



17th



**Annual Report
2009 - 2010**

NETTLINX LIMITED

Your Power to Communicate

NETTLINX LIMITED



**17th
ANNUAL REPORT
2009-2010**



NETTLINX LIMITED

BOARD OF DIRECTORS

- | | |
|-------------------------------|--|
| 1. Dr. Loka Narayan Reddy | - Director |
| 2. Sri K. Kameswara Rao | - Director |
| 3. Sri V. Harish Kumar | - Director |
| 4. Sri M. Suresh Kumar Reddy | - Director |
| 5. Sri J.V. Hanumanth Rao | - Director |
| 6. Sri N. Sunder Raj | - Director |
| 7. Dr. M. Appa Rao | - Director |
| 8. Sri Abraham Joy | - Director (upto 23 rd October, 2009) |
| 9. Sri M. Vijay Bhasker Reddy | - Executive Director (upto 23 rd October, 2009) |
| 10. Sri Chandra Sekhar Pogula | - Director & COO (from 24 th October, 2009) |
| 11. Dr. Manohar Loka Reddy | - Managing Director (from 24 th October, 2009) |

REGISTERED OFFICE:

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

AUDITORS**M/s DEVA & CO**

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

PHYSICAL & DEMAT REGISTRARS

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

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

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

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

2) M/s HDFC Bank Limited

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

3) M/s Oriental Bank of Commerce,

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

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

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

NOTICE

NOTICE is hereby given that the 17th Annual General Meeting of the Members of M/s. Nettlinx Limited will be held at Hotel Anmol Continental, 5-9-20/A, Opp. Secretariat, Saifabad, Hyderabad, 500 063 on Tuesday, the 28th September, 2010 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 2010, 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 M. Suresh Kumar Reddy , who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Dr. Loka Narayan Reddy, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s. DEVA & CO, chartered Accountants, Hyderabad, Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting.
5. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT Dr. Manohar Loka Reddy be and is hereby appointed as Managing Director of the Company, pursuant to Sections, 269, 198, and Schedule XIII of the Companies Act, 1956, for a period of 3 years with out any remuneration"

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

"Resolved that Mr. Chandra Sekhar Pogula be appointed as Director as per Section 260 of the Companies Act 1956".

"Further Resolved that Mr. Chandra Sekhar Pogula be and is hereby appointed as Director & COO of the Company, pursuant to Sections, 269, 198, and Schedule XIII of the Companies Act, 1956, for a period of 3 years with a remuneration of Rs.1,25,000/- p.m. (including all perquisites) as recommended by the Remuneration Committee".

By Order of The Board

Sd/-

Dr. Loka Manohar Reddy
Managing Director

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

Date : 26th August 2010

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy instead of himself and the proxy need not be a member of the Company. The proxies to be effected should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 23rd day of September 2010 to 28th day of September 2010 (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. An Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business to be transacted at the meeting is annexed here to and forms part of this notice.
6. 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.

7. 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.
8. Members are requested to note that the Company's Equity Shares are compulsorily traded in demat form for the investors, effective from 26th March 2001. Members are requested to open Depository Account in their names with a Depository participant to dematerialize their holdings. This would be necessary for facilitating the transfers of Company's Equity shares in all Stock Exchanges connected to the Depository System.

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

1. Sri M. Suresh Kumar Reddy -

Earned B.Tech Mechanical Engineering from I.I.T., Kharagpur and MS Engineering from Iowa State University aged about 43 years.

He is an Entrepreneur with a commitment to build high value business. He has strong understanding of building effective cross-country and cross-cultural business operations. Chairman and founder of the two successful companies: 1) USA Greetings and 2) Ybrant Technologies Ltd.

He worked in various roles across different industries in fortune 500 companies such as Caterpillar, Chrysler, SBC (PacBell) and Charles Schwab.

2. Dr. Loka Narayana Reddy - M.B.B.S., M.D:

A Plastic Surgeon and runs Image Plastic Surgery Centre, New Jersey, USA for the past 31 years. He has entered into the area of financial services by setting up a number of limited partnership firms based in USA. He is aged about 74 years and not holding any Directorship in other companies in India.

3. Sri Chandra Sekhar Pogula -

Mr. Sekhar earned a bachelor's degree in biological sciences from Osmania University along with a Post Graduate Diploma in Sales & Marketing from Bharatiya Vidyabhavan and is aged about 46 years.

He has more than 25 years of experience out of which 14 years was his international exposure. He was a key member of the core team that led the growth of SuperMax to be a worldwide market leader and help transform a typically wholesale driven product into recognized retail brand and in the process business visited to 47 countries spanning Middle East, Africa, North & South Americas & Caribbean Islands. Before that, he held a variety of sales and marketing positions with FMCG companies like Tiffany Foods (UAE), Bristol Myers Squibb (Oman), Nestle (India) & Glaxo India Prior to joining

Nettlinx, Sekhar had a distinguished career at SuperMax Corporation, world's No. 2 disposable razor company, encompassing senior leadership roles in sales and marketing, administration & general operations and steering SuperMax's voluminous business as General Manager-USA and Caribbean, Director - Sales & Marketing for Central & Latin America, Regional Manager for Middle East & Africa and Area Manager for Oman. He holds Directorship in Nettlinx Realty Pvt. Ltd., Nettlinx Channel Pvt. Ltd., Smartlinx Voip Networks Pvt. Ltd., and Multipoint Distributors Pvt. Ltd.

4. Dr. Loka Manohar Reddy -

Dr. Reddy is a serial entrepreneur. A Non-resident Indian having zeal to promote and carry business in India. He holds a Bachelor of Medicine, Bachelor of Surgeon (MBBS) from Nagarjuna University and a Post Graduate in Medicine (M.D.) with specialization in internal medicine from Luthurn Medical Center, U.S.A. He is a certified member of National Stock Exchange (N.S.E.) and is aged about 47 years.

He holds Directorship in Nettlinx Realty Pvt. Ltd., Nettlinx Channel Pvt. Ltd. and Smartlinx Voip Net works Pvt. Ltd., Redi Tropicals and Naturals Pvt. Ltd., Aravana Air Services Pvt. Ltd., AIDFAC Laboratories Pvt. Ltd., Nettlinx Inc. USA, Northeast Commodities Pvt. Ltd. and Managing Director of Northeast Broking Services Ltd.

**EXPLANATORY STATEMENT PURSUANT TO
SECTION 173 (2) OF THE COMPANIES ACT, 1956****Item No.5**

The Board of Directors of the Company appointed Dr. Loka Manohar Reddy as Managing Director of the Company as per the terms and conditions mentioned in the resolution. Brief profile of Dr. Loka Manohar Reddy is given for your perusal and consideration. As per provisions of Companies Act & Articles of Association of appointment of Managing Director requires approval of shareholders; hence resolution is placed before you for approval. None of the Directors is interested in the resolution except Dr. Loka Manohar Reddy and Dr. Loka Narayana Reddy. Board recommends the resolution for your approval.

Item No.6

Mr. Chandra Sekhar Pogula was appointed as Director Pursuant to provisions of the Companies Act, 1956, He holds office up to the date of the 17th Annual General Meeting. Notice under section 257 of the Act has been received along with Rs.500/- from member

proposing the appointment of Mr. Chandra Sekhar Pogula as Director of the Company. Board recommends the resolution for your approval. None of the Directors of the Company, except Mr. Chandra Sekhar Pogula is concerned or interested in the resolution. Board also appointed Mr. Chandra Sekhar Pogula as Director and COO, with effect from October, 2009 and fixed the remuneration of Rs.65,000/- p.m. initially. It has been enhanced to Rs.1,25,000 with effect from April 2010, as recommended by Remuneration Committee. Profile of Mr. Chandra Sekhar Pogula is given for your perusal and consideration. Board recommends his appointment for your approval.

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

Sd/-

Dr. Loka Manohar Reddy
Managing Director

Place : Hyderabad

Date : 26th August 2010

Directors' Report

To

The Members

Nettlinx Limited

Your Directors have pleasure in presenting the Seventeenth Annual Report together with the Audited Statements of Account for the year ended 31st March 2010.

1. Financial Results

Particulars	Rs. In Lakhs	
	For the Year ended 31 st March, 10	For the year ended 31 st March, 09
Income from operations	549.94	560.08
Total Expenditure	482.08	385.82
Interest	66.93	78.36
Depreciation	71.59	83.41
Profit / (Loss)		
Before Taxation	(70.67)	115.11
Provision for Taxation		
- Current Tax	0	10.34
- Deferred Tax (Asset)	(5.30)	(9.76)
- Fringe Benefit Tax	0	1.33
Profit / (Loss) after Tax	(65.37)	9.60

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Dr. Loka Narayan Reddy, and Sri M. Suresh Kumar Reddy retire by rotation at this Annual General Meeting and being eligible offer themselves for reappointment.

During the year, Sri. M. Vijaya Bahsker Reddy, Executive Director and Sri. Abraham Joy, Director

have resigned and Board wishes to place on record their appreciation for the services rendered by them during their tenure as Executive Director and Director of the Company respectively.

Dr. Loka Manohar Reddy and Mr. Chandra Sekhar Pogula were appointed as Managing Director and Director & COO respectively. Board recommends their appointment and resolutions placed before you for approval.

Directors' Responsibility Statement

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, with respect to Directors Responsibility Statement, it is hereby confirmed that:

- In preparation of Annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same.
- The Directors' have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for the said period.
- The Directors' have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of your company and for preventing and detecting fraud and other irregularities.
- The Directors' have prepared the annual accounts on a going concern basis.

SUBSIDIARIES

Company has invested 100% of the paid up capital of Nettlinx Inc., Nettlinx Realty Pvt. Ltd., Nettlinx Channel Pvt. Ltd., Host Department LLC, and 67% in IADFAC Laboratories Pvt. Ltd.

Consolidated Financial performance has been given separately.

CORPORATE GOVERNANCE

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

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

FIXED DEPOSITS

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

AUDITORS

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

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

PARTICULARS OF EMPLOYEES

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

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

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

EMPLOYEE STOCK OPTION PLANS

Company has offered Stock Options to the employees under Nettlinx Stock Option Plan 2007 aggregating to 415000 options at a price of Rs. 11.20. For the year ending 31st March, 2010 there are 3,85,000 stock options outstanding, and vesting options to the extent of 50% will fall due on 30.8.2010.

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. Loka Manohar Reddy)
Managing Director

Sd/-

(K. KAMESWARA RAO)
Director

Date : 26th August, 2010

Place : Hyderabad

ANNEXURE-I

MANAGEMENT'S DISCUSSION & ANALYSIS REPORT:

A) INDUSTRY STRUCTURE AND DEVELOPMENT, OPPORTUNITIES & THREATS, PERFORMANCE, OUTLOOK AND RISKS & CONCERNS:

Your Company registered a Gross Revenue of **Rs.549.94 Lakhs** and Net Loss of **Rs.65.37 Lakhs** for the year ending 31st March' 2010, as against a Gross Revenue and Net Profit of **Rs.560.08 Lakhs** and **Rs.9.60 Lakhs** respectively for the previous year ending 31st March' 2009.

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

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 the services from the previous third party to our own direct operations within Nettlinx Head Office itself.

Nettlinx Channel – It is kept on hold due to adverse market conditions

Nettlinx Realty Pvt. Ltd. – Developing the land in Nagpur and in the process of finalization of plans to create a township.

Overall performance based on the consolidated Accounts, of your Company has registered a Net Loss of **Rs.63.40 Lakhs**, as against of Net Profit of **Rs.10.63 Lakhs** in the previous year ending 31st March' 2009.

B) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

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

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

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

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

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

The Company recognizes the importance and contribution of its human resources for its growth and development and is committed to the development of its people. The company has been practicing methods and practices for human resources with integrity, through a variety of services by using appropriate training, motivation techniques and employees' welfare activities. Industrial Relations were cordial and satisfactory.

As on 31st March'2010, the company has about 85 employees.

D) CAUTIONERY STATEMENT:

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

ANNEXURE II

REPORT ON CORPORATE GOVERNANCE**1) Company's Philosophy on code of Corporate Governance**

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

2) Board of Directors

The Board of Directors consists of 9 Directors.

The composition and category of Directors as on 31.03.2010 is as follows:

Category	Name of Directors
Promoter / Non Executive Directors	Dr. Loka Narayana Reddy
Promoter / Executive Director	1) Mr. M. Vijaya Bhasker Reddy (Upto 23 rd Oct. 2009) 2) Dr. Manohar Loka Reddy (from 24 th Oct, 2009)
Non-Promoter / Executive Director	Mr. Chandra Sekhar Pogula (from 24 th Oct, 2009)
Non-Executive and Independent Directors	Sri K. Kameswara Rao Sri V. Harish Kumar Sri M. Suresh Kumar Reddy Sri N. Sunder Raj Sri J.V. Hanumanth Rao Sri Abraham Joy (Upto 23 rd Oct. 2009)

Attendance of each Director at the Board Meetings, last Annual General Meeting, numbers of Other Directorships and Chairmanship / Membership of Committee of each Director in various other Companies are provided elsewhere in this report.

Name of the Director	Attendance Particulars				
	Board Meetings	Last Annual General Meeting	Other Directorship including Pvt. Ltd. Cos.	Other Committee Membership	Other Committee Chairmanship
Dr. Manohar Loka Reddy	2	No	9	Nil	Nil
Dr. Loka Narayan Reddy *	No	No	Nil	Nil	Nil
K. Kameswara Rao	5	Yes	1	3	1
V. Harish Kumar	4	No	2	3	1
M. Suresh Kumar Reddy	3	No	2	1	Nil
M. Appa Rao *	No	No	1	Nil	Nil
N. Sunder Raj	4	No	2	Nil	Nil
J.V. Hanumanth Rao	4	Yes	Nil	1	Nil
Chandra Sekhar Pogula (from 24th October, 2009)	1	-	4	1	Nil

* (NRI)

** Foreign Citizen

Number of Board Meetings held and the date on which held

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

25th April, 2009
 29th July, 2009
 14th August, 2009
 29th August, 2009
 24th October, 2009
 27th January, 2010

3) Audit Committee

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

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

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

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

S. No.	Name of the Member	Status	No. of Meetings Attended
1	Sri K. Kameswara Rao	Independent Director	4
2	Sri V. Harish Kumar	Independent Director	4
3	Sri Abraham Joy	Independent Director	3 (upto 23 rd October, 2009)
4	Sri J. V. Hanumanth Rao	Independent Director	2 (from 24 th October, 2009)

4) Remuneration Committee

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

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

During the year under review, two remuneration Committee meetings were held for the purpose of granting of options to the employees and another meeting was held to fix remuneration to Mr. Chandra Sekhar Pogula, Director & COO.

Details of remuneration paid to the Managing Director / Executive Director for the year ending 31.03.2010

The aggregate of salary and perquisites paid for the year ended 31st March 2010 to Managing Director and Director & COO, were as follows:

Dr. Loka Manohar Reddy – Managing Director – Nil

Sri Chandra Sekhar Pogula - Director & COO – Rs.65,000/- p.m. w.e.f. 1st April, 2009 upto 31.3.10
Rs.1,25,000/- p.m. w.e.f. 1st April, 2010

b) Non Executive Directors

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

5) SHAREHOLDERS / INVESTORS' GRIEVANCE COMMITTEE

Shareholders / Investors Grievance Committee consists of Sri. Chandra Sekhar Pogula, Sri Sri. V. Harish Kumar and Sri K. Kameswara Rao. The Committee reviews redressing of Shareholders and investors Complaints like transfer of shares, non-receipt of Balance sheet, non-receipt of declared Dividends, etc besides complaints from SEBI, Stock Exchanges, and various Investor Forums. The Committee also oversees the performance of 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. B. Vidya Sagar, Secretarial Officer, 5-9-22, 3rd Floor, My Home Sarovar Plaza, Secretariat Road, Saifabad, Hyderabad 500 063. Ph: 91-040-23232200/23231621 Fax:040-23231610 E-Mail: secretarial@nettlinx.org

ii) Details of complaints for the year 2009 – 2010.

S.No	Nature	Number	
		Received	Attended & Resolved
1	Transfer of Shares	NIL	NIL
2	Dematerialization / Rematerialization	NIL	NIL
3	Loss of Shares / Duplicate Shares	NIL	NIL
4	Others	NIL	NIL
	Total	NIL	NIL

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

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

Date	Venue	Time	No. Of Special Resolutions
30.09.2009	Hotel Anmol Continental, Hyderabad	3.30 P.M.	1
29.09.2008	Hotel Anmol Continental, Hyderabad	10.30 A.M.	2
27.09.2007	Hotel Anmol Continental, Hyderabad	11.30 AM	1

7) Disclosures

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

During the year, the Company had not entered into any transaction of a material nature with any of the related parties, which were in conflict with the interest of the Company except that referred to point No.7 under Notes on Accounts.

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

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

8) Means of Communication

Quarterly Results

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

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

The 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 Hotel Anmol Continental, Opp. Secretariat, Saifabad, Hyderabad 500 063 on Tuesday, the 28th September, 2010 at 3:30 P. M.

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

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

3. **Book Closure:** From, the 23rd September, 2010 to the 28th September, 2010 (both days inclusive) for the purpose of Annual General Meeting.

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

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

As Securities Exchange Board of India, Mumbai has De-recognized The Hyderabad Stock Exchange Limited. Your Company Shares are i. 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**

➤ **Demat Registrars:**

Venture Capital & Corporate Investments Private Limited

Regd. Off: 12-10-167, Bharat Nagar,

Hyderabad 500 018.

Tel:91-040-23818475 / 23818476, Fax:040-23868023

E-mail:info@vccilindia.com

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

Trading Symbol : Bombay Stock Exchange : Nettlinx

6. a) Stock Market Data

Bombay Stock Exchange (BSE)

Month & Year	High	Low
April 2009	12.80	9.45
May 2009	14.47	10.96
June 2009	14.50	11.35
July 2009	13.15	9.53
August 2009	12.04	9.31
September 2009	17.80	8.62
October 2009	14.40	10.84
November 2009	13.12	11.10
December 2009	14.90	10.91
January 2010	14.71	12.05
February 2010	13.90	11.25
March 2010	13.80	11.85

b) The listing fee for the year 2009-2010 has been paid to the Stock Exchange, Mumbai.

c) The Company has appointed Venture Capital & Corporate Investments Private Limited for Physical and Demat shares and for redressal of related grievances and in this regard, shareholders may contact M/s. Venture Capital & Corporate Investment Private Limited at Regd. Off: 12-10-167, Bharat Nagar, Hyderabad - 500 018, Tel: 91-040-23818475 /23818476, Fax: 040-23868024, Email: info@vccilindia.com for their requirements.

d) The Company's shares are covered under the Compulsory dematerialization list and are transferable through the depository system. As per the internal quality standards, the Company

has put in processes for physical share transfers and the same have been reviewed by the Investors Grievance Committee. Shares received for physical transfer are generally registered within a period of 30 days from the date of receipt, if the documents are clear in all respects. As regards shares held in Electronics form, the credit being given as per guidelines issued by SEBI/NSDL/CDSL.

7. (a) Shareholding Pattern as on 31st March 2010

Sl. No.	Category	No. of Shares (Issued Equity)	Percentage (%)
1	Promoters & Associates	6506363	56.76%
2	Indian Financial Institutions, Banks, Mutual Funds	900	0.01%
3	Foreign Institutional Investors / NRIs	Nil	Nil
4	Others	4956049	43.24%
	Total	11463312	100%

(b) Distribution of Shareholding as on 31st March 2010

No. of Shares Held	No. of Shareholders	% of Shareholders	No. of Shares (Issued Equity)	% of Shareholding
1 - 500	1,698	69.25	2,93,953	2.56
501 - 1000	310	12.64	2,78,340	2.42
1001 - 10000	379	15.45	12,42,624	10.84
10001 - 100000	51	2.08	13,93,997	12.16
100001 and above	14	0.57	82,54,398	72.00
TOTAL	2452	100.00	1,14,63,312	100.00

8. Dematerialization of Shares and Liquidity: The Company appointed Venture Capital and Corporate Investments Private Limited as a Depository Transfer Agent (DTA) and signed tripartite agreements with NSDL/CDSL and Venture Capital & Corporate Investments Private Limited to facilitate dematerialization of shares. Shares received for dematerialization are generally confirmed, within a period of 10 days from the date of receipt, if the documents are clear in all respects. As on 31.03.2010, 91.51% of Companies Share Capital was dematerialized.

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

9. Investor correspondence:

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

M/s. Venture Capital and Corporate Investments Private Limited,
Regd.off:12-10-167, Bharat Nagar,
Hyderabad 500 018.

Tel:91-040-3818475,23818476,

Fax:040-23868024,

Email: info@vccilindia.com

b) Any query on Annual Report

Secretarial Department, Nettlinx Limited,
5-9-22, 3rd Floor, My Home Sarovar Plaza,
Secretariat Road, Saifabad,
Hyderabad - 500 063.

Ph: 91-040-23232200; Fax: 23231610

Email: secretarial@nettlinx.org

10. Code of Conduct

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

CERTIFICATE OF COMPLIANCE WITH THE CODE OF CONDUCT

To

The Shareholders

I hereby declare that all the Board members and Senior Management Personnel have affirmed compliance with the code of conduct adopted by the Company and have submitted declaration in this behalf for the year ended 31st March 2010.

Sd/-

Dr. Manohar Loka Reddy
Managing Director

Place : Hyderabad

Date : 26.08.2010

AUDITORS' 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 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

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

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

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

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

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

Place: Hyderabad
Date: 26.08.2010

ANNEXURE-III
TO THE DIRECTORS' REPORT

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

A. ENERGY CONSERVATION

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

Details of Stock Options Annexure IV

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

Sl. No.	Description	NETTLINX ESOP 2007
1.	Options Granted during the Year 2009-10	4,15,000
2.	Pricing Formula	Market Price as defined in SEBI (ESOS & ESPS) Guidelines, 1999 in vogue - @Rs.11.20
3.	Options Vested	Nil
4.	Options Exercised	Nil
5.	Total No of Shares arising as a result of exercise of options	Nil
6.	Options lapsed	40,000
7.	Variation of terms of options	Nil
8.	Money realized by exercise of Options	Nil
9.	Total No of options in force	3,75,000
10.	Options granted	415000

(a) 1	Chandra Sekhar Pogula	75000
2	N.Venkateswara Rao	40000
3	N V R V L K Reddy	20000
4	M. Shahida	10000
5	Ch.C.S.V.Raju	10000
6	L.Balu	10000
7	B.Bala Bhaskara Rao	10000

B. TECHNOLOGY ABSORPTION

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

C. RESEARCH AND DEVELOPMENT

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

D. FOREIGN EXCHANGE EARNING & OUTGO:

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

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

8	K.Nagaraj	15000
9	Y.Srinivas Reddy	10000
10	Mohd. Wasif Ali	5000
11	G.Vidya Sagar	10000
12	P. Vasanth	5000
13	V.N.Prasad Grandhi	5000
14	K.Suryanarayana	10000
15	T.Venkata Ramana	5000
16	J. Shyam Kumar	5000
17	Ch. Rajasekhar	5000
18	R. Ayyappa	5000
19	A. Uday Kiran	5000
20	P.Jayachandra	5000
21	B.Vidya Sagar	10000
22	K.S.Srilakshmi	5000
23	V. Ramesh Babu	5000
24	K.V. Nagendra Rao	5000
25	V.Raveendra Reddy	5000
26	V.Chandra Kiran	15000
27	Sreekanth Reddy	50000
28	K. Raju	5000
29	N. Koteswara Rao	5000
30	P. Anil Kumar	5000
	Total	3,75,000

Blocked for Future Allocation to Employees
4,25,000

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

11 Diluted EPS as per Accounting Standard-20 Rs.(0.57)

AUDITORS' REPORT

To the Members of **NETTLINX LIMITED**

1. We have audited the attached Balance Sheet of **NETTLINX LIMITED**, as at 31st March, 2010 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, 2010 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, 2010;
 - (ii) in the case of profit and loss account, of the Loss for the year ended on that date; and
 - iii) in the case of cash flow statement, of the cash flows of the company for the year ended on that date.

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

Sd/-
(M. Devaraja Reddy)
Partner

Membership No. 026202

Place : Hyderabad

Date : 26.08.2010

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 2010

- (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 company has a phased program of verification of fixed assets which, in our opinion, is reasonable having regard to the size of the company and the nature of its business.
- (c) Fixed assets disposed off during the year were not substantial and therefore, do not effect the going concern assumption.
- (2) The Company is a service company, primarily rendering Internet and information technology services. Accordingly it does not hold any physical inventories. Accordingly, paragraph 4(ii) of the Order is not applicable.
- (3) (a) The company has not granted loans, to other companies covered in the register maintained under section 301 of the Act.
- (b) The other companies to which the company has granted loans have been regular in payment of interest; however there are no stipulations as to repayment of principal amounts.
- (c) The company has not taken any loans from the companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. As the Company has not taken any loans, the provisions of sub clause (e), (f) and (g) of Clause iii of Paragraph 4 of the Order are not applicable to the company.
- (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, for purchase of fixed assets and sale 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 Act 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 2010, 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 Order 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 The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
 - 19 The company has not issued debentures and hence clause (xix) of paragraph 4 of the Order is not applicable to the Company.
 - 20 The Company has not raised any money through a public issue during the year. Therefore, the provision of clause (xx) of paragraph 4 of the Order is not applicable to the Company.
 - 21 Based on the audit procedures performed and information given to us and the representation made by the Management, we report that no fraud on or by the Company has been noticed or reported during the year.

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

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

Place : Hyderabad
Date : 26.08.2010

BALANCE SHEET AS AT 31ST MARCH, 2010

SCHEDULE	As At 31st March 2010 Rs.	As At 31st March 2009 Rs.
A) SOURCES OF FUNDS		
1. Shareholders' Funds		
a) Share Capital	114633120	110300120
b) Reserves and Surplus	76809965	81179871
2. Loan Funds		
a) Secured Loans	44895609	52694513
TOTAL	236338694	244174504
B) APPLICATION OF FUNDS		
1. Fixed Assets		
a) Gross Block	152169072	140693813
b) Less : Depreciation	108911421	101752067
c) Net Block	43257651	38941746
2. Investments	108568064	108568064
3. Current Assets, Loans and Advances		
a) Inventories	1858019	290174
b) Sundry Debtors	21551770	26603793
c) Cash and Bank Balance	2350506	9565342
d) Loans and Advances	75468532	69926161
Less : Current Liabilities & Provisions	101228827	106385470
a) Current Liabilities	17947510	10238385
b) Provisions	1803054	2084377
Net Current Assets	19750564	12322762
4. Deferred Tax Asset-Net	81478263	94062708
5. a) Miscellaneous Expenditure	2839516	2309186
(to the extent not written off or adjusted)	195200	292800
TOTAL	236338694	244174504
Notes to Accounts	18	

Schedules 1 to 18 annexed hereto form part of these accounts.

As per our report of even date

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

For and on behalf of the Board of Directors.

Sd/
(M. Devaraja Reddy)
Partner

Sd/
(Manohar Loka Reddy)
Managing Director

Sd/
(K.Kameswara Rao)
Director

Membership No.026202

Place: Hyderabad
Date : 26-08-2010

(Chandra Sekhar Pogula)
Director & COO

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	SCHEDULE	For the year ended 31 st March 2010 Rs.	Previous year ended 31 st March 2009 Rs.
INCOME			
Income from services and other operations	13	49367828	44956555
Other Income	14	5626368	11052235
		54994196	56008790
EXPENDITURE			
Operating and Administration Expenses	15	35772989	28186265
Personnel Cost	16	12337855	10396131
Financial Charges	17	6693630	7836124
Depreciation	04	7159354	8341505
Miscellaneous Expenditure Written off		97600	97600
		62061427	54857624
Profit / (Loss) before Tax and Prior Period items		(7067232)	1151166
Less: Provision for Taxation :			
Current Tax		0	1034007
Deferred Tax - (Asset)		(530330)	(976830)
Fringe Benefit Tax		0	133499
Profit / (Loss) After Tax		(6536901)	960490
Less: Prior Period Item / Adjustment		0	0
Profit / (Loss) After Tax and Prior Period items		(6536901)	960490
Balance Brought forward from Previous Year		30747291	29786801
Profit / (Loss) Carried to Balance Sheet		24210390	30747291
Earnings per Share-basic and diluted		(0.57)	0.09
Notes to Accounts	18		

Schedules 1 to 18 annexed hereto form part of these accounts.

As per our report of even date

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

For and on behalf of the Board of Directors

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

 Sd/
 (Manohar Loka Reddy)
 Managing Director

 Sd/
 (K.Kameswara Rao)
 Director

 Place: Hyderabad
 Date : 26-08-2010

 (Chandra Sekhar Pogula)
 Director & COO

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As At 31 st March 2010 Rs.	As At 31 st March 2009 Rs.
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Schedule - 1
SHARE CAPITAL
AUTHORISED

2,00,00,000 Equity Shares of Rs.10 each

200000000
200000000
ISSUED, SUBSCRIBED AND PAID UP

 1,14,63,312 Equity Shares of Rs.10/-
each fully paid up.

114633120
110300120

 (Previous year 1,10,30,012 Equity Shares
of Rs.10/- each fully paid up.)

114633120
110300120
Schedule - 2
RESERVES AND SURPLUS

Share Premium

24599575
22432580

Preferential Warrants Forfeited

15000000
15000000

General Reserve

13000000
13000000

Profit and Loss Account

24210390
30747291
76809965
81179871
Schedule - 3
SECURED LOANS :
Vehicle Loans from :

HDFC Bank Ltd Lakadikapool Br.Hyd

1260262
1462667
Bank Loans

ICICI Bk - Term Loan (INR)

36666668
46666667

ICICI Bk - CC Account

6968679
4565179
44895609
52694513



(Amount in Rs.)

NETTLINX LIMITED

**Schedule - 4
FIXED ASSETS**

DESCRIPTION OF THE ASSET	GROSS BLOCK				DEPRECIATION			NET BLOCK	
	AS AT 01.04.09	ADDITIONS DURING THE YEAR	DELETIONS DURING THE YEAR	AS AT 31.03.10	AS AT 01.04.09	DURING THE YEAR	DELETIONS DURING THE YEAR	TOTAL 31.03.10	AS AT 31.03.10 AS AT 31.03.09
Land	2440105	0	0	2440105	0	0	0	0	2440105 2440105
Buildings	12017910	1546000	0	13563910	1168618	221093	0	1389711	12174199 10849292
Plant and Machinery	108772599	8549377	0	117321976	90971454	5672495	0	96643948	20678028 17801145
Office Equipment	4198950	47909	0	4246859	2299523	197812	0	2497335	1749523 1899426
Furniture and Fixtures	7134915	335869	0	7470784	4920262	461952	0	5382214	2088570 2214653
Vehicles	6128335	986103	0	7125438	2392210	606002	0	2998212	4127226 3737125
TOTAL	140693814	11475258	0	152169072	101752067	7159354	0	108911421	43257651 38941747
31st March, 2009	132190779	9848058	1345023	140693814	94076754	8341505	666192	101752067	38941747 38114025

SCHEDULES TO THE BALANCE SHEET

	As At 31 st March 2010 Rs.	As At 31 st March 2009 Rs.
Schedule - 5		
INVESTMENTS		
(At cost, unless otherwise stated)		
QUOTED - CURRENT		
NON TRADE		
SBEC Systems (India) Ltd. (462 Equity Shares of Rs.10/- each)	6930	6930
Prashant India Ltd. (200 Equity Shares of Rs.10/- each)	9500	9500
Kunal Engineering Company Ltd. (834 Equity Shares of Rs.10/- each)	25020	25020
Swarna Securities Ltd. (89350 Equity Shares of Rs.10/- each)	794800	794800
G.R. Magnets Ltd. (500 Equity Shares of Rs.10/- each)	Bonus	Bonus
Paramani Replast Ltd. (100 Equity Shares of Rs.10/- each)	500	500
Sri Kanyaka Investments Ltd. (500 Equity Shares of Rs.10/- each)	1500	1500
SBI Magnum Multiplier Plus 1993 (2000 Equity Shares of Rs.10/- each)	19400	19400
UNIT MASTERGAIN UNIT SCHEME (100 Units of Rs.10/- each)	1050	1050
Neocure Therapeutics Ltd. (5000 Equity Shares of Rs.10/- each)	72540	72540
Southern Online Services Ltd (1600 Equity shares of 10 each)	16000	16000
Sirpur Paper Mills Ltd (1600 Equity shares of PP Rs.10/- each) and Premium @ 48/- each share)	144000	144000
Fast Track ENT (10000 Equity Shares of Rs.1/- each)	77467	77467
M/s.Surana Telecom. (500 Equity shares of Rs.10/- each)	17598	17598
Sub Total :	1186305	1186305

SCHEDULES TO THE BALANCE SHEET

	As At 31 st March 2010 Rs.	As At 31 st March 2009 Rs.
UNQUOTED - LONG TERM NON - TRADE		
Northeast Broking Services Ltd. (11,600 Equity Shares of Rs.10/- each)	116000	116000
Northeast Commodities Pvt. Ltd (1,20,000 Equity Shares of Rs.10/- each)	1200000	1200000
Nettlinx Inc., USA @\$15/- each total USD \$ 103000/- for 6867 shares	5001560	5001560
IADFAC Laboratories Private Limited, Bangalore (33,500 Equity Shares of Rs. 10/- each)	4000000	4000000
Nettlinx Realty Private Limited (309,990 Equity Shares of Rs. 10/- each)	3099900	3099900
Nettlinx Channel Private Limited	42000000	42000000
Host Department LLC USA	51964299	51485900
Sub Total :	107381759	107381759
Total :	108568064	108568064
Notes:		
Aggregate carrying cost of quoted Investments	1186305	1186305
Aggregate Market Value of quoted Investments	59390	289910
Aggregate cost of unquoted Investments	107381759	107381759

**Schedule - 6
INVENTORIES**

(At Cost, as physically verified and certified by Management)	1858019	290174
Closing Stock - Voip Phones	1858019	290174

**Schedule - 7
SUNDRY DEBTORS**

(Unsecured and Considered good)

Sundry Debtors :

- Less than six months	5931220	17578328
- More than six months	15620550	9025466
	21551770	26603793

SCHEDULES TO THE BALANCE SHEET

	As At 31 st March 2010 Rs.	As At 31 st March 2009 Rs.
--	---	---

Schedule - 8
CASH AND BANK BALANCES

Cash on hand	230061	46936
<u>With Scheduled Banks :</u>		
- In Current Accounts	556635	7961594
- In Fixed Deposits / Margin accounts	1563810	1556812
	<u>2350506</u>	<u>9565342</u>

Schedule - 9
Loans and Advances

(Unsecured and considered good recoverable in cash or kind or value to be received)

Tax deducted at Source	4102412	3086201
Advance Taxes	117000	267165
VAT Tax Set- Off	189639	0
Service Tax Set- Off	196357	196357
Staff Advances	162149	122960
Rent Deposits- Office	857800	816800
Prepaid Expenses	123807	108161
Other Deposits / Receivables	51212238	46821388
TDS Adjustment a/c	2862989	2862989
ICDs	13300000	13300000
Loans	<u>2344140</u>	<u>2344140</u>
	<u>75468532</u>	<u>69926161</u>

Schedule - 10
CURRENT LIABILITIES

Other Liabilities	5195907	645907
Provision for Service Tax Payable	2106193	1168317
Provision for Expenses	2005675	1598666
Other Provisions	2331609	2331609
For Supplies and Services	3511069	1279766
TDS Payable	263684	65721
Security Deposits	1437355	1516018
Advances from Customers	1096019	1632382
	<u>17947510</u>	<u>10238385</u>

Schedule - 11

PROVISIONS

MISCELLANEOUS EXPENDITURE

Deferred Revenue Expenses

SCHEDULES TO THE PROFIT & LOSS A/c

	As At 31 st March 2010 Rs.	As At 31 st March 2009 Rs.
Schedule - 13		
INCOME FROM SERVICES AND OTHER OPERATIONS		
Domestic		
Income from Bandwidth Services	43649529	23492181
Income from Web Solutions	1746163	1608629
Income from VOIP Sales	2401456	3863435
Export		
Income from Software Development (export)	1570680	15992310
	<u>49367828</u>	<u>44956555</u>
Schedule - 14		
OTHER INCOME		
Interest on Deposits	92204	565030
Interest on ICD's and Loans	2514829	2805280
Rental Income	2641356	1987746
Other Income	202337	104191
Dividend Income	3050	7630
Equipment Rental Charges	0	2351138
Income from Forex Fluctuations	0	3086721
Sale of VOIP Phones	172592	144500
	<u>5626368</u>	<u>11052235</u>
Schedule - 15		
OPERATING, ADMINISTRATIVE AND SALES EXPENSES		
Annual Membership Fee	84343	175747
Bandwidth , Leased Circuit Charges&Service Chrgs	19939515	12673720
Rent & Maintenance	2632983	2170069
Cost of Equipments Sold	156244	130813
Domain Registration Expenses	200212	120966
Voip Minutes	295375	1454013
DID Monthly Rental	1138861	854706
Power and Electricity	1462169	1541994
Legal and Professional Charges	104252	1207950
Marketing & Busines Promotion Exps	190932	120975
Postage & Telephone Expenses	596480	392977
Advertisement and Publicity	54992	38426
Managerial Remuneration & Sitting Fee	27000	51000
Traveling Expenses	564276	1111963
Licences, Fees, Rates & Taxes	348606	299665
Insurance	231327	287119
Office Maintenance	222161	132817

SCHEDULES TO THE PROFIT & LOSS A/c

	As At 31 st March 2010 Rs.	As At 31 st March 2009 Rs.
Printing and Stationery	257387	213932
Discount on Services & Sales	67058	337495
Local Conveyance	875584	500538
Repairs and Maintenance	192673	158504
Listing, Demat and Filing Fee	243555	129431
Vehicle Maintenance	374454	267889
Audit Fees	75000	50000
Loss Due to Forex Fluctuations	1040589	0
Loss on Sale of Assets	0	378831
Board meeting Expenses (AGM, EGM & Qtrly Exprns)	23680	13550
Miscellaneous Exprns	15941	36752
Computers & Networking Maintenance	3574265	1018565
Others	783075	2315857
	35772989	28186265

Schedule - 16
EMPLOYEE COST

Salaries	8953956	7452592
Stipend	2035980	1715262
Staff Welfare	646636	538336
Contribution to PF, ESI & Group Insurance	701283	689942
	12337855	10396131

Schedule - 17
INTEREST AND FINANCIAL CHARGES

Interest & Finance chgs	6467252	7714839
HP Finance Charges	149312	16368
Bank Charges	77066	104917
	6693630	7836124

Schedule - 18
NOTES TO ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2010
1. SIGNIFICANT ACCOUNTING POLICIES:
a) Basis of Accounting –

The Financial Statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

b) Use of estimates -

The preparation of financial statements in conformity with GAAP requires Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of financial statements and reported amounts of income and expenses during the period.

c) Fixed Assets -

Fixed Assets are stated at cost of acquisition less accumulated depreciation. Direct costs are capitalized till the date the asset put to use. Direct costs include freight, installation charges, duties and taxes, financial charges. The company provides depreciation for all the Assets on Straight-Line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act 1956.

d) Investments -

Investments are stated at cost.

e) Employee benefits -

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. H

f) Foreign Currency Transactions –

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

g) Revenue Recognitions –

Revenue from Web Design and Hosting Services is recognized on the basis of the receipt of order/invoices raised whichever is earlier or on completion of projects.

h) 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.

- i) Amounts shown in Service Tax and VAT are subject to reconciliations.
- j) The Company has acquired the Business Assets of MY GURU ONLINE LTD worth Rs 6499995/- .In exchange of these assets the company has allotted 433300 Equity Shares of the face value of Rs 10 each at a premium of Rs 5 per Share.
- k) Earnings Per Share –Earnings Per Share is negative since the Company suffered loss during the year The number of shares used in computing Basic EPS is the weighted average number of shares outstanding during the year.

2. CONTINGENT LIABILITIES:

	As on 31.03.2010 Rs.	As on 31.03.2009 Rs.
Unexpired Bank Guarantee (with 100% cash margin)	12,00,000	12,00,000

3. Foreign Exchange Inflow and Outflow

Foreign Exchange Inflow	Rs.1,11,87,547/-	Rs.2,66,90,909/-
Foreign Exchange outflow	Rs.34,81,010/-	Rs.1,07,55,364/-

4. Payment to Auditors

Statutory Audit Fees	25000	15,000
Tax Audit Fees	20000	15,000
Tax Representation	20000	15,000
Re-imbursement of Expenses	10000	5,000

5. Loans and advances, sundry debtors, creditors and other deposits are subject to confirmation and reconciliations.
6. None of the suppliers had informed the company that they are in the nature of small scale undertaking. Hence, information regarding dues to small scale undertaking, if any, could not be furnished.

7. Related Party Disclosures

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

Subsidiaries -

Nettlinx Inc. USA
IADFAC Laboratories Private Limited
Nettlinx Realty Private Limited
Nettlinx Channel Private Limited
Host Department LLC

Associates -

Northeast Broking Services Ltd
Northeast Commodities Pvt.Ltd

Key Management Personnel -

Dr. Manohar Lokareddy

Particulars of related party transactions –
- Northeast Commodities Services Ltd:

Particulars	Associates	
	2009-2010	2008-2009
Other Services-UPS Back up	60000	60000

- Northeast Broking Services Ltd:

Particulars	Associates	
	2009-2010	2008-2009

	Rs.	Rs.
Rent Received	23,55,789	17,13,036
Other Services-UPS Back up	60000	1,68,650
Inter Corporate Deposits placed	Nil	Nil
Amount outstanding as on 31.03.10	Nil	3,32,160

8. Earnings per Share

	Year ended 31 st March, 2010	Year ended 31 st March, 2009
a. Profit / (Loss) after Tax (Rs.)	(6536901)	9,60,490
b. Number of Equity Shares at the beginning of the year	11030012	11030012
c. Number of Equity Shares at the end of the year	11463312	11030012
d. Weighted average number of Equity Shares outstanding during the year	11463312	11030012
e. Face value of each Equity Share (Rs.)	10	10
f. Basic & Diluted Earnings per Share (Rs.)	(0.57)	0.09

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

10. Figures for the previous year have been regrouped, recast and rearranged to confirm to those of the current year wherever necessary.

As per our report of even date

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

For and on behalf of the Board of Directors

Sd/
 (M. Devaraja Reddy)
 Partner

Sd/
 (Manohar Loaka Reddy)
 Managing Director

Sd/
 (K.Kameswara Rao)
 Director

Membership No.026202

Place: Hyderabad
 Date : 26-08-2010

(Chandra Sekhar Pogula)
 Director & COO

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31st, 2010

(Rs. In lakhs)

	Year ended 31.03.2010	Year ended 31.03.2009
A. Cash Flows from Operating Activities		
Net Profit before Interest and Tax	(3.74)	89.87
Depreciation	71.59	83.42
Foreign exchange loss	0.00	0.00
Miscellaneous expenses written off	0.98	0.98
(Profit)/ Loss on sale of Fixed Assets	0.00	3.79
Operating profit before working capital changes	68.83	178.05
(Increase)/ Decrease in Sundry Debtors	50.52	15.58
(Increase)/ Decrease in Inventories	(15.68)	0.00
(Increase)/ Decrease in Loans and Advances	(55.42)	7.12
Increase/(Decrease) in Current Liabilities and Provisions	74.28	(10.49)
Income Taxes Paid	0.00	(11.68)
Net Cash Flow from Operation Activities	122.53	178.59
B. Cash Flows from investing Activities		
Purchase of Fixed Assets	(49.75)	(98.48)
Purchase of Long term Investments	0.00	(53.52)
Proceeds from sale of Fixed Assets	0.00	3.00
Net Cash Flow from Investing Activities	(49.75)	(149.00)
C. Cash Flows from Financing Activities		
Increase in Miscellaneous expenses	0.00	0.00
Repayment of Secured Loans	(77.99)	-87.36
Proceeds from Unsecured Loans	0.00	0.00
Financial expenses paid	(66.94)	(78.36)
Net cash Flow from/ (used) Financing Activities	(144.93)	(165.72)
Net (Decrease)/ Increase in Cash and Cash equivalents during the year	(72.15)	(136.14)
Cash and Cash equivalents at the beginning of the year	95.65	231.79
Cash and Cash equivalents at the end of the year	23.51	95.65

As per our report of even date

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

For and on behalf of the Board of Directors

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

Sd/
(Manohar Loka Reddy)
Managing Director

Sd/
(K.Kameswara Rao)
Director

Place: Hyderabad
Date : 26-08-2010

(Chandra Sekhar Pogula)
Director & COO

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

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No. 01 - 16930

State Code - 01

Balance Sheet 31. 03. 2010

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

Public Issue

N I L

Right Issue

N I L

Bonus Issue

N I L

Private Placement

4333

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

Total Liabilities

236339

Total Assets

236339

SOURCES OF FUNDS

Paid-up Capital

114633

Reserves & Surplus

76809

Secured Loans

44896

Unsecured Loans

0

APPLICATION OF FUNDS

Net Fixed Assets

43258

Investments

108568

Net Current Assets

81478

Deferred Tax Asset

2840

Misc. Expenditure

195

Accumulated Losses

NIL

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

Turnover (Gross Revenue)

54994

Total Expenditure

62061

Profit / (Loss) Before Tax

(7067)

Profit / (Loss) After Tax

(6537)

Earnings per share (in Rs.)

(0.57)

Dividend Rate (%)

N I L

V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICE OF COMPANY

(as per monetary terms)

Item Code No.

N I L

1. Internet Service Provider

2. Software Development

3. Web Hosting Services

For and on behalf of the Board of Directors

Sd/-

(Manohar Loka Reddy)

Managing Director

Sd/-

(K. Kameswara Rao)

Director

Sd/-

(Chandra Sekhar Pogula)

Director & COO

Place : Hyderabad

Date : 26.08.2010

Auditors' 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, 2010, the consolidated profit and loss account for the year ended on that date annexed thereto, and the consolidated cash flow statement for the year ended on that date, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
- (2) We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- (3) We did not audit the financial statements of consolidated entities, these financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these consolidated entities, is based solely on the report of the other auditors.
- (4) We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and its consolidated entities include in the consolidated financial statements.
- (5) On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of the Company and its consolidate entities, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in the case of the consolidated balance sheet, of the consolidated state of affairs of the Company and its consolidated entities as at March 31, 2010;
 - 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.

Place : Hyderabad
Date : 26-08-2010

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

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

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

	SCHEDULE	As At 31 st March 2010 Rs.	As At 31 st March 2009 Rs.
A) SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	1	114633120	110300120
b) Reserves and Surplus	2	72209522	79592114
2. Minority Interest		2024255	2377034
3. Loan Funds			
a) Secured Loans	3	53277564	62857115
b) Unsecured Loans	4	6294003	4184837
TOTAL		248438465	259311220
B) APPLICATION OF FUNDS			
1. Fixed Assets	5		
a) Gross Block		235454047	223793807
b) Less : Depreciation		129911129	117241174
c) Net Block		105542918	106552633
2. Investments	6	2921489	2949189
3. Current Assets, Loans and Advances			
a) Inventories	7	54311422	53345722
b) Sundry Debtors	8	35573617	41483712
c) Cash and Bank Balance	9	4629872	16159232
d) Loans and Advances	10	99766398	107288992
		194281309	218277658
Less : Current Liabilities & Provisions			
a) Current Liabilities	11	56709630	72137644
b) Provisions	12	2269906	2291901
		58979536	74429545
Net Current Assets		135301774	143848113
4. Deferred Tax Asset-Net		2798639	1863393
5. a) Miscellaneous Expenditure	13	1873645	4097891
(to the extent not written off or adjusted)			
TOTAL		248438465	259311220
Notes to Accounts	19		

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

As per our report of even date

For **DEVA & CO.,**

Chartered Accountants

Firm Reg. No.000722S

For and on behalf of the Board of Directors

Sd/

(M. Devaraja Reddy)

Partner

Membership No.026202

Sd/

(Manohar Loka Reddy)

Managing Director

Sd/

(K.Kameswara Rao)

Director

Place: Hyderabad

Date : 26-08-2010

(Chandra Sekhar Pogula)

Director & COO

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	SCHEDULE	For the year ended 31 st March 2010 Rs.	Previous year ended 31 st March 2009 Rs.
INCOME			
Income from services and other operations	14	130021072	158493687
Other Income	15	5753655	16152281
		<u>135774727</u>	<u>174645968</u>
EXPENDITURE			
Operating and Administration Expenses	16	85092987	110155287
Personnel Cost	17	33728722	33284362
Financial Charges	18	11356070	13452220
Depreciation		12669955	15405292
Miscellaneous Expenditure Written off		115306	128286
		<u>142963040</u>	<u>172425447</u>
Profit /(Loss) before Tax and Prior Period items		(7188313)	2220520
Add: Prior Period items		92528	0
		<u>(7095785)</u>	<u>2220520</u>
Less: Provision for Taxation :			
Current Tax		30045	1,262,384
Deferred Tax -Asset		(501693)	(485772)
Fringe Benefit Tax		0	189304
Profit/ (Loss) After Tax		<u>(6716664)</u>	<u>1254605</u>
Less: Minority Interest		(376432)	190875
Profit/(Loss) After Tax and Prior Period items		<u>(6340233)</u>	<u>1063730</u>
Balance Brought forward from Previous Year		27260674	(24573674)
Total Profit & (Loss)		<u>20920442</u>	<u>27260674</u>
Profit / (loss) Carried to Balance Sheet		<u>20920442</u>	<u>27260674</u>
Earnings per Share-basic and diluted		(0.55)	0.10

Notes to Accounts

19

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

As per our report of even date

For **DEVA & CO.,**

Chartered Accountants

Firm Reg. No.000722S

For and on behalf of the Board of Directors

Sd/

(M. Devaraja Reddy)

Partner

Membership No.026202

Sd/

(Manohar Loka Reddy)

Managing Director

Sd/

(K.Kameswara Rao)

Director

Place: Hyderabad

Date : 26-08-2010

(Chandra Sekhar Pogula)

Director & COO

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	As At 31 st March 2010 Rs.	As At 31 st March 2009 Rs.
Schedule - 1		
SHARE CAPITAL		
AUTHORISED		
2,00,00,000 Equity Shares of Rs.10 each	200000000	200000000
ISSUED, SUBSCRIBED AND PAID UP		
1,14,63,312 Equity Shares of Rs.10/- each fully paid up.	114633120	110300120
(Previous year 1,10,30,012 Equity Shares of Rs.10/- each fully paid up.)	114633120	110300120
Schedule - 2		
RESERVES AND SURPLUS		
Share Premium	27447008	25280013
Preferential Warrants Forfeited	15000000	15000000
General Reserve	13000000	13000000
Profit & Loss Account	16762514	26312101
	<u>72209522</u>	<u>79592114</u>
Schedule - 3		
SECURED LOANS:		
<i>Vehicle Loans from :</i>		
- HDFC Bank Ltd, Hyd	1260262	1649608
Bank Loans		
ICICI Bk - Term Loan (INR)	36666668	46666667
ICICI Bk - CC Account	6968679	4565179
HDFC Bank Ltd, (IADFAC A/c)	701243	79095
Bank of Maharashtra - CC Account (IADFAC A/c)	1464827	1484863
Bank of Maharashtra - (IADFAC A/c)	6215885	7511703
	<u>53277564</u>	<u>62857115</u>
Schedule - 4		
UNSECURED LOANS:		
Loans from Directors & Others		
	6294003	4184837
	<u>6294003</u>	<u>4184837</u>



(Amount in Rs.)

DESCRIPTION OF THE ASSET	GROSS BLOCK			DEPRECIATION				NET BLOCK	
	AS AT 01.04.09	ADDITIONS DURING THE YEAR	DELETIONS DURING THE YEAR	AS AT 31.03.10	DURING THE YEAR	DELETIONS DURING THE YEAR	TOTAL 31.03.10	AS AT 31.03.10	AS AT 31.03.09
Good will	33716034	0	0	33716034	0	0	0	33716034	33716034
Land	55340756	0	52900651	2440105	0	0	0	2440105	55340756
Buildings	12017910	1546000	0	13563910	1168618	221093	0	12174199	10849292
Plant and Machinery	155913146	8664422	0	164577568	106011848	11006654	0	47559067	49884190
Office Equipment	4454540	47909	0	4502449	2347822	215281	0	1939346	2106717
Furniture and Fixtures	7989226	405805	0	8395031	5078756	513242	0	2803033	2910470
Vehicles	7262847	996103	0	8258950	2634130	713686	0	4911134	4628717
TOTAL	276694459	11660240	52900651	235454047	117241174	12669655	0	105542918	159436176
31st March, 2009	259634164	18388211	1345023	276677352	102502074	15405292	666192	117241174	157132090

CONSOLIDATED SCHEDULES TO THE BALANCE SHEET

	As At 31 st March 2010 Rs.	As At 31 st March 2009 Rs.
Schedule - 6		
INVESTMENTS		
(At cost, unless otherwise stated)		
QUOTED - CURRENT		
NON TRADE		
SBEC Systems (India) Ltd. (462 Equity Shares of Rs.10/- each)	6930	6930
Prashant India Ltd. (200 Equity Shares of Rs.10/- each)]	9500	9500
Kunal Engineering Company Ltd. (834 Equity Shares of Rs.10/- each)	25020	25020
Swarna Securities Ltd. (89350 Equity Shares of Rs.10/- each)	794800	794800
G.R. Magnets Ltd. (500 Equity Shares of Rs.10/- each)	Bonus	Bonus
Paramani Replast Ltd. (100 Equity Shares of Rs.10/- each)	500	500
Sri Kanyaka Investments Ltd. (500 Equity Shares of Rs.10/- each)	1500	1500
SBI Magnum Multiplier Plus 1993 (2000 Equity Shares of Rs.10/- each)	19400	19400
UNIT MASTERGAIN UNIT SCHEME (100 Units of Rs.10/- each)	1050	1050
Neocure Therapeutics Ltd. (5000 Equity Shares of Rs.10/- each)	72540	72540
Southern Online Services Ltd (1600 Equity shares of 10 each)	16000	16000
Sirpur Paper Mills Ltd (1600 Equity shares of Rs.10/- each - and Premium @ 48/- each share)	144000	144000
Fast Track ENT (10000 Equity Shares of Rs.1/- each)	77467	77467

CONSOLIDATED SCHEDULES TO THE BALANCE SHEET

	As At 31 st March 2010 Rs.	As At 31 st March 2009 Rs.
M/s.Surana Telecom. (500 Equity shares of Rs.10/- each)	17598	17598
ICICI BANK LTD	0	27700
Sagar Cements Ltd (1050 Equity Shares of Rs.10/- each)	419184	419184
Sub Total :	<u>1605489</u>	<u>1633189</u>
UNQUOTED - LONG TERM NON - TRADE		
Northeast Broking Services Ltd. (11,600 Equity Shares of Rs.10/- each)	116000	116000
Northeast Commodities Pvt. Ltd (1,20,000 Equity Shares of Rs.10/- each)	1200000	1200000
Sub Total :	<u>1316000</u>	<u>1316000</u>
Total :	<u>2921489</u>	<u>2949189</u>
Notes:		
Aggregate carrying cost of quoted Investments	1633189	1186305
Aggregate Market Value of quoted Investments	208490	20450
Aggregate cost of unquoted Investments	1316000	1316000
Schedule - 7 INVENTORIES (At Cost, as physically verified and certified by Management)		
Closing Stock	54311422	53345721
	<u>54311422</u>	<u>53345721</u>
Schedule - 8 SUNDRY DEBTORS (Unsecured and Considered good)		
Sundry Debtors:		
- Less than six months	19953067	31040490
- More than six months	15620550	10443222
	<u>35573617</u>	<u>41483712</u>
Schedule - 9 CASH AND BANK BALANCES		
Cash on hand	370565	1413848
With Scheduled Banks :		
- In Current Accounts	2695496	13188573
- In Fixed Deposits / Margin accounts	1563810	1556812
	<u>4629872</u>	<u>16159232</u>

CONSOLIDATED SCHEDULES TO THE BALANCE SHEET

	As At 31 st March 2010 Rs.	As At 31 st March 2009 Rs.
Schedule - 10		
LOANS AND ADVANCES & OTHER CURRENT ASSETS		
Tax deducted at Source	5250576	4749773
Advance Taxes	117368	321936
VAT Tax Set- Off	189639	0
Service Tax Set- Off	549874	196357
Staff Advances	162149	122960
Rent Deposits- Office	1757800	1716800
Prepaid Expenses	135789	118622
Other Deposits / Receivables	73096074	81555415
TDS Adjustment a/c	2862989	2862989
ICDs	13300000	13300000
Loans and advances	2344140	2344140
	<u>99766398</u>	<u>107288992</u>
Schedule - 11		
CURRENT LIABILITIES		
Other Liabilities	22966351	33856712
Provision for Service Tax Payable	12996500	13228542
Provision for Expenses	2254006	93984
Other Provisions	2331609	2331609
For Supplies and Services	3511069	1279766
TDS Payable	263684	65721
Security Deposits	1437355	1266018
Advances from Customers	10949058	20015293
	<u>56709630</u>	<u>72137644</u>
Schedule - 12		
PROVISIONS		
Provision for Tax		
- Current Tax	1069983	1186065
- Deferred Tax liability	430876	0
- Fringe Benefit Tax	0	336789
Provision for Gratuity & Leave encashment	769047	769047
	<u>2269906</u>	<u>2291901</u>
Schedule - 13		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Deferred Revenue Expenses	195200	2550533
Preliminary Expenses	1678445	1547358
	<u>1873645</u>	<u>4097891</u>

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

	For the year ended 31 st March 2010 Rs.	Previous year ended 31 st March 2009 Rs.
Schedule - 14		
INCOME FROM SERVICES AND OTHER OPERATIONS		
Domestic	1200600	0
Income from Bandwidth Services	43649529	23492181
Income from Web Hosting Services	48950964	65078657
Income from VOIP Sales	2401456	3863435
Income from Services	23029761	36821096
Analysis Charges	9218081	13246008
Export		
Income from Software Development (export)	1570680	15992310
	<u>130021072</u>	<u>158493687</u>
Schedule - 15		
OTHER INCOME		
Interest on Deposits	92204	565030
Interest on ICD's and Loans	2514829	2805280
Rental Income	2641356	1987746
Other Income	326999	5204237
Dividend Income	5675	7630
Equipment Rental Charges	0	2351138
Income from Forex Fluctuations	0	3086721
Others	172592	144500
	<u>5753655</u>	<u>16152281</u>
Schedule - 16		
OPERATING, ADMINISTRATIVE AND SALES EXPENSES		
Operating expenses	34091683	47120038
Annual Membership Fee	84343	175747
Bandwidth, Leased Circuit Charges & Service Chrgs	20676959	26112811
Analysis Expenses	1816869	2976275
Rent & Maintenance	4044342	3742139
Cost of Equipments Sold	156244	130813
Domain Registration Expenses	3976451	6269423
Voip Minutes	295375	1454013
DID Monthly Rental	1138861	854706
Power and Electricity	1902756	2263437
Legal and Professional Charges	1266722	2460290
Marketing & Busines Promotion Exps	1330930	3227040
Postage & Telephone Expenses	901166	785242
Advertisement and Publicity	54992	235366
Managerial Remuneration & Sitting Fee	27000	51000

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	For the year ended 31 st March 2010 Rs.	Previous year ended 31 st March 2009 Rs.
Traveling Expenses	3202519	2380955
Licences, Fees, Rates & Taxes	384571	323346
Insurance	484864	1611635
Office Maintenance	325809	289702
Printing and Stationery	365239	214412
Discount Given on Services	67058	337495
Local Conveyance	1126182	707382
Repairs and Maintenance	192673	237330
Listing, Demat and Filing Fee	243555	129651
Vehicle Maintenance	1050809	999011
Audit Fees	140406	144451
Loss due to Forex-fluctuation	1040589	0
Loss on Sale of Assets	0	378831
Board meeting Expenses(AGM, EGM & Qtrly Expsn)	23680	13550
Miscellaneous Expsn	117545	75874
Computers & Networking Maintenance	3639834	1152837
Others	922961	3300485
	<u>85092987</u>	<u>110155287</u>

Schedule - 17
EMPLOYEE COST

Salaries	29153926	29159038
Stipend	2035980	1678725
Staff Recruitment & Training	22418	954022
Staff Welfare	706266	583603
Contribution to PF, ESI & Group Insurance	1810132	908974
	<u>33728722</u>	<u>33284362</u>

Schedule - 18
INTEREST AND FINANCIAL CHARGES

Interet & Finance chgs	8271933	9272262
HP Finance Charges	495908	557620
Bank Charges	2588228	3622338
	<u>11356070</u>	<u>13452220</u>

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

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

b) Principles of consolidation

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

c) Fixed Assets

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

2. Particulars of subsidiaries considered for consolidation :

Sl.No	Name of the Company	Country of Incorporation	Extent of holding (%) as at March 31, 2009
1.	Nettlinx Inc	USA	100.00
2.	IADFAC Laboratories Private Limited	India	67.00
3.	Nettlinx Realty Private Limited	India	99.90
4.	Nettlinx Channel Private Limited	India	100.00
5.	Host Department LLC	USA	100.00

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

4. Figures for the corresponding year have been regrouped, recast and rearranged to conform to those of the current year wherever necessary.

As per our report of even date

For **DEVA & CO.,**

Chartered Accountants
Firm Reg. No.000722S

For and on behalf of the Board of Directors

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

Sd/
(Manohar Loka Reddy)
Managing Director

Sd/
(K.Kameswara Rao)
Director

Place: Hyderabad

Date : 26-08-2010

(Chandra Sekhar Pogula)
Director & COO

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31st 2010

	(Rs. In lakhs)	
	Year ended 31.03.2010	Year ended 31.03.2009
A. Cash Flows from Operating Activities		
Net Profit before Interest and Tax	41.68	156.73
Depreciation	126.70	154.05
Foreign exchange loss	10.41	0.00
Miscellaneous expenses written off	1.15	1.28
(Profit)/ Loss on sale of Fixed Assets	0.00	3.79
Minority Interest	(3.53)	1.67
Operating profit before working capital changes	176.41	317.52
(Increase)/ Decrease in Sundry Debtors	59.10	(53.97)
(Increase)/ Decrease in Loans and Advances	75.23	244.59
(Increase)/ Decrease in Inventories	(9.66)	0.90
Increase/(Decrease) in Current Liabilities and Provisions	(154.50)	(291.71)
Income Taxes Paid	(0.30)	(14.52)
Net Cash Flow from Operation Activities	146.28	202.83
B. Cash Flows from investing Activities		
Purchase of Fixed Assets	(94.95)	(208.35)
Purchase of Long term Investments	0.28	(4.47)
Acquisition of Shares in Subsidiaries	0.00	0.00
Proceeds from sale of Fixed Assets	0.00	3.00
Net Cash Flow from Investing Activities	(94.67)	(209.82)
C. Cash Flows from Financing Activities		
Proceeds from issuance of capital/ Preferential Allotments	0.00	0.00
Increase in Miscellaneous expenses	22.24	(8.08)
Proceeds from Secured Loans	(95.80)	(31.80)
Proceeds from Unsecured Loans	21.09	6.92
Financial expenses paid	(114.43)	(134.52)
Net cash Flow from/ (used) Financing Activities	(166.90)	(168.36)
Net (Decrease)/Increase in Cash and Cash equivalents during the year	(115.29)	(175.35)
Cash and Cash equivalents at the beginning of the year	161.59	336.94
Cash and Cash equivalents at the end of the year	46.30	161.59

As per our report of even date

For **DEVA & CO.,**

Chartered Accountants

Firm Reg. No.000722S

For and on behalf of the Board of Directors

Sd/

(M. Devaraja Reddy)

Partner

Membership No.026202

Sd/

(Manohar Loka Reddy)

Managing Director

Sd/

(K.Kameswara Rao)

Director

Place: Hyderabad

Date : 26-08-2010

(Chandra Sekhar Pogula)

Director & COO

NETTLINX LIMITED

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956



S.No	Particulars	IADFAC Laboratories Private Limited	Nettlinx Inc	Nettlinx Realty Private Limited	Nettlinx Channel Private Limited	Host Department LLC
1	Financial period ended	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010
2	Holding company's interest as of March 31, 2010	67.00% in equity shares	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	Nil
	ii) Not dealt within the accounts of Nettlinx Limited.	(Rs.7,64,270/-)	Rs.15,25,183/-	(Rs.19,45,662/-)	Nil	Rs.14,73,946/-
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	Nil
	ii) Not dealt within the accounts of Nettlinx Limited.	Rs.3,87,533/-	Rs.17,01,377/-	Rs.20,02,144/-	Nil	(Rs.39,87,814/-)

For and on behalf of the Board of Directors

Sd/-

(Manohar Loka Reddy)
Managing Director

Sd/-

(K. Kameswara Rao)
Director

Place: Hyderabad
Date: 26.08.2010

Sd/-
(Chandra Sekhar Pogula)
Director & COO

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 17th Annual General Meeting of the equity shareholders to be held at Hotel Anmol Continental, Opp. Secretariat, Saifabad, Hyderabad-500 063 on Tuesday, the 28th September, 2010 at 3:30 PM.

Dated _____ this day of _____ 2010

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 17th Annual General Meeting of the Members being held at Hotel Anmol Continental, Opp. Secretariat, Saifabad, Hyderabad-500 063 on Tuesday, the 28th September, 2010 at 3:30 P.M.

*Delete whichever is not applicable.

Signature of Member/Proxy*