

NETTLINX LIMITED



**19th
ANNUAL REPORT
2011-2012**



NETTLINX LIMITED

NETTLINX LIMITED

BOARD OF DIRECTORS

1. Dr. Manohar Loka Reddy - Director
2. Dr. Loka Narayan Reddy - Director
3. Sri. Chandra Sekhar Pogula - Director & COO
4. Sri. K. Kameswara Rao - Director
5. Sri. J.V. Hanumanth Rao - Director
6. Dr. M. Appa Rao - Director
7. Sri. Vijay Kumar Maistry - Director (From 27th October,2011)
8. Sri. M. Suresh Kumar Reddy - Director (Upto 29th Sepember,2011)
9. Sri. V. Harish Kumar - Director (Upto 14th May,2012)

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

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

NETTLINX LIMITED**NOTICE**

NOTICE is hereby given that the 19th 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 Thursday, the 27th September, 2012 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 2012, 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 Manohar Loka Reddy, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Sri Loka Narayan Reddy, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sri K. Kameswara Rao, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration and for this 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 section 224 (1) and other applicable provisions of the Companies Act, 1956, M/s. Deva & Co., Chartered Accountants, be and are hereby re-appointed as Statutory Auditors of the Company to hold office till the conclusion of the ensuing Annual General Meeting, at such remuneration as may be determined by the Board of Directors of the Company”.

Special Business:

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

“RESOLVED THAT pursuant to Section 260 of the Companies Act, 1956 and other applicable provisions of the said act, Mr. Vijay Kumar Maistry, Additional Director of the Company, be and is hereby appointed as Director of the Company.

By Order of the Board
For Nettlinx Limited

Sd/-
Dr. Manohar Loka Reddy
Chairman

Date: 16-08-2012
Place: Hyderabad

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 21st day of September 2012 to 27th day of September 2012 (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 Registrar and Share Transfer Agent, 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.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. : 6

Mr. Vijay Kumar Maistry was co-opted into the Board by the Board of Directors of the Company on 27.10.2011. However, pursuant to Section 260 of the Companies Act, 1956, Mr. Vijay Kumar Maistry holds his Office as Director upto the date of this Annual General Meeting, but he is eligible for appointment as Director. The Board considered it desirable that the Company should continue to avail the benefit of his services.

Members are requested to pass the resolution.

None of the Directors are interested except Mr. Vijay Kumar Maistry, Additional Director

Brief Profile of the Directors retiring at this AGM (as per clause 49 of the listing agreement)

1. **Mr. Manohar Loka Reddy** M.B.B.S., M.D.: A Doctor by profession and has diversified interest in various industries. He is certified member of National STOCK Exchange (NSE) and Managing Director of M/s. Northeast Broking Services Limited. He is aged about 49 years and holds Directorships in the following Companies :
 - (i) M/s. Nettlinx Channel Private Limited;

NETTLINX LIMITED

- (ii) M/s.Nettlinx Realty Private Limited;
 - (iii) M/s.Northeast Commodities Private Limited;
 - (iv) M/s.Smartlinx VOIP Networks Private Limited;
 - (v) M/s.Redt Tropicals and Naturals Private Limited;
 - (vi) M/s.Aravana Air Services Private Limited and
 - (vii)M/s.Propel Retailing Private Limited.
2. **Mr. Loka Narayan Reddy., M.B.B.S., M.D.:** A Plastic Surgeon by profession and has been in-charge of IMAGE Plastic Surgery Centre, New Jersey, U.S.A. for the past 27 years. He

has entered into the area of Financial Services by setting up a number of Limited Partnership Firms based in U.S.A. He is aged about 75 years and does not hold Directorships in any other Companies in India.

3. **Mr. K. Kameswara Rao:** A Post Graduate in geology and aged about 70 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. He does not hold directorships in any other companies in India.

Important Communication to Members

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 and Corporate Investments Private Limited, Regd.off: 12-10-167, Bharat Nagar, Hyderabad – 500 018. Tel: 91- 040 – 23818475 / 23818476, Fax: 040 – 23868023, **E-mail id:** info@vccilindia.com.

By Order of the Board
For NETTLINX LIMITED

Sd/-
Dr. Manohar Loka Reddy
Chairman

Place : Hyderabad
Date : 16-08-2012

NETTLINX LIMITED

DIRECTORS REPORT

To
The Members
M/s. Nettlinx Limited

Your Directors present the 19th Annual Report together with the Audited Statements of Account for the year ended 31st March 2012.

FINANCIAL RESULTS

₹ in lakhs

Particulars	For the Year ended 31.03.2012	For the year ended 31.03.2011
Income from operations and other income	503.13	584.32
Total Expenditure	474.25	677.94
Interest	47.93	59.77
Depreciation	55.58	67.19
Profit / (Loss) Before Taxation	(74.64)	(220.58)
Current Tax	0.00	0.00
Deferred Tax Asset	4.32	6.62
Profit / (Loss) after Tax	(70.32)	(213.95)

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 - I

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Dr. Loka Narayan Reddy, Mr. Manohar Loka Reddy and Mr. K. Kameswara Rao retire by rotation at this Annual General Meeting and being eligible offer themselves for reappointment.

During the year, Sri. M. Suresh Kumar Reddy 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.

During the year, Sri. V. Harish Kumar 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.

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: -

- That in the preparation of the accounts for the financial year ended 31st March, 2012 the applicable accounting standards have been followed along with proper explanation relating to material departures;
- That the Directors have selected such accounting policies and applied them consistently and made judgments and estimatr the financial year ended 31st March 2012 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., 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 and marked as Annexure - II.

NETTLINX LIMITED

Audit Committee has been reconstituted with the following members.

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

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 (Disclosure 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 2,45,000 options at a price of Rs. 11.20. For the year ending 31st March, 2012 there are 4,15,000 stock options outstanding, and vesting options to the extent of 50% will fall due on 16.08.2012

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 : 16-08-2012
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 ₹ 503.13 Lakhs and Net Loss of ₹ 70.32 Lakhs for the year ending 31st March' 2012, as against a Gross Revenue and Net Loss of ₹ 584.22 Lakhs and ₹ 213.95 Lakhs respectively for the previous year ending 31st March' 2011.

Your Company, as part of expansion plan in its core internet service business, is contemplating the possibility of obtaining Category-A ISP license to roll-out internet service distribution activity to several potential towns in selected states of India. However, owing to stiff market conditions, your Company is not fully convinced with the cost benefit analysis of locking up funds for Category-A license and the capital & recurring expenditure in this regard. Your Company's current operations restrict us within Andhra Pradesh geographical area by virtue of having only B-category license. Additionally, we have managed to tap some potential growth in the home broadband segment which gave us a slightly larger direct customer base with stable realizations. In this connection, we propose to aggressively plan our foray into more number of Tier-II and Tier-III rural towns across Andhra Pradesh for acquiring / creating small networks in select towns. Standalone ISPs continue to either lose money or achieve simple operational breakeven points owing to falling average revenue per user on account of stiff competition, entry of more players in a congested market place, incremental fixed & recurring costs inclusive of consumables & manpower.

In the past, our 100% subsidiary Host Department LLC was outsourcing customer and technical services from a third party. Now, with our objective to reduce costs and to have proper operational efficiencies and a more firmer grip on the over all organization, we have moved erstwhile services from the previous third party

to our own direct operations within Nettlinx Head Office itself. This move coupled with reduction on other direct costs resulted in the operational breakeven point coming down to USD 43 K Sale per month.

Nettlinx Channel Pvt. Ltd – It is kept on hold due to adverse market conditions. Company is no more interested in pursuing this diversification. Subject to commercial viability & Board approval, Your company will exit out of this venture at the nearest opportune time.

Nettlinx Realty Pvt. Ltd. – Your Company has signed a MOU with M/S ASHOK MEGA STRUCTURES PVT LTD, Nagpur, on 20th June2012 , towards outright sale of the balance land at Company's possession, equivalent to 3.00 Acres

Overall performance based on the consolidated Accounts, of your Company has registered a Net Loss of ₹ 27.78 Lakhs, as against a Net loss of ₹ 233.34 Lakhs in the previous year ending 31st March 2011.

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

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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'2012, the company has about 80 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

a) The Board of Directors consists of 7 Directors.

The composition and category of Directors as on 31.03.2012 is as follows:

Attendance Record 2011-12

SL. No.	Name of the Director	Category	Designation	No. of Board Meetings attended	Attendance in last AGM held on 28.09.2011
1	Dr. Manohar Loka Reddy	Promoter, Non - Executive	Chairman	5	YES
2	Dr. Loka Narayan Reddy	Promoter, Non - Executive	Director	NIL	NO
3	Sri. K. Kameswara Rao	Independent	Director	2	NO
4	Sri. V. Harish Kumar*	Independent	Director	2	YES
5	Dr. M. Appa Rao	Independent	Director	NIL	NO
6.	Sri. J.V. Hanumanth Rao	Independent	Director	5	NO
7.	Sri. Chandra Sekhar Pogula	Promoter, Non – Executive	Whole Time Director	5	YES
8.	Sri. Vijay Kumar Maistry	Independent	Director	2	NO
9.	Sri. M. Suresh Kumar Reddy*	Independent	Director	NIL	NO

*Mr. V. Harish Kumar has ceased to act as Director of the Company with effect from 14.05.2012

*Mr.M.Suresh Kumar Reddy has ceased to act as Director of the Company with effect from 29.09.2011

b) Number of other Directorships and Company Memberships

Sl. No.	Name of Director	Other Directorships	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	0	-	-
5.	Dr. M. Appa Rao	4	-	-
6.	Mr. J.V. Hanumanth Rao	0	-	-
7.	Mr. Vijaya Kumar Maistry	3	-	-

c) Number of Board Meetings held and the date on which held:

Five Board Meetings were held during the year. The maximum gap between any two meetings was not more than four months.

The dates on which the Board meetings were held are as follows:

- a) 29th July,2011
- b) 24th August,2011
- c) 28th October,2011
- d) 27th January,2012
- e) 14th May,2012

3) Audit Committee

The Audit Committee consists of Non-Executive Directors viz., Sri. K. Kameswara Rao, Chairman, Sri J. V. Hanumanth Rao, Sri. Vijay Kumar Maistry (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 four times. Attendance of each member at the committee meeting were as follows:

Sl.No.	Name of Member	Status	No: of Meetings
1.	Sri. K. Kameswara Rao	Independent Director	2
2.	Sri. V. Harish Kumar*	Independent Director	2
3.	Sri. J.V. Hanumanth Rao	Independent Director	5
4.	Mr. Vijaya Kumar Maistry	Independent Director	2

****Mr. V. Harish Kumar has ceased to act as Director of the Company with effect from 14.05.2012***

4) Remuneration Committee

The Remuneration Committee consists of Non-Executive Independent Directors viz., Sri K. Kameswara Rao , Sri J. V. Hanumanth Rao and Sri Vijay Kumar Maistry.

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 practices and also with the provisions of the Companies Act, 1956.

Details of remuneration including the salary and perquisites paid, if any, to the following category of Directors, for the year ending 31.03.2012 is as follows:

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a) Executive Directors : Managing Director and Director & COO

- i. Dr. Manohar Loka Reddy – Chairman – Nil
- ii. Sri Chandra Sekhar Pogula - Director & COO – ₹ 15.00 Lakhs PA (Rupees Fifteen Lakhs Only) upto 31.3.2012

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 consist of Sri. Chandra Sekhar Pogula, 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 Registrar and Share Transfer Agents and recommends measures for overall improvement in the quality of investor's services.

i) **Name and Designation of Compliance Officer:** Mr. Chandra Sekhar Pogula,
Address : Secretarial Officer, 5-9-22, 3rd Floor, My Home Sarovar Plaza, Secretariat Road, Saifabad, Hyderabad 500 063.

Contact Details: Ph:91-040-23232200 / 23231621 Fax:040-23231610

E-Mail: secretarial@nettlinx.org

ii) Details of complaints for the year 2011-12 : Nil

iii) Details of requests received for the year 2011-12 is as follows :

S.No:	Nature	Number	Qty. of Shares
1.	Transfer of Shares	3	1900
2.	Dematerialization / Rematerialization	7	11900
3.	Loss of Shares / Duplicate Shares	2	9500
4.	Others	95	9500
5.	Total	107	32800

All the requests were approved and dealt with and there were no pending valid requests as on 31st March 2012

6) General Body Meeting:

6.1. Location and Time of Last Three Annual General Meetings held:

Date	Venue	Time	No. of Special Resolutions
28.09.2011	ICWAI Bhavan, Sanath Nagar, Hyderabad	3.30 P.M	Nil
28.09.2010	Hotel Anmol Continental, Hyderabad	3.30 P.M.	Nil
28.09.2009	Hotel Anmol Continental, Hyderabad	3.30 P.M	1

No Special Resolutions were put through postal ballot last year.

No Resolutions are proposed to be conducted through postal ballot this year.

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.

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 Prabha (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 Thursday, the 27th September, 2012 at 3.30 PM.
2. Tentative Calendar of events for the financial year April, 2012 - March, 2013 is given below:

* Un audited Financial results for	First Quarter	August, 2012
	Second Quarter	October, 2012
	Third Quarter	January, 2013
	Fourth Quarter	April, 2013
3. Book Closure: From, the 21st September, 2012 to the 27th September,2012 (both days inclusive) for the purpose of Annual General Meeting.
4. (a) The Shares of the Company are listed on:
 - (i) The Bombay Stock Exchange, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.
 - (ii) The Calcutta Stock Exchange, 7 Lyons Range, Calcutta 700 001 – Delisted w.e.f. 10th Feb,2010
 - (iii) 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:**

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

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,2011	16.80	13.88
May,2011	14.25	10.00
June,2011	14.00	10.48
July,2011	14.45	13.10
August,2011	14.00	10.91
September,2011	12.62	10.60
October,2011	12.50	10.90
November,2011	12.10	10.00
December,2011	11.56	9.51
January,2012	12.00	10.05
February,2012	11.44	10.86
March,2012	11.38	9.85

- b) The listing fee for the year 2012-2013 has been paid to the Stock Exchange, Mumbai.
- c) The Company has appointed **M/s 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.

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7. (a) Shareholding Pattern as on 31st March 2012.

Sl. No.	Category	No. of shares	Percentage
1	Promoters and promoter group	6618176	57.73%
2	Indian Financial Institutions, Banks, Mutual funds	900	0.01%
3	Foreign Institutional Investors/NRI's	NIL	NIL
4	Others	4844236	42.26%
	Total	11463312	100%

(b) Distribution of Shareholding Pattern:

No. of shares held	No. of shareholders	% of shareholders	No. of Shares (Issued Equity)	% of Shareholding
UPTO - 500	1708	70.75	284260	2.48
501 - 1000	296	12.26	265312	2.31
1001 - 2000	148	6.13	243787	2.13
2001 - 3000	76	3.15	198021	1.73
3001 - 4000	33	1.37	118396	1.03
4001 - 5000	40	1.66	190816	1.66
5001 -10000	49	2.03	366243	3.19
10001- Above	64	2.65	9796477	85.46
Total	2414	100	11463312	100

8. Dematerialization of Shares and Liquidity:

The Company appointed M/s. 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 31.03.2012, 91.51% of Companies Share Capital was dematerialized.

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

NETTLINX LIMITED

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,

M/s. 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

Website : www.nettlinx.com

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

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 2012.

Sd/-

Dr. Manohar Loka Reddy

Chairman

Place :Hyderabad

Date : 16-08-2012

CERTIFICATION BY CEO/CFO OF THE COMPANY

I / We, Chandra Sekhar Pogula, Director of Nettlinx Limited, to the best of our knowledge and belief certify that:

1. We have reviewed the Balance Sheet, Profit and Loss Account, its schedule & notes to the accounts and cash flow statement for the year ended 31st March 2012 and that to the best of our knowledge and belief:
 - a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) These statements together present a true and fair views of the Company's and are in compliance with existing accounting standards, applicable laws and regulations.
2. We also certify, that based on our knowledge and the information provided to us, there are no transactions entered into by the Company during the year which are fraudulent, illegal or violate the Company's code of conduct.
3. We accept the responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps taken or propose to take to rectify these deficiencies.
4. We have indicated to the Auditors and the Audit Committee:
 - a) Significant changes in internal control during the year;
 - b) Significant changes in accounting policies during the year and that the same have been disclosed in notes to the financial statements; and
 - c) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

Place : Hyderabad
Date : 16-08-2012

Sd/-
Chandra Sekhar Pogula
Director & COO

ANNEXURE III

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 EARNINGS AND OUTGO:

Foreign exchange outflow: ₹ 351305/-

Foreign Exchange Inflow: ₹ 5549466/-

ANNEXURE IV**DETAILS OF STOCK OPTIONS:**

a) Pursuant to SEBI (ESOP and ESPS) Guidelines, 1999 , Details of Nettlinx Stock Option Plan 2007

SL No.	DESCRIPTION	NETTLINX ESOPS2012
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 - @ ₹ 11.20
3	Options Vested	NIL
4	Options Exercised	NIL
5	Total No Of Shares Arising As A Result Of	NIL
6	Exercise Of Options	NIL
7	Options Lapsed	1,70,000
8	Variation Of Terms Of Options	NIL
9	Money Realized By Exercise Of Options	NIL
10	Total No Of Options In Force	2,45,000
11	Options Granted	4,15,000

(b) LIST OF EMPLOYEES / DIRECTORS TO WHOM OPTIONS ARE GRANTED

SL NO	NAME	NO. OF OPTIONS
1	Mr.Chandra Sekhar Pogula	75000
2	Mr.N.Venkateswara Rao	40000
3	Mr.L.Balu	10000
4	Mr.B.Bala Bhaskara Rao	10000
5	Mr.Y.Srinivas Reddy	10000
6	Mr.Mohd. Wasif Ali	5000
7	Mr.G.Vidya Sagar	10000
8	Mr.P. Vasanth	5000
9	Mr.J. Shyam Kumar	5000
10	Mr.R. Ayyappa	5000
11	Mr.A. Uday Kiran	5000
12	Mr.Sreekanth Reddy Puthalpat	50000
13	Mr.K. Raju	5000
14	Mr.N. Koteswara Rao	5000
15	Mr.P. Anil Kumar	5000
	Total	245000

Blocked for Future Allocation to Employees 5,55,000
(800000 – 245000=555000)

- (c) Any other employee who received a grant in any one year of options amounting to 5% or More to options granted during the year - **Nil**
- (d) 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**
- (e) Diluted EPS as per Accounting Standard-20 ₹ **(0.61)**

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 2012, 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**
Firm Reg.No.000722S
Chartered Accountants

Sd/-
(K. SRINIVASULU REDDY)
Partner
Membership No.024191

Place: Hyderabad
Date:16-08-2012

AUDITOR'S REPORT

To the Members of *NETTLINX LIMITED*

1. We have audited the attached Balance Sheet of **NETTLINX LIMITED**, as at 31st March, 2012 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, 2012 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, 2012;
 - (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**
Firm Reg.No.000722S
Chartered Accountants

Sd/-
(K. SRINIVASULU REDDY)
Partner
Membership No.024191

Place: Hyderabad
Date:16-08-2012

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 2012

- (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 clauses (iii) (b) to (d) of the order are not applicable.
(b) As informed, the company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under sec.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 2012, 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**
Firm Reg.No.000722S
Chartered Accountants

Sd/-
(K. SRINIVASULU REDDY)
Partner
Membership No.024191

Place: Hyderabad
Date:16-08-2012

BALANCE SHEET AS AT MARCH 31st 2012

S.No	Particulars	Note No.	As at 31st March, 2012 ₹	As at 31st March, 2011 ₹
EQUITY AND LIABILITIES:				
A. Share Holders' Funds:				
	(a) Share Capital	2	11,46,33,120	11,46,33,120
	(b) Reserves & Surplus	3	4,83,82,188	5,54,14,462
B. Non Current Liabilities				
	(a) Long Term Borrowings	4	64,52,067	1,41,10,852
	(b) Other Long Term Liabilities	5	20,55,537	20,55,537
	(c) Long Term Provisions	6	7,98,325	8,48,365
C. Current Liabilities				
	(a) Short Term Borrowings	7	93,10,000	68,75,086
	(b) Trade Payables	8	49,70,152	24,53,145
	(c) Other Current Liabilities	9	2,31,14,107	1,65,96,924
	(d) Short Term Provisions		-	-
			<u>20,97,15,497</u>	<u>21,29,87,491</u>
ASSETS:				
A. Non Current Assets				
	(a) Fixed Assets:			
	(i) Tangible Assets	10	3,68,55,015	3,65,32,527
	(ii) Intangible Assets		-	-
	(iii) Capital Work In Progress		-	-
	(iv) Intangible Assets under development		-	-
	(b) Non Current Investments	11	9,22,21,536	8,89,62,293
	(c) Deferred Tax Assets (Net)	12	39,33,740	35,01,878
	(d) Long Term Loans & Advances	13	1,44,86,083	1,82,84,702
	(e) Other Non Current Assets	14	1,09,86,127	1,08,21,872
B. Current Assets				
	(a) Current Investments	15	7,94,800	7,94,800
	(b) Inventories-Traded Finished Goods	16	7,60,832	8,20,197
	(c) Trade Receivables	17	57,71,990	67,17,912
	(d) Cash & Cash Equivalents	18	3,46,345	2,78,474
	(e) Short Term Loans & Advances	19	4,16,43,014	4,20,38,085
	(f) Other Current Assets	20	19,16,015	42,34,751
			<u>20,97,15,497</u>	<u>21,29,87,491</u>

The accompanying notes from an integral part of the financial statements

As per our report of even date

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

Sd/-
(K. Srinivasulu Reddy)
Partner
Membership No.024191

For and on behalf of the Board of Directors

Sd/-
(Manohar Loka Reddy)
Chairman

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

Place: Hyderabad
Date : 16-08-2012

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

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31st 2012

S.No.	Particulars	Note No.	As at 31st March, 2012 ₹	As at 31st March, 2011 ₹
I.	Revenue from Operations	21	4,42,17,921	4,92,71,071
II.	Other Income	22	60,94,936	91,60,829
III.	Total Revenue (I + II)		<u>5,03,12,857</u>	<u>5,84,31,900</u>
IV.	Expenses:			
	(a) Cost of Materials consumed		-	-
	(b) Purchases of Stock-in-Trade	23	-	64,000
	(c) Changes in inventories of finished goods, work in progress and stock in trade	24	59,365	10,37,822
	(d) Employee Benefit expenses	25	1,52,46,669	1,58,98,651
	(e) Finance Costs	26	47,92,983	59,76,933
	(f) Depreciation and amortization Expenses	10	55,58,198	67,18,985
	(g) Operation and other expenses	27	3,21,19,778	5,07,93,374
	Total Expenses		<u>5,77,76,993</u>	<u>8,04,89,766</u>
V.	Profit/(Loss) Before Exceptional Items and Tax (III-IV)		(74,64,135)	(2,20,57,866)
VI.	Exceptional Items		-	-
VII.	Profit/(Loss) Before Tax (V-VI)		(74,64,135)	(2,20,57,866)
VIII.	Tax Expense:			
	(1) Current Tax		-	-
	(2) Deferred Tax - Asset		4,31,862	6,62,362
IX.	Profit/(Loss) for the period		(70,32,274)	(2,13,95,504)
X.	Earning/(Loss) Per Share			
	Basic		(0.61)	(1.87)
	Diluted		(0.61)	(1.87)
XI.	Number of Shares used for EPS working			
	Basic		1,14,63,312	1,14,63,312
	Diluted		1,14,63,312	1,14,63,312

The accompanying notes from an integral part of the financial statements

As per our report of even date

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

Sd/-
(K. Srinivasulu Reddy)
Partner
Membership No.024191

For and on behalf of the Board of Directors

Sd/-
(Manohar Loka Reddy)
Chairman

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

Place: Hyderabad
Date : 16-08-2012

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

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31st 2012

	(₹. In lakhs)	
	31st March, 2012	31st March, 2011
A. Cash Flows from Operating Activities		
Net Profit before Interest and Tax	(26.71)	(160.81)
Depreciation	55.58	67.19
Operating profit before working capital changes	<u>28.87</u>	<u>(93.62)</u>
(Increase)/ Decrease in Trade Receivables	18.29	53.39
(Increase)/ Decrease in Inventories	0.59	10.38
(Increase)/ Decrease in Loans and Advances and Other Assets	63.48	117.25
Increase/(Decrease) in Trade Payables, Current Liabilities and Provisions	81.01	(47.24)
Net Cash Flow from Operation Activities	<u>192.25</u>	<u>40.17</u>
B. Cash Flows from investing Activities		
Purchase of Fixed Assets	(64.53)	(15.15)
Purchase of Investments	(32.59)	188.11
Proceeds from sale of Fixed Assets	5.72	15.21
Net Cash Flow from Investing Activities	<u>(91.40)</u>	<u>188.17</u>
C. Cash Flows from Financing Activities		
Repayment of Secured Loans	(70.24)	(179.10)
Proceeds from Unsecured Loans	18.00	5.10
Financial expenses paid	(47.93)	(59.77)
Net cash Flow from/ (used) Financing Activities	<u>(100.17)</u>	<u>(233.77)</u>
Net (Decrease)/ Increase in Cash and Cash equivalents during the year	0.68	(5.43)
Cash and Cash equivalents at the beginning of the year	2.78	8.21
Cash and Cash equivalents at the end of the year	3.46	2.78

As per our report of even date

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

Sd/-
(K. Srinivasulu Reddy)
Partner
Membership No.024191

For and on behalf of the Board of Directors

Sd/-
(Manohar Loka Reddy)
Chairman

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

Place: Hyderabad
Date : 16-08-2012

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

NETTLINX LIMITED

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 is 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 delivers maximum uptime, expertise and specialist knowledge to assist both individuals and businesses in harnessing the benefits of Internet technology for real business productivity.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES:

The accounts have been prepared primarily on the historical cost convention and in accordance with the relevant provisions of the Companies Act, 1956 and the accounting standards notified by the Companies (Accounting Standards) Rules 2006. The significant accounting policies followed by the company are stated below.

(a) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures relating to contingent liabilities as at the date of financial statements and the 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 / materialized.

(b) 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 of cost or net book value or net realizable value.

(c) DEPRECIATION ON FIXED ASSETS

The Company follows the straight-line method of charging depreciation on all its fixed assets. The Depreciation has been provided in the manner and at the rates prescribed in Schedule XIV to the Companies Act, 1956 on all the assets.

(d) INVESTMENTS

Current Investments are valued at lower of cost and fair value. Long term investments are valued at cost. Provision is made to recognize decline other than temporary in the carrying amount of the long term investments. Cost for overseas investments comprises of the Indian Rupee value of consideration paid for the investment translated at the exchange rate prevalent at the date of investment.

(e) EMPLOYEE BENEFITS

Retirement benefit costs are expensed to revenue as incurred. Contribution to defined Schemes such as Provident Fund and Employee's State Insurance Scheme are charged as incurred on accrual basis. The Company also provides for gratuity and leave encashment in accordance with the requirements of revised Accounting Standard – 15 of Employee Benefits.

(f) 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.

(g) FOREIGN CURRENCY TRANSACTIONS

Transactions made during the year in foreign currency are recorded at exchange rate prevailing at the time of transaction. Realized gains and losses on foreign exchange transactions other than those relating to fixed assets are recognized in profit and loss account.

(h) REVENUE RECOGNITION

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 when such features are activated.

(i) CASH FLOW STATEMENT

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

(j) INVENTORIES

Inventories are valued at lower of cost or net realizable value. Cost of inventories,

includes all costs of purchases and other costs incurred bringing the inventories to their present location and condition.

(k) EARNINGS PER SHARE

The company reports basic and diluted earnings per share in accordance with AS 20 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 instruments, except where results are anti dilutive

(l) 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.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

	As at 31st March, 2012		As at 31st March, 2011	
	Number	₹	Number	₹
Note 2 Share Capital				
Authorised Capital 2,00,00,000 Equity Shares of ₹ 10/- each	2,00,00,000	20,00,00,000	2,00,00,000	20,00,00,000

Issued, Subscribed & Paid up Capital 1,14,63,312 Equity Shares of ₹10/- each fully paid up	1,14,63,312	11,46,33,120	1,14,63,312	11,46,33,120
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(a) Reconciliation of Shares outstanding at the beginning and the end of the year

	As at 31st March, 2012		As at 31st March, 2011	
	Number	₹	Number	₹
Equity Shares At the beginning of the Year	1,14,63,312	11,46,33,120	1,14,63,312	11,46,33,120
Issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Outstanding at the end of the year	<u>1,14,63,312</u>	<u>11,46,33,120</u>	<u>1,14,63,312</u>	<u>11,46,33,120</u>

(b) **Terms/rights attached to Equity Shares**

The Company has only one class of Equity shares having a par value of ₹10/- each. Each holder of equity shares is entitled to one vote per share.

(c) Details of share holders holding more than 5% of equity shares in the Company.

Name of Share Holder	As at 31st March, 2012		As at 31st March, 2011	
	No.of Shares	% Holding	No.of Shares	% Holding
Dr. Loka Narayan Reddy	39,23,224	34.22	39,23,224	34.22
Dr. Manohar Loka Reddy	15,74,866	13.74	15,74,866	13.74
Saranya Loka Reddy	5,99,386	5.23	5,99,386	5.23

	As at 31st March, 2012		As at 31st March, 2011	
		₹		₹
Note 3 Reserves and Surplus				
(a) Capital Reserve				
At the beginning and at the end of the year		1,50,00,000		1,50,00,000
(b) Securities Premium Account				
At the beginning and at the end of the year		2,45,99,575		2,45,99,575

NETTLINX LIMITED

(c) General Reserve			
At the beginning of			
at the end of the year		1,30,00,000	1,30,00,000
(d) Surplus/deficit in the statement of Profit and Loss as per last			
Balance Sheet	28,14,887		2,42,10,391
Profit / (Loss) for the Year	<u>(70,32,274)</u>	<u>(42,17,387)</u>	<u>(2,13,95,504)</u>
		<u>4,83,82,188</u>	<u>5,54,14,462</u>

Note 4 Long Term Borrowings	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Secured		
Term Loans from ICICI Bank	-	1,00,00,002
Vehicle Loan	24,52,067	1,10,850
Unsecured Loans		
Others	40,00,000	40,00,000
	<u>64,52,067</u>	<u>1,41,10,852</u>

Terms and Conditions of Long Term Borrowings

(i) Vehicle Loan is secured under hypothecation of the assets purchased

Note 5 Other Long Term Liabilities	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Trade Payables	18,05,537	18,05,537
Rental Deposit	2,50,000	2,50,000
	<u>20,55,537</u>	<u>20,55,537</u>

Note 6 Long Term Provisions	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Provision for Employee Benefits		
Gratuity	4,97,801	5,35,001
Leave Encashment	3,00,524	3,13,364
	<u>7,98,325</u>	<u>8,48,365</u>

Note 7 Short Term Borrowings	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Secured		
- ICICI Bank - CC Account	70,00,000	63,65,086
Unsecured		
- from Director	23,10,000	5,10,000
	<u>93,10,000</u>	<u>68,75,086</u>

Terms and Conditions of Short Term Borrowings

i) Term Loan from Bank is repayable in three equitable quarterly installments from March 31, 2012 and carries a floating rate of interest of @ 15.75% . Term loan and CC is secured jointly by

NETTLINX LIMITED

Equitable mortgage of immovable property, Flat No.301, 3rd Floor, My Home Sarovar Plaza, Hyderabad and Equitable Mortgage on Immovable Property, Survey No.23, Gachibowli, RR District, admeasuring 3630 Sq. Yards of its subsidiary Nettlinx Realty Private Limited.

Note 8 Trade Payable	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Trade Payables	49,70,152	24,53,145
	<u>49,70,152</u>	<u>24,53,145</u>

Dues to Micro, Small and medium enterprises is Nil as per the records of the Company

Note 9 Other Current Liabilities	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Current maturities of long-term debt		
- ICICI Bank - Term Loan (Refer Note 7(i))	1,00,00,002	1,00,00,002
- Vehicle Loan	13,90,121	5,09,896
Interest accrued but not due on borrowings	3,91,936	14,794
Interest accrued and due on borrowings	1,88,146	-
Others		
Trade Deposit Received	76,672	1,27,972
Advance received from Customers	16,63,890	9,87,885
Bank Book OD	35,89,418	4,17,664
Other Statutory Liabilities	24,09,356	24,90,592
Liability for Expenses	5,40,557	8,34,833
Employee related liabilities	15,10,987	9,14,207
Others	13,53,022	2,99,079
	<u>2,31,14,107</u>	<u>1,65,96,924</u>

Vehicle Loans are secured under hypothecation of the assets purchased

(Amount in ₹)

10 STATEMENT OF FIXED ASSETS & DEPRECIATION

Particulars	GROSS BLOCK			ACCUMULATED DEPRECIATION				NET BLOCK	
	ASAT 01.04.11	ADDITIONS DURING THE YEAR	DELETIONS DURING THE YEAR	ASAT 31.03.12	DURING THE YEAR	DELETIONS DURING THE YEAR	TOTAL 31.03.12	ASAT 31.03.12	ASAT 31.03.11
Tangible Assets									
Land	24,40,105	-	-	24,40,105	-	-	-	24,40,105	24,40,105
Buildings	1,20,17,910	-	-	1,20,17,910	1,95,892	-	17,56,295	1,02,61,615	1,04,57,507
Plant & Machinery	11,86,92,369	10,31,396	-	11,97,23,765	41,52,850	-	10,61,04,925	1,36,18,840	1,67,40,294
Office Equipment	43,25,200	-	-	43,25,200	2,02,590	-	29,00,514	14,24,686	16,27,276
Furniture & Fixtures	75,36,711	-	-	75,36,711	3,10,422	-	61,51,127	13,85,584	16,96,006
Vehicles	71,25,438	54,21,358	15,16,319	1,10,30,477	6,96,444	9,44,251	33,06,294	77,24,183	35,71,337
TOTAL	15,21,37,733	64,52,754	15,16,319	15,70,74,168	55,58,198	9,44,251	12,02,19,155	3,68,55,015	3,65,32,527
31st March, 2011	15,21,69,072	15,14,953	15,46,000	15,21,38,025	67,18,985	25,200	11,56,05,206	3,65,32,818	4,32,57,651

NETTLINX LIMITED

Note11 Non Current Investments	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Investment in unquoted equity instruments		
(a) of subsidiaries		
i. Nettlinx Inc, USA	50,01,560	50,01,560
(6867 shares of \$15 each fully paidup)		
ii. Nettlinx Reality Private Limited	30,99,900	30,99,900
(309990 Equity Share of ₹. 10 each fully paid up)		
iii. Nettlinx Channel Private Limited	4,20,00,000	4,20,00,000
(4200000 Equity Share of ₹.10 each fully paid up)		
iv. Host Department, LLC USA	5,19,64,299	5,19,64,299
Less: Provision for Diminution	<u>1,81,60,223</u>	<u>1,44,19,466</u>
	3,38,04,076	3,75,44,833
(b) of Associates		
i. Northeast Broking Services Ltd	1,16,000	1,16,000
(11600 Equity Share of ₹.10 each fully paid up)		
ii. Northeast Commodities Private Ltd	12,00,000	12,00,000
(120000 Equity Share of ₹.10 each fully paid up)		
(c) of other entities		
LG IT Solutions	70,00,000	-
(70,000 shares of ₹.10/- each fully paid up with ₹.90/-premium)		
	<u>9,22,21,536</u>	<u>8,89,62,293</u>
(During the year the company has invested ₹.70,00,000/- in LG IT Solutions Pvt.Ltd)		
Note 12 Deferred Tax (Asset)	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Tax effect of items constituting deferred tax assets arising on account of timing difference in		
Depreciation	4,31,862	6,62,362
Add: Opening Balance of		
Deferred Tax Asset	35,01,878	28,39,516
	<u>39,33,740</u>	<u>35,01,878</u>
	As at 31st March, 2012	As at 31st March, 2011
Note 13 Long Term Loans and Advances	₹	₹
(a) Balance with Government Authorities		
Unsecured, considered good		
VAT Credit Receivable	1,94,157	1,97,154

NETTLINX LIMITED

(b) Advance Taxes	63,37,566	73,27,082
(c) Others	79,54,360	1,07,60,466
	1,44,86,083	1,82,84,702

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 ₹.28,62,989/- is shown in Advance Taxes.

Note 14 Other Non Current Assets	As at 31st March, 2012	As at 31st March, 2011
	₹	₹

- In Fixed Deposits with more than 12 months maturity including interest accrued thereon (100% against Bank Guarantees)	21,10,942	19,46,687
- Other Deposits	6,11,402	6,11,402
Long Term Trade Receivables Unsecured, Considered Good	82,63,783	82,63,783
	1,09,86,127	1,08,21,872

Long Term Trade Receivables include amount receivable from Integrated Broadcasting Pvt Ltd, the company was issued legal notice for not paying outstanding debt amounting to Rs.65,98,028/- as at 30th June, 2011. Legal proceedings for winding up of the company U/s.433(a) of the Companies Act 1956 is initiated by filing a petition in the High Court Judicature of Andhra Pradesh. The court decision is not finalized till date.

Note 15 Current Investments	As at 31st March, 2012	As at 31st March, 2011
	₹	₹

Quoted - Investments i. Swarna Securities Ltd (88850 Equity Shares of ₹.10 each fully paid up)	7,94,800	7,94,800
	7,94,800	7,94,800

(Market Value of Swarna Securities Ltd - Shares is ₹.3,20,749/-(March31,2011: ₹.9,96,897/-)

Note 16 Inventories	As at 31st March, 2012	As at 31st March, 2011
	₹	₹

i. Traded Goods - Valued at Cost or NRV which ever is lower	7,60,832	8,20,197
	7,60,832	8,20,197

Note 17 Trade Receivables	As at 31st March, 2012	As at 31st March, 2011
	₹	₹

a) Outstanding for a period exceeding Six Months Unsecured, Considered Good	68,80,266	68,80,266
Less: Bad debts written off	14,71,850	14,71,850
	52,40,614	52,40,614
b) Others Considered Good	43,00,140	50,78,260
	57,71,990	67,17,912

NETTLINX LIMITED

Note 18 Cash and Cash Equivalents	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
a) Balances with Banks		
- In Current Accounts	86,429	75,381
b) Cash on hand	2,59,917	2,03,093
	<u>3,46,345</u>	<u>2,78,474</u>
	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Note 19 Short Term Loans and Advances		
Advances to wholly owned subsidiary	3,26,93,028	1,86,88,334
Advances to Customers	1,68,759	13,97,383
Staff Advances	72,718	88,995
ICD's	-	1,33,00,000
Balance with Government Authority		
- Service Tax credit receivable	-	1,96,357
Advance recoverable in Cash in kind or for value to be received	1,27,982	1,36,435
Others	85,80,527	82,30,581
	<u>4,16,43,014</u>	<u>4,20,38,085</u>
	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Note 20 Other Current Assets		
Interest Accrued but not due on FDRs	1,23,914	1,27,076
Interest Receivable	5,05,263	27,43,487
Rental Deposits for H.O	9,38,950	9,19,600
Other Deposits/Receivables	3,47,888	3,46,988
Deferred Revenue Expenditure	-	97,600
	<u>19,16,015</u>	<u>42,34,751</u>
	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Note 21 Revenue from Operations		
a) Sale of Products		
Sale of VOIP Telephones - VAT Sales	66,999	12,49,298
b) Sale of Services		
Income from Bandwidth Services	3,70,88,208	3,83,19,838
Income from Web Solutions	18,73,741	19,93,809
Income from VOIP Sales	1,16,023	2,59,082
Income from Software Development (export)	50,72,950	74,49,044
	<u>4,42,17,921</u>	<u>4,92,71,071</u>
	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Note 22 Other Income		
Interest on Bank Deposits, ICD's and Loans	30,33,839	28,42,440
Rental Income	29,00,829	27,41,251
Provisions/Liabilities not required written back	-	31,76,174
Foreign Exchange Fluctuations	59,961	9,318
Other Misc.Incomes	1,00,307	3,91,646
	<u>60,94,936</u>	<u>91,60,829</u>

Note 23 Purchases of Stock-in-Trade	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Other items - Wireless Equipment	-	64,000
	<u>-</u>	<u>64,000</u>

Note 24 Changes in inventories of finished goods, work-in-progress and stock-in-trade	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Inventories at the end of the year - Stock in Trade	7,60,832	8,20,197
Inventories at the beginning of the year - Stock in Trade	8,20,197	18,58,019
Net (increase)/ decrease	<u>59,365</u>	<u>10,37,822</u>

Note 25 Employee Benefit Expenses	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Salaries	1,33,00,602	1,29,65,502
Contribution to PF, ESI & Group Insurance	11,79,727	12,41,922
Staff Welfare	7,56,413	7,55,309
Staff Recruitment & Training	9,927	35,070
Stipend	-	9,00,848
Employee Benefit expenses	<u>1,52,46,669</u>	<u>1,58,98,651</u>

Note 26 Finance Cost	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Interest	44,61,373	56,87,224
Finance charges	1,98,807	1,12,171
Bank Charges	1,32,803	1,77,538
	<u>47,92,983</u>	<u>59,76,933</u>

Note 27 Operation and Other Expenses	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Bandwidth, Leased Circuit charges & Service charges	1,44,16,324	1,76,40,240
Bad Debts Written Off	-	53,58,335
Rent & Maintenance	30,54,004	28,73,764
Domain Registration expenses	1,61,421	1,68,044
Power and Electricity	19,23,759	17,39,957
Postage & Telegram expenses	79,733	71,829
Advertisement & Publicity	3,78,622	49,559
Telephone expenses	5,18,269	5,34,731
Computers & Networking Maintenance	28,74,140	33,47,810
Watch & Ward expenses	6,42,152	4,35,191
Traveling expenses	1,42,646	4,77,628
Local Conveyance	15,90,668	13,52,082

NETTLINX LIMITED

Vehicle Maintenance	5,46,022		5,39,358
Rates & Taxes	4,02,028		2,41,678
Insurance-Others	83,917		67,880
Annual Membership Fee(APNIC)	2,10,880		1,67,220
Demat Charges(NSL)	1,20,075		1,01,515
Legal & Professional Charges	2,28,000		1,28,656
Office Maintenance Expenses	2,82,707		2,03,325
Printing & Stationary Expenses	2,44,959		2,32,616
Other Administrative Expenses	3,06,095		4,69,889
Decline in carrying cost of investment	37,40,757		1,44,19,466
Miscellaneous Expenditure Written Off	97,600		97,600
Audit Fees for Statutory Audit	25,000		25,000
for Taxation Matters	20,000		20,000
for Management & Other Services	20,000		20,000
for Re-imburement of expenses	10,000	75,000	10,000
		<u>3,21,19,778</u>	<u>5,07,93,374</u>

Additional Information to the Financial Statements
28 Contingent Liabilities and Commitments

	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Contingent Liabilities :		
Provisional License fee Assessment	43,30,195	1,07,31,323
Commitments :	-	-

Company has received **Revised** provisional license fee assessment notice from Department of Telecommunications-AP circle for the years 2005-06, 2006-07, 2007-08 and 2008-09 w.r.t ISP(IT) License for ₹43,30,195/- which is disclosed as contingent liability for the year ended 31st March 2012. However the management feels that even this demand is not tenable and hence liability is not provided in the books of accounts.

29 Foreign Exchange Activity	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Expenditure in Foreign Currency		
Licence fee and domain registration charges	3,51,305	3,97,119
Earnings in Foreign Exchange		
Software Exports(ITES)	<u>50,72,950</u>	<u>74,49,044</u>

30 Earnings per share	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
i) Profit/(Loss) after Tax	(70,32,274)	(2,13,95,504)
ii) Weighted average number of Equity Shares	1,14,63,312	1,14,63,312
iii) Weight average number of equity shares in computing diluted earnings per share	1,14,63,312	1,14,63,312
iv) Face value of each Equity Share	10	10

NETTLINX LIMITED

v) Earnings per share		
- Basic	(0.61)	(1.87)
- Diluted	(0.61)	(1.87)

31 Related party disclosure

(i) Information relating to Related Party transactions as per "Accounting Standard 18" notified by the Companies (Accounting Standards) Rules, 2006.

Name of the Related Party	Relationship
i. Nettlinx Reality Private Limited	Wholly Owned Subsidiaries
ii. Nettlinx Channel Private Limited	
iii. Host Department, LLC, USA	
iv. Nettlinx Inc, USA	Associates
i. North East Broking Services Ltd	
ii. North East Commodities Private Ltd	

(ii) Details of transaction between the Company and Related Parties

	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Sale of Services:		
Host Department, LLC, USA - Software Exports(ITES)	33,11,837	27,85,179
Others Services - UPS Back Up		
- Northeast Broking Services Limited	-	1,30,500
Other Income - Rent Received		
- Northeast Broking Services Limited	11,01,972	16,64,594
- Northeast Commodities Services Limited	8,22,696	-
Trade Payables:		
Nettlinx Inc, USA	14,53,091	14,53,091
Trade Receivables:		
Host Department, LLC, USA	11,37,797	15,54,356
Short Term Loans & Advances:		
Nettlinx Reality Private Limited	3,26,93,028	1,86,88,334

32 In line with revised Schedule VI, figures for the previous year have been regrouped, recast and rearranged to wherever necessary.

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 : 16-08-2012

**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, 2012, 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, in so far 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, 2012;
 - 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**
Firm Reg.No.000722S
Chartered Accountants

Sd/-
(K. SRINIVASULU REDDY)
Partner
Membership No.024191

Place: Hyderabad
Date:16-08-2012

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2012

S.No.	Particulars	Note No.	As at 31st March, 2012 ₹	As at 31st March, 2011 ₹
EQUITY AND LIABILITIES:				
A. Share Holders' Funds:				
	(a) Share Capital	2	11,46,33,120	11,46,33,120
	(b) Reserves & Surplus	3	5,81,10,775	5,92,82,387
	(c) Minority Interest		100	100
B. Non Current Liabilities				
	(a) Long Term Borrowings	4	1,31,33,195	2,43,68,826
	(b) Other Long Term Liabilities	5	6,02,446	6,02,446
	(c) Long Term Provisions	6	7,98,325	8,48,365
C. Current Liabilities				
	(a) Short Term Borrowings	7	2,00,44,877	78,95,086
	(b) Trade Payables	8	1,74,70,467	2,91,34,042
	(c) Other Current Liabilities	9	9,16,22,135	4,92,47,584
	(d) Short Term Provisions		-	-
			<u>31,64,15,440</u>	<u>28,60,11,955</u>
ASSETS:				
A. Non Current Assets				
	(a) Fixed Assets:			
	(i) Tangible Assets	10	4,98,61,467	4,78,53,215
	(ii) Intangible Assets	10	3,00,51,034	3,00,51,034
	(iii) Capital Work In Progress		-	-
	(iv) Intangible Assets under development		-	-
	(b) Non Current Investments	11	83,16,000	13,16,000
	(c) Deferred Tax Assets (Net)	12	38,51,536	34,61,701
	(d) Long Term Loans & Advances	13	1,34,35,272	1,82,48,726
	(e) Other Non Current Assets	14	1,59,94,178	1,56,27,352
B. Current Assets				
	(a) Current Investments	15	4,47,55,044	7,94,800
	(b) Inventories-Traded Finished Goods	16	9,69,51,315	8,92,44,180
	(c) Trade Receivables	17	1,01,20,593	1,18,11,984
	(d) Cash & Cash Equivalents	18	24,32,043	24,00,248
	(e) Short Term Loans & Advances	19	3,28,56,186	5,94,06,519
	(f) Other Current Assets	20	77,90,773	57,96,197
			<u>31,64,15,440</u>	<u>28,60,11,955</u>

The accompanying notes from an integral part of the financial statements

As per our report of even date

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

Sd/-
(K. Srinivasulu Reddy)
Partner
Membership No.024191

For and on behalf of the Board of Directors

Sd/-
(Manohar Loka Reddy)
Chairman

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

Place: Hyderabad
Date : 16-08-2012

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

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2012

S.No.	Particulars	Note No.	As at 31st March, 2012 ₹	As at 31st March, 2011 ₹
I.	Revenue from Operations	21	8,70,74,738	10,51,73,953
II.	Other Income	22	2,03,44,640	91,86,578
III.	Total Revenue (I + II)		<u>10,74,19,378</u>	<u>11,43,60,531</u>
IV.	Expenses:			
	(a) Cost of Materials consumed		-	-
	(b) Purchases of Stock-in-Trade	23	-	64,000
	(c) Changes in inventories of finished goods, work in progress and stock in trade	24	59,365	10,37,822
	(d) Employee Benefit expenses	25	3,47,42,442	3,49,61,863
	(e) Finance Costs	26	53,46,136	67,24,855
	(f) Depreciation and amortization Expenses	10	74,59,079	88,28,635
	(g) Operation and other expenses	27	6,18,58,319	8,64,56,189
	Total Expenses		<u>10,94,65,341</u>	<u>13,80,73,363</u>
V.	Profit/(Loss) Before Exceptional Items and Tax (III-IV)		(20,45,963)	(2,37,12,833)
VI.	Exceptional Items		-	-
VII.	Profit/(Loss) Before Tax (V-VI)		(20,45,963)	(2,37,12,833)
VIII.	Tax Expense:			
	(1) Current Tax		13,55,666	2,90,901
	(Less): MAT credit		(2,33,723)	-
	(2) Deferred Tax - Asset		3,89,835	6,58,986
IX.	Profit/(Loss) for the period		(27,78,071)	(2,33,44,749)
X.	Earning/(Loss) Per Share			
	Basic		(0.24)	(2.04)
	Diluted		(0.24)	(2.04)
XI.	Number of Shares used for EPS working			
	Basic		1,14,63,312	1,14,63,312
	Diluted		1,14,63,312	1,14,63,312

The accompanying notes from an integral part of the financial statements

As per our report of even date

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

Sd/-
(K. Srinivasulu Reddy)
Partner
Membership No.024191

For and on behalf of the Board of Directors

Sd/-
(Manohar Loka Reddy)
Chairman

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

Place: Hyderabad
Date : 16-08-2012

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

(Rs. In lakhs)

	31st March, 2012	31st March, 2011
	₹	₹
A. Cash Flows from Operating Activities		
Net Profit before Interest and Tax	33.00	(169.88)
Depreciation	74.59	88.29
Diminution in Value of Investment (net)	(182.38)	78.60
Operating profit before working capital changes	<u>(74.79)</u>	<u>(2.99)</u>
(Increase)/ Decrease in Trade Receivables	25.75	92.51
(Increase)/ Decrease in Inventories	(77.07)	(349.33)
(Increase)/ Decrease in Loans and Advances and Other Assets	290.02	140.96
Increase/(Decrease) in Trade Payables, Current Liabilities and Provisions	297.78	281.06
Income Taxes Paid	(13.56)	(2.91)
Net Cash Flow from Operation Activities	<u>448.13</u>	<u>159.30</u>
B. Cash Flows from investing Activities		
Purchase of Fixed Assets	100.39	(15.15)
Purchase of Investments	(509.60)	8.11
Proceeds from sale of Fixed Assets	5.72	203.25
Net Cash Flow from Investing Activities	<u>(403.49)</u>	<u>196.20</u>
C. Cash Flows from Financing Activities		
Proceeds from Secured Loans	(54.58)	(262.92)
Proceeds from Unsecured Loans	63.72	(47.64)
Financial expenses paid	(53.46)	(67.25)
Net cash Flow from/ (used) Financing Activities	<u>(44.32)</u>	<u>(377.81)</u>
Net (Decrease)/Increase in Cash and Cash equivalents during the year	0.32	(22.31)
Cash and Cash equivalents at the beginning of the year	24.00	46.31
Cash and Cash equivalents at the end of the year	24.32	24.00

As per our report of even date

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

(K. Srinivasulu Reddy)
Partner
Membership No.024191

For and on behalf of the Board of Directors

Sd/-
(Manohar Loka Reddy)
Chairman

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

Place: Hyderabad
Date : 16-08-2012

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

1. NOTES ACCOMPANYING THE CONSOLIDATED FINANCIAL STATEMENTS

(i) (a) The consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21) – “Consolidated Financial Statements” notified by the Companies (Accounting Standards) Rules, 2006. The consolidated Financial Statements have been prepared under historical cost convention and on accrual basis. The accounting policies have been consistently applied by the Company and are in consistency with those used in the previous year.

(a) The subsidiaries (which along with NETTLINX LIMITED, the parent, constitute the Group) considered in the preparation of these consolidated financial statements are:

Name of the Company	Country of Incorporation	Percentage of ownership interest as at 31 st March 2012	Percentage of ownership interest as at 31 st March 2011
Nettlinx Inc	USA	100.00	100.00
Nettlinx Realty Private Limited	India	99.90	99.90
Nettlinx Channel Private Limited	India	100.00	100.00
Host Department LLC	USA	100.00	100.00

The financial statements of all the subsidiaries considered in the consolidated accounts are drawn up to 31st March 2012.

(ii) ACCOUNTING POLICIES:

The accounts have been prepared primarily on the historical cost convention and in accordance with the relevant provisions of the Companies Act, 1956 and the accounting standards notified by the Companies (Accounting Standards) Rules 2006. The significant accounting policies followed by the company are stated below.

(a) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures relating to contingent liabilities as at the date of financial statements and the 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 / materialized.

(b) 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.

(c) DEPRECIATION ON FIXED ASSETS

The Group follows the straight-line method of charging depreciation on all its fixed assets. The Depreciation has been provided in the manner and at the rates prescribed in Schedule XIV to the Companies Act, 1956 on all the assets.

(d) INVESTMENTS

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

(e) EMPLOYEE BENEFITS

Retirement benefit costs are expensed to revenue as incurred. Contribution to defined Schemes such as Provident Fund and Employee's State Insurance Scheme are charged as incurred on accrual basis. The Company also provides for gratuity and leave encashment in accordance with the requirements of revised Accounting Standard – 15 Employee Benefits.

(f) 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.

(g) FOREIGN CURRENCY TRANSACTIONS

Transactions made during the year in foreign currency are recorded at exchange rate prevailing at the time of transaction. Realized gains and losses on foreign exchange transactions other than those relating to fixed assets are recognized in profit and loss account. Exchange difference arising on a monetary item that, in substance, forms part of an enterprise's net investments in a non-integral foreign operation are accumulated in a foreign currency translation reserve.

(h) REVENUE RECOGNITION

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 when such features are activated.

(i) 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.

(j) 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.

(k) EARNINGS PER SHARE

The company reports basic and diluted earnings per share in accordance with AS 20 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.

(l) TAXES ON INCOME

Current tax is determined as the amount of tax payable in respect of taxable income for the year. 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.

NOTES ACCOMPANYING THE CONSOLIDATED FINANCIAL STATEMENTS

	As at 31 st March, 2012		As at 31 st March, 2011	
	Number	₹	Number	₹
Note 2 Share Capital				
Authorised Capital				
2,00,00,000 Equity Shares				
of ₹.10/- each	2,00,00,000	20,00,00,000	2,00,00,000	20,00,00,000
Issued, Subscribed & Paid				
up Capital				
1,14,63,312 Equity Shares				
of ₹.10/- each fully paid up	1,14,63,312	11,46,33,120	1,14,63,312	11,46,33,120
(a) Reconciliation of Shares outstanding at the beginning and the end of the year				

	As at 31 st March, 2012		As at 31 st March, 2011	
	Number	₹	Number	₹
Equity Shares				
At the beginning of the Year	1,14,63,312	11,46,33,120	1,14,63,312	11,46,33,120
Issued during the year	-	-	-	-
Shares bought back during				
the year	-	-	-	-
Outstanding at the end of				
the year	1,14,63,312	11,46,33,120	1,14,63,312	11,46,33,120

(b) **Terms/rights attached to Equity Shares**

The Company has only one class of Equity shares having a par value of ₹.10/- each. Each holder of equity shares is entitled to one vote per share.

(c) **Details of share holders holding more than 5% of equity shares in the Company**

Name of Share Holder	As at 31 st March, 2012		As at 31 st March, 2011	
	No. of Shares	% Holding	No. of Shares	% Holding
Dr. Loka Narayan Reddy	39,23,224	34.22	39,23,224	34.22
Dr. Manohar Loka Reddy	15,74,866	13.74	15,74,866	13.74
Saranya Loka Reddy	5,99,386	5.23	5,99,386	5.23

	As at 31 st March, 2012		As at 31 st March, 2011	
		₹		₹
Note 3 Reserves and Surplus				
(a) Capital Reserve				
At the beginning and at the				
end of the year		1,50,00,000		1,50,00,000
(b) Securities Premium Account				
At the beginning and at the				
end of the year		2,45,99,575		2,45,99,575
(c) General Reserve				
At the beginning and at the				
end of the year		1,30,00,000		1,30,00,000

NETTLINX LIMITED

(d) Foreign Currency Translation Reserve (Net)		4,52,039		(11,54,421)
(e) Surplus/deficit in the statement of Profit and Loss as per last Balance Sheet	78,37,232		1,67,62,514	
Profit / (Loss) for the Year	<u>(27,78,071)</u>	50,59,161	<u>(89,25,282)</u>	7,837,232
		<u>5,81,10,775</u>		<u>5,92,82,387</u>

Note 4 Long Term Borrowings	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Secured		
Term Loans from ICICI Bank (Refer Note.7(i))	-	1,00,00,002
Vehicle Loan	40,18,195	1,10,850
Unsecured Loans	-	-
Others	91,15,000	1,42,57,974
	<u>1,31,33,195</u>	<u>2,43,68,826</u>

Terms and Conditions of Long Term Borrowings

(i) Vehicle Loan is secured under hypothecation of the assets purchased

Note 5 Other Long Term Liabilities	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Trade Payables	3,52,446	3,52,446
Rental Deposit	2,50,00	2,50,000
	<u>6,02,446</u>	<u>6,02,446</u>

Note 6 Long Term Provisions	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Provision for Employee Benefits		
(a) Gratuity	4,97,801	5,35,001
(b) Leave Encashment	3,00,524	3,13,364
	<u>7,98,325</u>	<u>8,48,365</u>

Note 7 Short Term Borrowings	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Secured		
- ICICI Bank - CC Account	70,00,000	63,65,086
Unsecured		
- ICICI Bank - Temporary Over Draft	15,01,052	-
- from Director	<u>1,15,43,825</u>	<u>15,30,000</u>
	<u>2,00,44,877</u>	<u>78,95,086</u>

NETTLINX LIMITED

Terms and Conditions of Short Term Borrowings

(i) Term Loan from Bank is repayable in three equitable quarterly installments from March 31, 2012 and carries a floating rate of interest of 15.75% . Term loan and CC is secured jointly by Equitable mortgage of immovable property, Flat No.301, 3rd Floor, My Home Sarovar Plaza, Hyderabad and Equitable Mortgage on Immovable Property, Survey No.23, Gachibowli, RR District, admeasuring 3630 Sq. Yards of its subsidiary Nettlinx Realty Private Limited

Note 8 Trade Payable	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Trade Payables	1,74,70,467	2,91,34,042
	<u>1,74,70,467</u>	<u>2,91,34,042</u>

Dues to Micro, Small and medium enterprises is Nil as per the records of the Company

Note 9 Other Current Liabilities	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Current maturities of long-term debt		
- ICICI Bank - Term Loan (Refer Note 7(i))	1,00,00,002	1,00,00,002
- Vehicle Loan	21,71,713	5,09,896
Interest accrued but not due on borrowings	3,91,936	14,794
Interest accrued and due on borrowings	1,88,146	-
Others		
Trade Deposit Received	76,672	1,27,972
Advance received from Customers	6,15,33,890	3,09,87,885
Bank - Book OD	95,80,006	25,74,482
Other Statutory Liabilities	24,21,306	25,01,532
Liability for Expenses	6,62,585	9,40,377
Employee related liabilities	29,87,107	10,68,315
Others	16,08,772	5,22,329
	<u>9,16,22,135</u>	<u>4,92,47,584</u>

Vehicle Loans are secured under hypothecation of the assets purchased

NETTLINX LIMITED
 5-9-22, 3rd Floor, My Home Sarovar Plaza, Secretariat Road,
 Saifabad, Hyderabad- 500-63
 (Amount in ₹)

CONSOLIDATED FIXED ASSETS

Particulars	GROSS BLOCK			ACCUMULATED DEPRECIATION			NET BLOCK			
	ASAT 01.04.11	ADDITIONS DURING THE YEAR	DELETIONS DURING THE YEAR	ASAT 31.03.12	ASAT 01.04.11	DURING THE YEAR	DELETIONS DURING THE YEAR	TOTAL 31.03.12	ASAT 31.03.12	ASAT 31.03.11
Tangible Assets										
Land	24,40,105	-	-	24,40,105	-	-	-	-	24,40,105	24,40,105
Buildings	1,20,17,910	-	-	1,20,17,910	15,60,403	1,95,892	-	17,56,295	1,02,61,615	1,04,57,507
Plant and Machinery	14,94,74,285	10,31,396	-	15,05,05,681	12,21,64,493	58,36,131	-	12,80,00,624	2,25,05,057	2,73,09,792
Office Equipment	43,31,950	-	-	43,31,950	26,99,125	2,02,911	-	29,02,036	14,29,914	16,32,825
Furniture and Fixtures	76,37,890	-	-	76,47,890	58,82,465	3,12,491	-	61,94,956	14,52,934	17,65,425
Vehicles	82,58,950	90,08,000	15,16,319	1,57,50,631	40,11,389	9,11,654	9,44,251	39,78,792	1,17,71,839	42,47,561
TOTAL	18,41,71,090	1,00,39,396	15,16,319	19,26,94,167	13,63,17,875	74,59,079	9,44,251	14,28,32,703	4,98,61,467	4,78,53,215
Intangible Assets										
Goodwill	3,00,51,034	-	-	3,00,51,034	-	-	-	-	3,00,51,034	3,00,51,034
TOTAL	3,00,51,034	-	-	3,00,51,034	-	-	-	-	3,00,51,034	3,00,51,034
G. TOTAL	21,42,22,124	1,00,39,396	15,16,319	22,27,45,201	13,63,17,875	74,59,079	9,44,251	14,28,32,703	7,99,12,501	7,79,04,249
31 st March, 2011	23,54,54,047	15,14,952	2,27,46,583	21,42,22,416	12,99,11,129	88,28,635	24,21,890	13,63,17,874	7,79,04,542	10,55,42,917

NETTLINX LIMITED

Note 11 Non Current Investments	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Investment in unquoted equity instruments		
(a) of Associates		
i. Northeast Broking Services Ltd	1,16,000	1,16,000
(11600 Equity Share of ₹.10 each fully paid up)		
ii. Northeast Commodities Private Ltd	12,00,000	12,00,000
(120000 Equity Share of ₹.10 each fully paid up)		
(b) of other enties		
LG IT Solutions	70,00,000	-
(70,000 shares of ₹.10/- each fully paid up with ₹.90/-premium)	<u>83,16,000</u>	<u>13,16,000</u>
(During the year the company has invested ₹.70,00,000/- in LG IT Solutions Pvt.Ltd)		

Note 12 Deferred Tax Asset(Net)	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Deferred Tax Asset		
Arising on Account of timing difference in Depreciation	4,31,862	6,62,362
Deferred Tax Liability		
Arising on Account of timing difference in Depreciation	(42,027)	(3,376)
Opening Balance of Deferred Tax Asset	34,61,701	28,02,715
	<u>38,51,536</u>	<u>34,61,701</u>

Note 13 Long Term Loans and Advances	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
(a) Balance with Government Authorities		
Unsecured, considered good		
VAT Credit Receivable	1,94,157	1,97,154
(b) Advance Taxes net of provisions	50,53,032	72,91,106
(c) MAT credit entitlement	2,33,723	-
(d) Others	79,54,360	1,07,60,466
	<u>1,34,35,272</u>	<u>1,82,48,726</u>

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 ₹.28,62,989/- is shown in Advance Taxes.

NETTLINX LIMITED

Note 14 Other Non Current Assets	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
- In Fixed Deposits with more than 12 months maturity including interest accrued thereon (100% against Bank Guarantees)	21,10,942	19,46,687
- Other Deposits	39,47,684	37,45,113
Long Term Trade Receivables Unsecured, Considered Good	82,63,783	82,63,783
Others	16,71,769	16,71,769
	<u>1,59,94,178</u>	<u>1,56,27,352</u>

Long Term Trade Receivables include amount receivable from Integrated Broadcasting Pvt Ltd, the company was issued legal notice for not paying outstanding debt amounting to ₹ 65,98,028/- as at 30th June, 2011. Legal proceedings for winding up of the company U/s.433(a) of the Companies Act 1956 is initiated by filing a petition in the High Court Judicature of Andhra Pradesh. The court decision is not finalized till date.

Note 15 Current Investments	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Quoted - Investments		
i. Swarna Securities Ltd (88850 Equity Shares of ₹.10 each fully paid up)	7,94,800	7,94,800
ii. LGS Global Ltd (514912 Equity shares of ₹.10/- each fully paid up)	4,39,60,244	-
	<u>4,47,55,044</u>	<u>7,94,800</u>

(Market Value of Swarna Securities Ltd-Shares is ₹.3,20,749/-(March31,2011: ₹.9,96,897/-)

(Market Value of LGS Global Ltd Shares is ₹.5,07,96,069/-)

Note 16 Inventories	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
(Valued at lower of Cost or net realisable value, as physically verified and certified by Management)		
i. Traded Goods	7,60,832	8,20,197
ii. Stock In Process	9,61,90,483	8,84,23,983
	<u>9,69,51,315</u>	<u>8,92,44,180</u>

Note 17 Trade Receivables	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
b) Outstanding for a period exceeding Six Months Unsecured, Considered good	45,16,554	99,24,970
Less:Bad debts written off	<u>-</u>	<u>52,40,614</u>
a) Others Considered good	56,04,039	71,27,628
	<u>101,20,593</u>	<u>1,18,11,984</u>

Note 18 Cash and Cash Equivalents	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
a) Balances with Banks		
- In Current Accounts	21,12,666	17,66,152
b) Cash on hand	3,19,377	6,34,095
	<u>24,32,043</u>	<u>24,00,248</u>
Note 19 Short Term Loans and Advances	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Advances to Suppliers	2,40,66,089	3,74,31,089
Staff Advances	72,718	1,01,331
ICD's	-	1,33,00,000
Balance with Government Authority		
- Service Tax credit receivable	-	1,96,357
Advance recoverable in Cash in kind or for value to be received	1,36,852	1,47,161
Others	85,80,527	82,30,581
	<u>3,28,56,186</u>	<u>5,94,06,519</u>
Note 20 Other Current Assets	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Interest Accrued but not due on FDRs	1,23,914	1,27,076
Interest Receivable	5,05,263	27,43,487
Rental Deposits for H.O	9,38,950	9,19,600
Other Deposits/Receivables	62,22,645	19,08,434
Deferred Revenue Expenditure	-	97,600
	<u>77,90,773</u>	<u>57,96,197</u>
Note 21 Revenue from Operations	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
a) Sale of Products		
Sale of VOIP Telephones		
- VAT Sales	66,999	12,49,298
b) Sale of Services		
Income from Bandwidth Services	3,70,88,208	3,83,19,838
Income from Web Solutions	2,63,82,993	3,57,90,577
Income from VOIP Sales	1,16,023	2,59,082
Income from Operations	1,83,47,565	2,21,06,115
Income from Software Exports(ITES)	50,72,950	74,49,044
	<u>8,70,74,738</u>	<u>10,51,73,953</u>

Note 22 Other Income	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Interest on Bank Deposits,		
ICD's and Loans	30,33,839	28,42,440
Rental Income	29,00,829	27,41,251
Dividend Income from Current		
Investments	2,89,723	-
Net gain on sale of Current		
Investments	1,39,63,112	-
Provisions/Liabilities not required		
written back	-	31,76,174
Net gain on foreign currency		
transactions and translation	-	9,318
Other Misc.Incomes	1,57,136	4,17,395
	<u>2,03,44,640</u>	<u>91,86,578</u>
Note 23 Purchases of Stock-in-Trade	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Other items - Wireless Equipment	-	64,000
	<u>-</u>	<u>64,000</u>
Note 24 Changes in inventories of finished goods, work-in-progress and stock-in-trade	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Inventories at the end of the year		
- Stock in Trade	7,60,832	8,20,197
Inventories at the beginning of		
the year- Stock in Trade	8,20,197	18,58,019
Net (increase)/ decrease	<u>59,365</u>	<u>10,37,822</u>
Note 25 Employee Benefit Expenses	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Salaries	3,19,28,945	3,08,06,626
Contribution to PF, ESI &		
Group Insurance	20,17,490	24,59,408
Staff Welfare	7,86,080	7,59,911
Staff Recruitment & Training	9,927	35,070
Stipend	-	9,00,848
	<u>3,47,42,442</u>	<u>3,49,61,863</u>
Note 26 Finance Cost	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Interest	47,07,348	62,57,332
Finance charges	2,91,447	1,12,171
Bank Charges	3,47,341	3,55,351
	<u>53,46,136</u>	<u>67,24,855</u>

Note 27 Operation and Other Expenses

	As at 31 st March, 2012	As at 31 st March, 2011
	₹	₹
Bandwidth, Leased Circuit Charges & Service Chargs	1,44,16,324	1,77,51,947
Bad Debts Written Off	-	53,58,335
Rent & Maintenance	30,54,004	28,73,764
Domain Registration Expenses	24,62,352	36,83,874
Power and Electricity	19,53,686	17,41,800
Postage & Telegram Expenses	2,59,300	82,210
Advertisement & Publicity	4,55,777	49,559
Telephone Expenses	5,66,060	8,98,489
Computers & Networking Maintenance	28,79,294	33,47,810
Watch & Ward Expenses	6,42,152	4,35,191
Traveling Expenses	10,97,537	9,15,200
Local Conveyance	17,09,494	17,77,535
Loss on Sale of Shares	-	2,47,117
Vehicle Maintenance	7,47,531	7,63,422
Rates & Taxes	4,36,835	2,46,798
Insurance-Others	3,47,421	3,14,279
Annual Membership Fee(APNIC)	2,10,880	1,67,220
Demat Charges(NSL)	1,20,349	1,01,515
Legal & Professional Charges	5,14,158	4,40,534
Office Maintenance Expenses	2,82,707	2,77,938
Printing & Stationary Expenses	2,44,959	2,32,616
Other Administrative Expenses	63,74,387	9,51,261
USCIS Fees	6,39,606	2,92,115
Payment Gateway Fees	12,08,178	14,61,429
Data Center Expenses	75,46,819	90,37,560
H-Sphere Expenses	15,37,535	17,17,667
Management Fees	59,32,991	1,06,08,320
Other technical opr expenses	21,56,747	21,87,752
Sys admin fees	28,86,350	27,15,000
Ticketing System fees	7,26,350	8,95,950
Virtual Office fee	2,43,914	2,69,509
Decline in carrying cost of investment	-	1,44,19,466
Miscellaneous Expenditure Written Off	97,600	97,600
Audit Fees	107,023	95,406
	<u>6,18,58,319</u>	<u>8,64,56,189</u>

Additional Information to the Financial Statements**28 Contingent Liabilities and Commitments**

	As at 31 st March, 2012	As at 31 st March, 2011
	₹	₹
Contingent Liabilities:		
Provisional License		
fee Assessment	43,30,195	1,07,31,323
Commitments:	<u>-</u>	<u>-</u>

Company has received Revised provisional license fee assessment notice from Department of Telecommunications-AP circle for the years 2005-06, 2006-07,2007-08and 2008-09 w.r.t ISP(IT) License for ₹.43,30,195/- which is disclosed as contingent liability for the year ended 31st March 2012.However the management feels that even this demand is not tenable and hence liability is not provided in the books of accounts.

29 Foreign Exchange Acitivity	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
Expenditure in Foreign Currency		
Licence fee and domain		
registration charges	3,51,305	3,97,119
Earnings in Foreign Exchange		
Software Exports(ITES)	<u>50,72,950</u>	<u>74,49,044</u>

30 Earnings per share	As at 31st March, 2012	As at 31st March, 2011
	₹	₹
i) Profit/(Loss) after Tax	(27,78,071)	(2,33,44,749)
ii) Weighted average number of Equity Shares	1,14,63,312	1,14,63,312
iii) Weight average number of equity shares in computing diluted earnings per share	1,14,63,312	1,14,63,312
iv) Face value of each Equity Share	10	10
v) Earnings per share		
- Basic	(0.24)	(2.04)
- Diluted	(0.24)	(2.04)

31 In line with revised Schedule VI, figures for the previous year have been regrouped, recast and rearranged to wherever necessary.

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 : 16-08-2012

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

S.No	Particulars	Nettlinx Inc	Nettlinx Realty Private Limited	Nettlinx Channel Private Limited	Host Department LLC
1	Financial period ended	March 31, 2012	March 31, 2012	March 31, 2012	March 31, 2012
2	Holding company's interest as of March 31, 2012	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.	Nil	Nil	Nil	Nil
	ii) Not dealt within the accounts of Nettlinx Limited.	₹ (13.98,190/-)	₹ 51,33,259/-	₹ (15.736%)	₹.(32,05,889/-)
4	Net aggregate amount of profits/(losses) of the subsidiary for the previous financial i) Dealt within the accounts of Nettlinx Limited.	Nil	Nil	Nil	Nil
	ii) Not dealt within the accounts of Nettlinx Limited.	₹ 30,77,186/-	₹ (26,82,245/-)	Nil	₹.(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: 16.08.2012

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 19th 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 27th September, 2012 at 3:30 p.m.

Dated _____ this day of _____ 2012

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 19th 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 27th September, 2012 at 3:30 p.m.

*Delete whichever is not applicable.

Signature of Member/Proxy*

