 st March 2010 Rs. |
|---|---|---|
| Schedule - 13 | | |
| PROVISIONS | | |
| Provision for Tax | | |
| - Current Tax | 0 | 1034007 |
| Provision for Gratuity & Leave encashment | 848365 | 769047 |
| | <u>848365</u> | <u>1803054</u> |
| MISCELLANEOUS EXPENDITURE | | |
| (To the extent not written off or adjusted) | | |
| Deferred Revenue Expenses | 97600 | 195200 |
| | <u>97600</u> | <u>195200</u> |
| Schedule - 14 | | |
| INCOME FROM SERVICES AND OTHER OPERATIONS | | |
| Domestic | | |
| Income from Bandwidth Services | 38319838 | 43649529 |
| Income from Web Solutions | 1993809 | 1746163 |
| Income from VOIP Sales | 259082 | 2401456 |
| Sale of VOIP Telephones - VAT Sales | 1249298 | 172592 |
| Export | | |
| Income from Software Development (export) | 7449044 | 1570680 |
| | <u>49271071</u> | <u>49540420</u> |
| Schedule - 15 | | |
| OTHER INCOME | | |
| Interest on Bank Deposits | 136379 | 92204 |
| Interest on ICD's and Loans | 2706061 | 2514829 |
| Rental Income | 2741251 | 2641356 |
| Other Misc.Incomes | 400964 | 205387 |
| | <u>5984655</u> | <u>5453776</u> |
| Schedule - 16 | | |
| OPERATING, ADMINISTRATIVE AND SALES EXPENSES | | |
| Bandwidth , Leased Circuit Charges&Service Chrgs | 17451121 | 19939515 |
| Bad Debts Written Off | 5358335 | 0 |
| Rent & Maintenance | 2873764 | 2632983 |
| Cost of Equipments Sold | 1101822 | 156244 |
| Domain Registration Expenses | 168044 | 200212 |
| DID Monthly Rental | 0 | 1138861 |
| Power and Electricity | 1739957 | 1462169 |
| Postage & Telephone Expenses | 606560 | 596480 |

SCHEDULES TO THE PROFIT & LOSS A/c

| | As At 31 st March 2011 Rs. | As At 31 st March 2010 Rs. |
|---|---|---|
| Traveling Expenses | 477628 | 564276 |
| Local Conveyance | 1352082 | 875584 |
| Vehicle Maintenance | 539358 | 374454 |
| Audit Fees | 75000 | 75000 |
| Loss Due to Forex Fluctuations | 0 | 1040589 |
| Computers & Networking Maintenance | 3347810 | 3574265 |
| Operating and Other Administrative Expenses | <u>2482057</u> | <u>3115357</u> |
| | <u>37573539</u> | <u>35745989</u> |
| Schedule - 17 | | |
| EMPLOYEE COST | | |
| Salaries | 12965502 | 8953956 |
| Stipend | 900848 | 2035980 |
| Staff Recruitment & Training | 35070 | 0 |
| Staff Welfare | 755309 | 646636 |
| Contribution to PF, ESI & Group Insurance | <u>1046513</u> | <u>701283</u> |
| | <u>15703242</u> | <u>12337855</u> |
| Schedule - 18 | | |
| INTEREST AND FINANCIAL CHARGES | | |
| Interest & Finance chgs | 5687224 | 6467252 |
| HP Finance Charges | 112171 | 149312 |
| Bank Charges | <u>177538</u> | <u>77066</u> |
| | <u>5976933</u> | <u>6693630</u> |

Schedule - 19**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS****COMPANY BACKGROUND:**

Nettlinx Limited is a Category B licensed ISP, with operations in Andhra Pradesh started in 1999. Currently Nettlinx has its operations Across Major cities in Andhra Pradesh.

Nettlinx Limited provides a portfolio of high quality Internet solutions for data voice and security, to cater to the corporate customer needs. Leveraging its technological, and Regional presence, Nettlinx is able to bring value and strong support to the customers. Nettlinx has strategic and long lasting relationships with major Telecom Operators in India.

The Company backed by over 14 years of experience, not to mention an uncompromising standard in the provision of best-in-class products and uninterrupted services. The Company deliver maximum uptime, expertise and specialist knowledge to assist both individuals and businesses in harnessing the benefits of Internet technology for real business productivity.

A . SIGNIFICANT ACCOUNTING POLICIES:**i) Basis of Preparation of Financial Statements-**

The accounts have been prepared to Comply in all material aspects with applicable accounting Principles in India, the Accounting Standards (AS) notified in the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956(the Act)

ii) Use of estimates -

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of financial statements and reported amounts of revenues and expenses during the reporting year. Differences between actual and estimates are recognized in the periods in which the results are known / materialize.

iii) Fixed Assets -

Fixed Assets are stated at their historical cost of acquisition or construction, less accumulated depreciation/amortization and impairment loss. Costs include all costs incurred to bring the assets to their working condition and location. Assets retired from the active use and held for disposal are stated at lower or net book value or net realizable value.

iv) Depreciation –

Fixed Assets are depreciated on a Straight-Line basis prescribed in Schedule XIV to the Companies Act 1956.

v) Investments -

Current Investments are carried at lower of cost and fair value. Long term investments are carried at cost. Provision is made to recognize decline other than temporary in the carrying amount of the long term investments.

vi) Employee benefits -

Retirement benefit costs are expensed to revenue as incurred. Contributions to the Provident fund are made in accordance with the rules of the funds.

Provision for the year in respect of Gratuity in made on the basis of actuarial valuation as at the end of the year. The company does not participate in group gratuity cum life assurance administered by the Life insurance Corporation (LIC).

Leave encashment is provided for on the basis of accrual at the end of the year.

The company has granted options for the financial year 2009-10 of Rs. 4,15,000 as per the Nettlinx ESOP 2007 for which the company follows the Intrinsic value method. The company has not recognize any compensation expenses since the market price the underlying shares at the grant date is the same as exercise price and the intrinsic value of the options is nil.

vii) Borrowing costs –

Borrowing costs attributable to the acquisition of a qualifying asset, as defined in AS – 16 on “Borrowing Costs”, are capitalised as part of the acquisition. Other borrowing costs are expensed as incurred.

viii) Foreign Currency Transactions –

Transactions in foreign currency are recorded at exchange rate prevailing on the date of transaction, monetary assets and liabilities denominated in foreign currency are translated at the rate of exchange at the balance sheet date and resultant gain or loss is recognized in the profit and loss account.

ix) Revenue Recognitions –

Revenue from Online information and database access or retrieval recognized as the service is performed on the basis of actual usage of the company network in accordance with contractual obligation and is recorded net of service tax. The amount charged to subscribers for specialized features which entitle them to access the network of the company and where all other services or products paid for separately, are recognized and when such features are activated.

x) Cash Flow statement-

The cash flow statement is prepared by the indirect method set out in AS 3 on “Cash flow Statement” and present cash flows by operation, investing and financing activities of the Company.

xi) Inventories –

Inventories are valued at lower of cost or net realizable value. Cost of inventories, includes of all costs of purchases, costs of conversion and other cost incurred bringing the inventories to their present location and condition.

xii) Earnings Per Share –

The company reports basic and diluted earnings per share in accordance with AS20 on “Earnings per share”. Basic earnings per share are computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year as adjusted for the effect of all dilutive preferential equity shares, except where results are anti dilutive

xiii) Impairment of Assets –

An asset is considered as impaired in accordance with AS 28 “Impairment of Assets” when at the balance sheet date there are indications of impairment and the carrying amount of the asset, or where applicable the cash generating unit to which the assets belongs, exceeds its recoverable amount (i.e higher of the assets net selling price and value in case). In assessing the value in use, the estimated future cash flows expected from the continuing use of the asset and from its ultimate disposal are discounted to their present values using a pre-determined discount rate. The carrying amount is reduced to the recoverable amount and the reduction is recognized as an impairment loss in the Profit and Loss account.

B. NOTES TO ACCOUNTS-**1. Provision for Diminution in the value of Investment**

During the year ended 31st March 2011 the company has assessed the operations of Subsidiaries including the future projections to identify the indicators of diminution other than temporary, in the value of Investments recorded in the books of accounts and accordingly has made the following provision.

| | |
|-------------------------|---------------------------|
| Name of the subsidiary | Amount (Rs.) |
| Host Department LLC USA | 1,44,19,466 |
| Total | <u>1,44,19,466</u> |

2. Taxes on income –

Tax expense for the year consists of deferred tax. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized for the profit and loss account in the year of change. This year the company has recognized and carries forward Deferred Tax Asset only to the extent of reasonable certainty that sufficient future taxable income will be available against which Deferred Tax Asset can be realized.

Deferred Tax Computation

| | Particulars | |
|----|---|---------|
| a) | Written down value as per companies act | 6718985 |
| b) | Written down value as per income tax act | 4575419 |
| c) | Timing Difference | 2143566 |
| d) | Deferred tax (Asset) | 662362 |
| e) | Previously recognized Deferred Tax (Asset) | 2839516 |
| f) | Deferred tax to be charged to Profit and loss account | 662362 |

3. Contingent liabilities-

| | As on 31.03.2011 Rs. | As on 31.03.2010 Rs. |
|---|----------------------------|----------------------------|
| Unexpired Bank Guarantee (with 100% cash margin) | 18,53,000 | 12,00,000 |
| Provisional License fee Assessment | 1,07,31,323 | Nil |

Company has received provisional license fee assessment notice from Department of Tele-communications-AP circle for the years 2005-06, 2006-07 and 2007-08 w.r.t ISP(IT) License for Rs.1,07,31,323/- which is disclosed as contingent liability for the year ended 31st March 2011. However the management feels that the demand is not tenable and hence liability is not provided in the books of accounts.

4. Foreign Exchange Inflow and Outflow

| | | |
|--------------------------|----------------|----------------|
| Foreign Exchange Inflow | Rs.75,63,329/- | Rs.1,11,87,547 |
| Foreign Exchange outflow | Rs.3,51,400/- | Rs.34,81,010/- |

5. Payment to Auditors

| | | |
|---------------------------|-------|--------|
| Statutory Audit Fees | 25000 | 25,000 |
| Tax Audit Fees | 20000 | 20,000 |
| Tax Representation | 20000 | 20,000 |
| Re-imburement of Expenses | 10000 | 10,000 |

6. None of the suppliers had informed the company that they are in the nature of small scale undertaking (SMEs). Hence, information regarding dues to small scale undertaking, if any, could not be furnished.

7. Related Party Disclosures

Information relating to related party transactions as per Accounting Standard 18 issued by The Institute of Chartered Accountants of India

Associates -

Northeast Broking Services Ltd
Northeast Commodities Pvt.Ltd

Particulars of related party transactions –

- Northeast Commodities Services Ltd:

| Particulars | Associates | |
|---|------------|-----------|
| | 2010-2011 | 2009-2010 |
| Other Services-UPS Back up - Northeast Broking Services Ltd: | 130500 | 60000 |

| Particulars | Associates | |
|-----------------------------------|------------------|------------------|
| | 2010-2011 Rs. | 2009-2010 Rs. |
| Rent Received | 16,64,594 | 23,55,789 |
| Other Services-UPS Back up | Nil | 1,68,650 |
| Amount outstanding as on 31.03.11 | Nil | 3,32,160 |

8. Earnings per Share

| | Year ended 31 st March, 2011 | Year ended 31 st March, 2010 |
|---|--|--|
| a. Profit / (Loss) after Tax (Rs.) | (21395504) | (6536901) |
| b. Number of Equity Shares at the beginning of the year | 11463312 | 11030012 |
| c. Number of Equity Shares at the end of the year | 11463312 | 11463312 |
| d. Weighted average number of Equity Shares outstanding during the year | 11463312 | 11463312 |
| e. Face value of each Equity Share (Rs.) | 10 | 10 |
| f. Basic & Diluted Earnings per Share (Rs.) | (1.87) | (0.57) |

9. Since, the Appeal is pending before the Honourable High Court of A.P., in respect of Income Tax for the Assessment years 1996-97 and 1997-98 of Northeast Spinners Limited, a company in existence prior to amalgamation with Nettlinx Limited, the balance lying in TDS Adjustment account Rs.28,62,989/- is shown separately in Current Assets.

10. In Case of Integrated Broadcasting Pvt Ltd the company has issued legal notice for not paying outstanding debt amounting to Rs 65,98,028 as on 30th June 2011. The debtor has not responded for the notice, whereas it has specified that appropriate legal action would be initiated against the debtor both Civil & Criminal for the recovery of amount, and accordingly legal proceedings for winding up of company U/S 433 (a) of the Companies Act 1956 are initiated against the debtors by filing a petition in the High Court Judicature of Andhra Pradesh. The court decision is till date not finalized. However the management is confident of recovering the amount.
11. Figures for the previous year have been regrouped, recast and rearranged to confirm to those of the current year wherever necessary.

As per our report of even date

For **DEVA & CO.,**
Firm Reg. No.000722S
Chartered Accountants

Sd/-
(M. Devaraja Reddy)
Partner
Membership No.026202

For and on behalf of the Board of Directors

Sd/-
(Manohar Loka Reddy)
Chairman

Sd/-
(J.V. Hanumanth Rao)
Director

Place: Hyderabad
Date : 24-08-2011

Sd/-
(Chandra Sekhar Pogula)
Director & COO and Compliance Officer

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2011

(Rs. In lakhs)

| | Year ended 31.03.2011 | Year ended 31.03.2010 |
|---|--------------------------|--------------------------|
| A. Cash Flows from Operating Activities | | |
| Net Profit before Interest and Tax | (160.81) | (3.74) |
| Depreciation | 67.19 | 71.59 |
| Foreign exchange loss | 0.00 | 0.00 |
| Miscellaneous expenses written off | 0.98 | 0.98 |
| (Profit)/ Loss on sale of Fixed Assets | 0.00 | 0.00 |
| Operating profit before working capital changes | (92.64) | 68.83 |
| (Increase)/ Decrease in Sundry Debtors | 53.39 | 50.52 |
| (Increase)/ Decrease in Inventories | 10.38 | (15.68) |
| (Increase)/ Decrease in other current assets | (6.08) | 0.00 |
| (Increase)/ Decrease in Loans and Advances | 122.36 | (55.42) |
| Increase/(Decrease) in Current Liabilities and Provisions | (47.24) | 74.28 |
| Income Taxes Paid | 0.00 | 0.00 |
| Net Cash Flow from Operation Activities | 40.17 | 122.53 |
| B. Cash Flows from investing Activities | | |
| Purchase of Fixed Assets | (15.15) | (49.75) |
| Purchase of Long term Investments | 188.11 | 0.00 |
| Proceeds from sale of Fixed Assets | 15.21 | 0.00 |
| Net Cash Flow from Investing Activities | 188.17 | (49.75) |
| C. Cash Flows from Financing Activities | | |
| Increase in Miscellaneous expenses | 0.00 | 0.00 |
| Repayment of Secured Loans | (179.10) | (77.99) |
| Proceeds from Unsecured Loans | 5.10 | 0.00 |
| Financial expenses paid | (59.77) | (66.94) |
| Net cash Flow from/ (used) Financing Activities | (233.77) | (144.93) |
| Net (Decrease)/ Increase in Cash and Cash equivalents during the year | (5.43) | (72.15) |
| Cash and Cash equivalents at the beginning of the year | 23.51 | 95.65 |
| Cash and Cash equivalents at the end of the year | 18.08 | 23.51 |

As per our report of even date

For **DEVA & CO.**,
Chartered Accountants
Firm Reg. No.000722S

Sd/-

(M. Devaraja Reddy)

Partner

Membership No.026202

For and on behalf of the Board of Directors

Sd/-

(Manohar Loka Reddy)

Chairman

Sd/-

(J.V. Hanumanth Rao)

Director

Place: Hyderabad
Date : 24-08-2011

Sd/-

(Chandra Sekhar Pogula)

Director & COO and Compliance Officer

Additional Information as required Under Part IV schedule VI to the Companies Act, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

| | | |
|------------------|--------------|-----------------|
| Registration No. | 01 - 16930 | State Code - 01 |
| Balance Sheet | 31. 03. 2011 | |

II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. '000).

| | |
|--------------|-------------------|
| Public Issue | Right Issue |
| N I L | N I L |
| Bonus Issue | Private Placement |
| N I L | 0 |

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. '000).

| | |
|-------------------|--------------|
| Total Liabilities | Total Assets |
| 197543 | 197543 |

SOURCES OF FUNDS

| | |
|-----------------|--------------------|
| Paid-up Capital | Reserves & Surplus |
| 114633 | 55413 |
| Secured Loans | Unsecured Loans |
| 26986 | 510 |

APPLICATION OF FUNDS

| | |
|--------------------|--------------------|
| Net Fixed Assets | Investments |
| 36533 | 89757 |
| Net Current Assets | Deferred Tax Asset |
| 67654 | 3502 |
| Misc. Expenditure | Accumulated Losses |
| 98 | NIL |

IV. PERFORMANCE OF THE COMPANY (Amount in Rs. '000)

| | |
|-----------------------------|---------------------------|
| Turnover (Gross Revenue) | Total Expenditure |
| 55256 | 66070 |
| Profit / (Loss) Before Tax | Profit / (Loss) After Tax |
| (7638) | (21396) |
| Earnings per share (in Rs.) | Dividend Rate (%) |
| (1.87) | N I L |

V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICE OF COMPANY

| | |
|-------------------------|------------------------------|
| (as per monetary terms) | 1. Internet Service Provider |
| Item Code No. | 2. Software Development |
| N I L | 3. Web Hosting Services |

For and on behalf of the Board of Directors

| | |
|-----------------------------|-----------------------------|
| Sd/- | Sd/- |
| (Manohar Loka Reddy) | (J.V. Hanumanth Rao) |
| Chairman | Director |

Sd/-
(Chandra Sekhar Pogula)
Director & COO and Compliance Officer

Place : Hyderabad
Date : 24.08.2011

Auditor's Report on Consolidated Financial Statements

To The Board of Directors of

NETTLINX LIMITED.

- (1) We have audited the attached consolidated balance sheet of NETTLINX LIMITED ("the Company") as at March 31, 2011, the consolidated profit and loss account for the year ended on that date annexed thereto, and the consolidated cash flow statement for the year ended on that date, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
- (2) We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- (3) We did not audit the financial statements of consolidated entities, these financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these consolidated entities, is based solely on the report of the other auditors.
- (4) We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and its consolidated entities include in the consolidated financial statements.
- (5) On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of the Company and its consolidate entities, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in the case of the consolidated balance sheet, of the consolidated state of affairs of the Company and its consolidated entities as at March 31, 2011;
 - ii. in the case of the consolidated profit and loss account, of the consolidated results of operations of the company and its consolidated entities for the year ended on that date; and
 - iii. in the case of the consolidated cash flow statement, of the consolidated cash flows of the Company and its consolidated entities for the year ended on that date.

For M/s. DEVA & CO
Chartered Accountants
Firm Reg.No.000722S

Sd/-
(M. DEVARAJA REDDY)
Partner
Membership No.026202

Place : Hyderabad
Date : 24-08-2011

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011

| | SCHEDULE | As At 31 st March 2011 Rs. | As At 31 st March 2010 Rs. |
|--|----------|---|---|
| A) SOURCES OF FUNDS | | | |
| 1. Shareholders' Funds | | | |
| a) Share Capital | 1 | 114633120 | 114633120 |
| b) Reserves and Surplus | 2 | 59282387 | 72209522 |
| TOTAL SHAREHOLDERS' FUNDS | | <u>173915507</u> | <u>186842642</u> |
| 2. Minority Interest | | 100 | 2024255 |
| 3. LOAN FUNDS | | | |
| a) Secured Loans | 3 | 26985837 | 53277564 |
| b) Unsecured Loans | 4 | 1530000 | 6294003 |
| TOTAL | | <u>202431443</u> | <u>248438465</u> |
| B) APPLICATION OF FUNDS | | | |
| 1. Fixed Assets | | | |
| a) Gross Block | 5 | 214222124 | 235454047 |
| b) Less : Accumulated Depreciation/Amortisation | | 136317873 | 129911129 |
| c) Net Block | | 77904251 | 105542918 |
| d) Capital work-in-progress | | 0 | 0 |
| | | 77904251 | 105542918 |
| 2. Investments | 6 | 2110800 | 2921489 |
| 3. DEFERRED TAX ASSET (NET) | | 3461701 | 2367764 |
| 4. Current Assets, Loans and Advances | | | |
| A. CURRENT ASSETS | | | |
| a) Inventories | 7 | 89244180 | 54311422 |
| b) Sundry Debtors | 8 | 26323045 | 35573617 |
| c) Cash and Bank Balance | 9 | 3828694 | 4629872 |
| d) Other Current Assets | 10 | 10591525 | 11484791 |
| | | <u>129987444</u> | <u>105999702</u> |
| B. LOANS AND ADVANCES | 11 | <u>73852323</u> | <u>88281608</u> |
| | | <u>203839767</u> | <u>194281309</u> |
| Less : Current Liabilities & Provisions | | | |
| a) Current Liabilities | 12 | 85806080 | 56709630 |
| b) Provisions | 13 | 848365 | 1839030 |
| | | <u>86654445</u> | <u>58548660</u> |
| Net Current Assets | | 117185322 | 135732649 |
| 5. Miscellaneous Expenditure (to the extent not written off or adjusted) | | 1769369 | 1873645 |
| TOTAL | | <u>202431443</u> | <u>248438465</u> |
| Notes to accounts | 19 | (0.00) | - |

Schedules 1 to 19 annexed hereto form part of these accounts.

As per our report of even date

For **DEVA & CO.,**

Chartered Accountants

Firm Reg. No.000722S

Sd/

(M. Devaraja Reddy)

Partner

Membership No.026202

Place: Hyderabad

Date : 24-08-2011

For and on behalf of the Board of Directors

Sd/

(Manohar Loka Reddy)

Chairman

Sd/

(J.V. Hanumanth Rao)

Director

Sd/

(Chandra Sekhar Pogula)

Director & COO and Compliance Officer

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

| SCHEDULE | For the year ended 31 st March 2011 Rs. | Previous year ended 31 st March 2010 Rs. |
|---|---|--|
| INCOME | | |
| Income from services and other operations | 14 | 105173953 |
| Other Income | 15 | 13870599 |
| Provisions/Liabilities no longer required - Written Back | | 3176175 |
| | <u>122220726</u> | <u>135774727</u> |
| EXPENDITURE | | |
| Operating and Other Expenses | 16 | 72790911 |
| Employee Cost | 17 | 33548968 |
| Financial Charges | 18 | 8387784 |
| Depreciation | 5 | 8828635 |
| Provision for Diminution in the carrying cost of investment | | 14419466 |
| Miscellaneous Expenditure Written off | | 97600 |
| | <u>138073364</u> | <u>142963040</u> |
| Profit /(Loss)before Tax and Prior Period items | (15852637) | (7188313) |
| Add: Prior Period items | 0 | 92528 |
| | <u>(15852637)</u> | <u>(7095785)</u> |
| Less: Provision for Taxation : | | |
| Current Tax | 290901 | 30,045 |
| Deferred Tax -Asset | 658986 | 501693 |
| Profit/ (Loss) After Tax | (15484553) | (6624137) |
| Less: Minority Interest | 0 | (376432) |
| Profit/(Loss) After Tax and Prior Period items | <u>(15484553)</u> | <u>(6340233)</u> |
| Earnings per Share-basic and diluted | (1.35) | (0.55) |
| Notes to accounts | 19 | |

Schedules 1 to 19 annexed hereto form part of these accounts.

As per our report of even date

For **DEVA & CO.,**
Chartered Accountants
Firm Reg. No.000722S

For and on behalf of the Board of Directors

Sd/-
(M. Devaraja Reddy)
Partner
Membership No.026202

Sd/
(Manohar Loka Reddy)
Chairman

Sd/-
(J.V. Hanumanth Rao)
Director

Place: Hyderabad
Date : 24-08-2011

Sd/-
(Chandra Sekhar Pogula)
Director & COO and Compliance Officer

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

| | As At 31 st March 2011 Rs. | As At 31 st March 2010 Rs. |
|---|---|---|
| Schedule - 1 | | |
| SHARE CAPITAL | | |
| AUTHORISED | | |
| 2,00,00,000 Equity Shares of Rs.10 each | <u>200000000</u> | <u>200000000</u> |
| ISSUED, SUBSCRIBED AND PAID UP | | |
| 1,14,63,312 Equity Shares of Rs.10/- each fully paid up. | 114633120 | 114633120 |
| (Previous year 1,14,63,312 Equity Shares of Rs.10/- each fully paid up.) | <u>114633120</u> | <u>114633120</u> |
| Schedule - 2 | | |
| RESERVES AND SURPLUS | | |
| Share Premium | 24599575 | 27447008 |
| Preferential Warrants Forfeited | 15000000 | 15000000 |
| General Reserve | 13000000 | 13000000 |
| Profit & Loss Account | 6682812 | 16762514 |
| | <u>59282387</u> | <u>72209522</u> |
| Schedule - 3 | | |
| SECURED LOANS : | | |
| <i>Vehicle Loans from :</i> | | |
| - HDFC Bank Ltd, Hyd | 620746 | 1260262 |
| Bank Loans | | |
| ICICI Bk - Term Loan (INR) | 20000004 | 36666668 |
| ICICI Bk - CC Account | 6365086 | 6968679 |
| HDFC Bank Ltd, (IADFAC A/c) | 0 | 701243 |
| Bank of Maharashtra - CC Account (IADFAC A/c) | 0 | 1464827 |
| Bank of Maharashtra - (IADFAC A/c) | 0 | 6215885 |
| | <u>26985837</u> | <u>53277564</u> |
| Schedule - 4 | | |
| UNSECURED LOANS : | | |
| Loans from Directors & Others | 1530000 | 6294003 |
| | <u>1530000</u> | <u>6294003</u> |



**Schedule - 5
CONSOLIDATED FIXED ASSETS**

(Amount in Rs.)

| DESCRIPTION OF THE ASSET | GROSS BLOCK | | | DEPRECIATION | | | NET BLOCK | | | |
|--------------------------|------------------|---------------------------|---------------------------|------------------|------------------|-----------------|---------------------------|--------------------|-----------------|--------------------|
| | AS AT 01.04.10 | ADDITIONS DURING THE YEAR | DELETIONS DURING THE YEAR | AS AT 31.03.11 | AS AT 01.04.10 | DURING THE YEAR | DELETIONS DURING THE YEAR | TOTAL 31.03.11 | AS AT 31.03.11 | AS AT 31.03.10 |
| Good will | 33716034 | 0 | 3665000 | 30051034 | 0 | 0 | 0 | 0 | 30051034 | 33716034 |
| Land | 2440105 | 0 | 0 | 2440105 | 0 | 0 | 0 | 0 | 2440105 | 2440105 |
| Buildings | 13563910 | 0 | 1546000 | 12017910 | 1389711 | 195892 | 25200 | 1560403 | 10457507 | 12174199 |
| Plant and Machinery | 164577568 | 1370685 | 16473675 | 149474577 | 117018501 | 7295653 | 2149662 | 122164493 | 27310085 | 47559066 |
| Office Equipment | 4502449 | 78341 | 248840 | 4331950 | 2563103 | 200909 | 64886 | 2699126 | 1632824 | 1939346 |
| Furniture and Fixtures | 8395031 | 65927 | 813068 | 7647890 | 5591998 | 472609 | 182142 | 5882465 | 1765425 | 2803033 |
| Vehicles | 8258950 | 0 | 0 | 8258950 | 3347816 | 663572 | 0 | 4011388 | 4247562 | 4911134 |
| TOTAL | 235454047 | 1514952 | 22746583 | 214222416 | 129911129 | 8828635 | 2421890 | 136317874.1 | 77904542 | 105542917.2 |
| 31st March, 2010 | 259634164 | 18388211 | 1345023 | 276677352 | 102502074 | 15405292 | 666192 | 117241173.7 | 159436176 | 157132090 |

CONSOLIDATED SCHEDULES TO THE BALANCE SHEET

| | As At 31 st March 2011 Rs. | As At 31 st March 2010 Rs. |
|---|---|---|
| Schedule - 6 | | |
| INVESTMENTS | | |
| (At cost, unless otherwise stated) | | |
| QUOTED - CURRENT | | |
| NON TRADE | | |
| SBEC Systems (India) Ltd. (462 Equity Shares of Rs.10/- each) | 0 | 6930 |
| Prashant India Ltd. (200 Equity Shares of Rs.10/- each) | 0 | 9500 |
| Kunal Engineering Company Ltd. (834 Equity Shares of Rs.10/- each) | 0 | 25020 |
| Swarna Securities Ltd. (89350 Equity Shares of Rs.10/- each) | 794800 | 794800 |
| Paramani Replast Ltd. (100 Equity Shares of Rs.10/- each) | 0 | 500 |
| Sri Kanyaka Investments Ltd. (500 Equity Shares of Rs.10/- each) | 0 | 1500 |
| SBI Magnum Multiplier Plus 1993 (2000 Equity Shares of Rs.10/- each) | 0 | 19400 |
| UNIT MASTERGAIN UNIT SCHEME (100 Units of Rs.10/- each) | 0 | 1050 |
| Neocure Therapeutics Ltd. (5000 Equity Shares of Rs.10/- each) | 0 | 72540 |
| Southern Online Services Ltd (1600 Equity shares of 10 each) | 0 | 16000 |
| Sirpur Paper Mills Ltd (1600 Equity shares of Rs.10/- each - and Premium @ 48/- each share) | 0 | 144000 |
| Fast Track ENT (10000 Equity Shares of Rs.1/- each) | 0 | 77467 |

CONSOLIDATED SCHEDULES TO THE BALANCE SHEET

| | As At 31 st March 2011 Rs. | As At 31 st March 2010 Rs. |
|--|---|---|
| M/s.Surana Telecom. (500 Equity shares of Rs.10/- each) | 0 | 17598 |
| Sagar Cements Ltd (1050 Equity Shares of Rs.10/- each) | 0 | 419184 |
| Sub Total : | <u>794800</u> | <u>1605489</u> |
| UNQUOTED - LONG TERM NON - TRADE | | |
| Northeast Broking Services Ltd. (11,600 Equity Shares of Rs.10/- each) | 116000 | 116000 |
| Northeast Commodities Pvt. Ltd (1,20,000 Equity Shares of Rs.10/- each) | 1200000 | 1200000 |
| Sub Total : | <u>1316000</u> | <u>1316000</u> |
| Total : | <u>2110800</u> | <u>2921489</u> |
| Notes: | | |
| Aggregate carrying cost of quoted Investments | 794800 | 1605489 |
| Aggregate Market Value of quoted Investments | 1002507 | 59380 |
| Aggregate cost of unquoted Investments | 1316000 | 1316000 |
| Schedule - 7 INVENTORIES | | |
| (Valued at lower of Cost or net realisable value , as physically verified and certified by Management) | | |
| Closing Stock | <u>89244180</u> | <u>53345721</u> |
| | <u>89244180</u> | <u>53345721</u> |
| Schedule - 8 SUNDRY DEBTORS | | |
| (Unsecured and Considered good) | | |
| Sundry Debtors: | | |
| - Less than six months | 12954848 | 31040490 |
| - More than six months | 18608811 | |
| Less: Bad debts written off | <u>5240614</u> | |
| | <u>13368197</u> | <u>10443222</u> |
| | <u>26323045</u> | <u>41483712</u> |
| Schedule - 9 CASH AND BANK BALANCES | | |
| Cash on hand | 634096 | 1413848 |
| <i>With Scheduled Banks :</i> | | |
| - In Current Accounts | 1247912 | 13188573 |
| - In Fixed Deposits / Margin accounts | 1946687 | 1556812 |
| (100%against Bank Guarantees) | <u>3828694</u> | <u>16159232</u> |

CONSOLIDATED SCHEDULES TO THE BALANCE SHEET

| | As At 31 st March 2011 Rs. | As At 31 st March 2010 Rs. |
|--|---|---|
| Schedule - 10 | | |
| Other Current Assets | | |
| VAT Tax Set- Off | 197154 | 189639 |
| Service Tax Set- Off | 196357 | 549874 |
| Interest Accrued But not due on FDRs | 127076 | 20787 |
| Interest Receivable | 2743487 | 2493558 |
| Tax deducted at Source | 4347094 | 5250576 |
| TDS Adjustment a/c | 2862989 | 2862989 |
| Advance Taxes | 117368 | 117368 |
| | <u>10591525</u> | <u>11484791</u> |
| Schedule - 11 | | |
| LOANS AND ADVANCES & OTHER CURRENT ASSETS | | |
| Staff Advances | 101331 | 162149 |
| Rent Deposits- Office | 919600 | 1757800 |
| Prepaid Expenses | 147161 | 135789 |
| Other Deposits / Receivables | 59384231 | 72925869 |
| ICDs | 13300000 | 13300000 |
| | <u>73852323</u> | <u>88281608</u> |
| Schedule - 11 | | |
| CURRENT LIABILITIES | | |
| Other Liabilities | 52994449 | 22966351 |
| Provision for Service Tax Payable | 2312637 | 12971385 |
| Provision for Expenses | 2501457 | 2279121 |
| Other Provisions | 837311 | 2331609 |
| For Supplies and Services | 25777185 | 3511069 |
| TDS Payable | 17185 | 263684 |
| Security Deposits | 377972 | 1437355 |
| Advances from Customers | 987885 | 10949058 |
| | <u>85806080</u> | <u>56709630</u> |
| Schedule - 12 | | |
| PROVISIONS | | |
| Provision for Tax | | |
| - Current Tax | 0 | 1069983 |
| Provision for Gratuity & Leave encashment | 848365 | 769047 |
| | <u>848365</u> | <u>1839030</u> |
| Schedule - 13 | | |
| MISCELLANEOUS EXPENDITURE | | |
| (To the extent not written off or adjusted) | | |
| Deferred Revenue Expenses | 97600 | 195200 |
| Preoperative Expenses | 1671769 | 1678445 |
| | <u>1769369</u> | <u>1873645</u> |

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | For the year ended 31 st March 2011 Rs. | Previous year ended 31 st March 2010 Rs. |
|---|---|--|
| Schedule - 14 | | |
| INCOME FROM SERVICES AND OTHER OPERATIONS | | |
| Domestic | 55902882 | 33448442 |
| Income from Bandwidth Services | 38319838 | 43649529 |
| Income from Web Hosting Services | 1993809 | 48950964 |
| Income from VOIP Sales | 259082 | 2401456 |
| Sale of Equipments - VAT Sales | 1249298 | 172592 |
| Export | | |
| Income from Software Development (export) | 7449044 | 1570680 |
| | <u>105173953</u> | <u>130193664</u> |
| Schedule - 15 | | |
| OTHER INCOME | | |
| Interest on Deposits | 136379 | 92204 |
| Interest on ICD's and Loans | 2706061 | 2514829 |
| Rental Income | 2741251 | 2641356 |
| Other Misc.Incomes | 8286908 | 332674 |
| | <u>13870599</u> | <u>5581063</u> |
| Schedule - 16 | | |
| OPERATING, ADMINISTRATIVE AND SALES EXPENSES | | |
| Bandwidth, Leased Circuit Charges&Service Chrgs | 17562827 | 20676959 |
| Bad Debts Written Off | 5358335 | 0 |
| Analysis Expenses 1816869 | | 0 |
| Rent & Maintenance | 2873764 | 4044342 |
| Cost of Equipments Sold | 1101822 | 156244 |
| Domain Registration Expenses | 3683874 | 3976451 |
| DID Monthly Rental | 0 | 1138861 |
| Power and Electricity | 1739957 | 1902756 |
| Postage & Telephone Expenses | 980699 | 901166 |
| Traveling Expenses | 915201 | 3202519 |
| Local Conveyance | 1777535 | 1126182 |
| Vehicle Maintenance | 761916 | 1050809 |
| Audit Fees | 95406 | 140406 |
| Exchange Fluctuation | 0 | 1040589 |
| Computers & Networking Maintenance | 3347810 | 3639834 |
| Operating and Other Administrative Expenses | 32591764 | 40251999 |
| | <u>72790911</u> | <u>85065987</u> |

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

| | For the year ended 31 st March 2011 Rs. | Previous year ended 31 st March 2010 Rs. |
|---|---|--|
| Schedule - 17 | | |
| EMPLOYEE COST | | |
| Salaries | 30806626 | 29153926 |
| Stipend | 900848 | 2035980 |
| Staff Recruitment & Training | 35070 | 22418 |
| Staff Welfare | 759911 | 706266 |
| Contribution to PF, ESI & Group Insurance | 1046513 | 1810132 |
| | <u>33548968</u> | <u>33728722</u> |
| Schedule - 18 | | |
| INTEREST AND FINANCIAL CHARGES | | |
| Interest & Finance chgs | 5893677 | 8271933 |
| HP Finance Charges | 475826 | 495908 |
| Bank Charges | 2018280 | 2588228 |
| | <u>8387784</u> | <u>11356070</u> |

SCHEDULE – 19 – NOTES TO ACCOUNTS ON CONSOLIDATED FINANCIAL STATEMENTS
1. Significant accounting policies
a) Basis of Preparation

The consolidated financial statements of NETTLINX LIMITED, its subsidiaries are prepared under the historical cost convention and in accordance with the accounting standards issued by the Institute of Chartered Accountants of India.

b) Principles of consolidation

The financial statements of the company and its subsidiary companies have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Inter-company balances and transactions and unrealized profits or losses have been fully eliminated.

c) Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation. Cost includes all expenses incurred to bring the assets to its present location and condition.

2. Particulars of subsidiaries considered for consolidation :

| Sl.No | Name of the Company | Country of Incorporation | Extent of holding (%) as at March 31, 2011 |
|-------|----------------------------------|--------------------------|--|
| 1. | Nettlinx Inc | USA | 100.00 |
| 2. | Nettlinx Realty Private Limited | India | 99.90 |
| 3. | Nettlinx Channel Private Limited | India | 100.00 |
| 4. | Host Department LLC | USA | 100.00 |

3. Foreign subsidiary is Non-integral in nature. Assets and liabilities of such subsidiary are translated at the yearend exchange rate; income and expenditure are translated at the average rate during the period.

4. Corresponding figures for the previous year have been regrouped, recast and rearranged to conform to those of the current year wherever necessary.

As per our report of even date

For **DEVA & CO.,**
Chartered Accountants
Firm Reg. No.000722S

For and on behalf of the Board of Directors

Sd/-
(M. Devaraja Reddy)
Partner
Membership No.026202

Sd/-
(Manohar Loka Reddy)
Chairman

Sd/-
(J.V. Hanumanth Rao)
Director

Place: Hyderabad
Date : 24-08-2011

Sd/-
(Chandra Sekhar Pogula)
Director & COO and Compliance Officer

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31st 2011

(Rs. In lakhs)

| | Year ended 31.03.2011 | Year ended 31.03.2010 |
|--|--------------------------|--------------------------|
| A. Cash Flows from Operating Activities | | |
| Net Profit before Interest and Tax | (74.65) | 41.68 |
| Depreciation | 88.29 | 126.70 |
| Foreign exchange loss | 0.00 | 10.41 |
| Miscellaneous expenses written off | 0.98 | 1.15 |
| (Profit)/ Loss on sale of Fixed Assets | 0.00 | 0.00 |
| Minority Interest | 0.00 | (3.53) |
| Operating profit before working capital changes | <u>14.61</u> | <u>176.41</u> |
| (Increase)/ Decrease in Sundry Debtors | 92.51 | 59.10 |
| (Increase)/ Decrease in other current assets | 8.93 | 0.00 |
| (Increase)/ Decrease in Loans and Advances | 144.29 | 75.23 |
| (Increase)/ Decrease in Inventories | (349.33) | (9.66) |
| Increase/(Decrease) in Current Liabilities and Provisions | 281.06 | (154.50) |
| Income Taxes Paid | (2.91) | (0.30) |
| Net Cash Flow from Operation Activities | <u>189.17</u> | <u>146.28</u> |
| B. Cash Flows from investing Activities | | |
| Purchase of Fixed Assets | (15.15) | (94.95) |
| Purchase of Long term Investments | 8.11 | 0.28 |
| Acquisition of Shares in Subsidiaries | 0.00 | 0.00 |
| Proceeds from sale of Fixed Assets | 203.25 | 0.00 |
| Net Cash Flow from Investing Activities | <u>196.20</u> | <u>(94.67)</u> |
| C. Cash Flows from Financing Activities | | |
| Proceeds from issuance of capital/ Preferential Allotments | 0.00 | 0.00 |
| Increase in Miscellaneous expenses | 1.04 | 22.24 |
| Proceeds from Secured Loans | (262.92) | (95.80) |
| Proceeds from Unsecured Loans | (47.64) | 21.09 |
| Financial expenses paid | (83.88) | (114.43) |
| Net cash Flow from/ (used) Financing Activities | <u>(393.39)</u> | <u>(166.89)</u> |
| Net (Decrease)/Increase in Cash and Cash equivalents during the year | (8.02) | (115.28) |
| Cash and Cash equivalents at the beginning of the year | 46.31 | 161.59 |
| Cash and Cash equivalents at the end of the year | <u>38.29</u> | <u>46.31</u> |

As per our report of even date

For **DEVA & CO.,**

Chartered Accountants

Firm Reg. No.000722S

Sd/-

(M. Devaraja Reddy)

Partner

Membership No.026202

For and on behalf of the Board of Directors

Sd/-

(Manohar Loka Reddy)

Chairman

Sd/-

(J.V. Hanumanth Rao)

Director

Place: Hyderabad

Date : 24-08-2011

Sd/-

(Chandra Sekhar Pogula)

Director & COO and Compliance Officer

NETTLINX LIMITED

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956



| S.No. | Particulars | Nettlinx Inc | Nettlinx Realty Private LTD | Nettlinx Channel Private LTD | Host Department LLC |
|-------|--|--------------------|-----------------------------|------------------------------|---------------------|
| 1 | Financial period ended | March 31, 2011 | March 31, 2011 | March 31, 2011 | March 31, 2011 |
| 2 | Holding company's interest as of March 31, 2011 | 100.00% in capital | 100.00% in equity shares | 99.90% in equity shares | 100.00% in capital |
| 3 | Net aggregate amount of Profits/(Losses) of the subsidiary for the above financial year so far as they concern members of Nettlinx Limited. i) Dealt within the accounts of Nettlinx Limited. ii) Not dealt within the accounts of Nettlinx Limited. | Nil | Nil | Nil | Nil |
| 4 | Net aggregate amount of profits/(losses) of the subsidiary for the previous financial i) Dealt within the accounts of Nettlinx Limited. ii) Not dealt within the accounts of Nettlinx Limited. | Rs.15,25,183/- | (Rs.19,45,662/-) | Nil | Rs.14,73,946/- |
| | | Rs.30,77,186/- | (Rs.26,82,245/-) | Nil | (Rs.23,37,472/-) |

For and on behalf of the Board of Directors

Sd/-
(Manohar Loka Reddy)
Chairman

Sd/-
(J.V. Hanumanth Rao)
Director

Place: Hyderabad
Date: 24.08.2011

Sd/-
(Chandra Sekhar Pogula)
Director & COO and Compliance Officer

FORM OF PROXY

I/We, the undersigned Equity Shareholder(s) of the Company hereby appoint _____ of _____, and failing him _____ of _____, as my/our Proxy to act for me/us at the 18th Annual General Meeting of the equity shareholders to be held ICWAI Bhavan D.No. 7-2-5/D/1, Beside Dena Bank Post Office Road Sanath Nagar Industrial Estate, Hyderabad - 500 018. on Wednesday, the 28th September, 2011 at 3:30 p.m.

Dated _____ this day of _____ 2011

Folio No.: _____

Name & Address : _____

| |
|------------|
| Affix |
| 0.15 paise |
| Revenue |
| Stamp |

Signature

The Proxy must reach the Registered Office of the Company, not less than 48 hours before the meeting.

NOTE:

1. This meeting is of Members only and you are requested not to bring with you any person who is not a Member.
2. The Member/Proxy attending the Meeting should bring the Attendance Slip and submit it at the entrance duly signed. Please note that duplicate slips will not be issued at the entrance of the meeting hall.
3. Please keep note of the Folio No. and No. of Shares held by you to facilitate voting at the meeting.
4. Strike out whichever is not applicable

ATTENDANCE SLIP**NETTLINX LIMITED**

Regd. Office : 5-9-22, 3rd Floor, My Home Sarovar Plaza,
 Secretariat Road, Saifabad, Hyderabad – 500 063.

Full Name of Member/Proxy*: _____

Folio No.: _____ Shares held: _____

I hereby record my presence at the 18th Annual General Meeting of the Members being held ICWAI Bhavan D.No. 7-2-5/D/1, Beside Dena Bank Post Office Road Sanath Nagar Industrial Estate, Hyderabad - 500 018. on Wednesday, the 28th September, 2011 at 3:30 p.m.

*Delete whichever is not applicable.

Signature of Member/Proxy*

