

16th



**Annual Report
2008 - 2009**

NETTLINX LIMITED

Your Power to Communicate

NETTLINX in Comparison to the Telecom Companies

The Multi Homing Network from Netlinx enables us to provide the following differentiators:

Netlinx is a company that is carrier, vendor and access-agnostic - that is,

» Netlinx will procure the bandwidth (Backbone and Last Mile), equipment and other requirements from any telecom provider best suited to its client's needs and overlay this network with its solutions.

» The telecom service providers usually rely on their own network, they cannot easily move to the least congested routes, or the best available rates, that is why companies such as ours would be much more efficient.

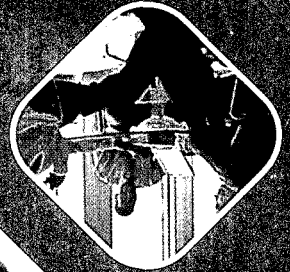
» When it really comes to executing the telecom companies have a hard time executing, largely because they use their own networks.

» Netlinx delivery model is based on utilizing the bandwidth capacities from multiple providers like Telecom carriers and Utility companies. Netlinx then builds solutions and other value-added services around the basic bandwidth model utilizing its experience.

Over View

Netlinx an Internet Infrastructure initiative of the NETTLINX group caters to the networking requirements of domestic enterprise market. Partnering with National Telco's we provide state-of-the-art products and solutions for network requirements of organizations of all sizes. Netlinx offers a complete range of networking services & solutions like:

- » Internet Bandwidth Services
- » Internet Telephony
- » Managed Data Centre
- » Co-location Services
- » Managed Data Centre Services
- » Managed Network Services
- » Wireless Broadband Services



NETTLINX LIMITED



**16th
ANNUAL REPORT
2008-2009**



NETTLINX LIMITED

BOARD OF DIRECTORS

1. **Dr. Loka Narayan Reddy** – Director
2. **Dr. Manohar Loka Reddy** – Director
3. **Sri K. Kameswara Rao** – Director
4. **Sri V. Harish Kumar** – Director
5. **Sri M. Suresh Kumar Reddy** – Director
6. **Sri Abraham Joy** – Director
7. **Sri P. Sobhan Prakash** – Director (upto 26th February, 2009)
8. **Sri J.V. Hanumantha Rao** – Director (from 25th April, 2009)
9. **Sri N. Sunder Raj** – Director (from 25th April, 2009)
10. **Dr. M. Appa Rao** – Director (from 25th April, 2009)
11. **Sri M. Vijaya Bhasker Reddy** – Executive Director

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: info@nettlinx.com

AUDITORS

M/s DEVA & CO
Chartered Accountants
Flat No.: 303, H.No.:5-9-42/2
Siddu Residency,
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 ORIENTAL BANK OF COMMERCE**
H.No.:6-3-865, My Home Jupally
Greenlands, Ameerpet
Hyderabad - 500 016.

NOTICE

NOTICE is hereby given that the 16th 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 Wednesday, The 30th September, 2009 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 2009, 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 Dr. Loka Narayan Reddy, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Sri K Kameswara Rao, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sri V. Harish Kumar, who retires by rotation and being eligible offers himself for re-appointment.
5. 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.

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modification the following resolution as a Special Resolution:
“RESOLVED THAT Dr. M. Appa Rao be and is hereby appointed as Director of the Company, liable to retire by rotation”.
7. To consider and if thought fit, to pass with or without modification the following resolution as a Special Resolution:
“RESOLVED THAT Sri N. Sunder Raj be and is hereby appointed as Director of the Company, liable to retire by rotation”.
8. To consider and if thought fit, to pass with or without modification the following resolution as a Special Resolution:
“RESOLVED THAT Sri. J.V. Hanumanth Rao be and is hereby appointed as Director of the Company, liable to retire by rotation”.

By Order of The Board
Sd/-

M. Vijaya Bhasker Reddy
Executive Director

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

Date : 29th August 2009

NETTLINX LIMITED

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 2009 to 30th day of September 2009 (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 upon introduction of Section 109A of the Companies Act, 1956, Share holders 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. Share holders 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 Limited.
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 Loka Narayan Reddy:** M.B..B.S., M.D. is a plastic surgeon and runs 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 74 years and not holding any Directorship in other Companies in India.

2. **Sri K. Kameswara Rao:** A Post Graduate in Geology and is aged about 67 years. He has considerable experience in Banking Industry and held various positions in State Bank of India and at the time of his retirement he was Chief General Manager of State Bank of India. He is a Director in M/s. Sujana Metal Products Ltd., as well as Member of the Audit Committee.

3. **Sri V. Harish Kumar,** B. Com., PGDT, A.C.S., L.L.B., Advocate doing Law Practice and aged about 41 years. He is a Director in M/s. Tanla Solutions Pvt. Ltd., and Ramky Infrastructure Ltd., as well as Member of the Audit Committee.

4. **Dr. M. Appa Rao,** 65 Years Old. He is a board-certified radiologist and has been in private practice in Flint, Michigan for over 30 years. He was a member of the American Physicians Capital Inc. Board of Directors from 1993 to 2002. He is the immediate past president of the Michigan State Medical Society and has served on its Board of Directors since 1997. He is holding Directorship in M/s Myguru Online Ltd.

5. **Sri N. Sunder Raj:** Holds M. Tech degree in Electrical Engineering from IIT Kharagpur, He is currently Executive Director of Smartlinx VoIP Networks Pvt. Ltd, Director in INDISOLAR PRODUCTS PVT. LTD, and held the position of Executive Director & CEO for CS Technergy Limited. He is aged about 46 years.

6. **Sri J.V. Hanumanth Rao** is a post graduate in Management from Shivaji University, He is representing M/s Aarti Industries Limited, Mumbai, and runs an Indenting agency in

Hyderabad for Raw materials & API for Pharma Industry. He also represents M/s Nandolia Organics (P) Ltd. and is in business for the past 16 years.

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

Item No.6, 7 & 8

The Board of Directors of the Company appointed Dr. M. Appa Rao, Sri N. Sunder Raj and Sri J.V. Hanumanthaa Rao as Additional Directors. Pursuant to section 260 of the Companies Act, 1956 they hold office only up to the date of the 16th Annual General Meeting. Notice under section 257 of the Act has been received along with Rs.500/- each from member proposing the appointment of Dr. M. Appa Rao, Sri N. Sunder Raj and Sri J.V. Hanumanth Rao as Directors of the Company whose period of office shall be liable to determination by retirement of Directors by rotation. Board recommends the resolution for your approval. None of the other Directors of the Company, except Dr. M. Appa Rao, Sri N. Sunder Raj and Sri J.V. Hanumanth Rao, is concerned or interested in their respective resolutions.

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

Sd/-

M. Vijaya Bhasker Reddy
Executive Director

Place : Hyderabad

Date : 29th August 2009

DIRECTORS' REPORT

To

The Members

Nettlinx Limited

Your Directors have pleasure in presenting the Sixteenth Annual Report together with the Audited Statements of Account for the year ended 31st March 2009.

1. Financial Results

| Particulars | Rs.In Lakhs | |
|------------------------|---|---|
| | For the Year ended 31 st March, 09 | For the year ended 31 st March, 08 |
| Income from operations | 560.08 | 583.61 |
| Total Expenditure | 385.82 | 337.16 |
| Interest | 78.36 | 55.36 |
| Depreciation | 83.41 | 84.06 |
| Profit / (Loss) | | |
| Before Taxation | 115.11 | 107.01 |
| Provision for Taxation | | |
| Current Tax | 10.34 | 21.68 |
| Deferred Tax (Asset) | (9.76) | (0.67) |
| Fringe Benefit Tax | 1.33 | 1.47 |
| Profit after Tax | 9.60 | 84.53 |

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, Sri. K. Kameswara Rao and Sri V. Harish Kumar retire by rotation at this Annual General Meeting and being eligible offer themselves for reappointment.

During the year Sri. P. Sobhan Prakash resigned as Director of the company and Board wishes to place on record their appreciation for the services rendered by him during his tenure as Director of the Company.

Dr. M. Appa Rao, Sri. N. Sunder Raj and Sri J.V. Hanumanth Rao who were appointed as Additional Directors, retire at this Annual General Meeting and being eligible offer themselves for appointment.

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:

- A. In preparation of Annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same.
- B. 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.
- C. The Directors' have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of your company and for preventing and detecting fraud and other irregularities.
- D. 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 is consisting of the following members.

1. Sri K.Kameswara Rao, Chairman
2. Sri V.Harish Kumar
3. Sri Abraham Joy.

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 202500 options at a price of Rs. 23.90. Because of the volatility in stock market, the options were *no remunerative* to the employees and hence all the employees have surrendered the options granted to them. For the year ending 31st March, 2009 there are no stock options outstanding. However, remuneration and compensation committee had granted 400,000 stock options to the employees of your Company and employees of subsidiary Companies at a price of Rs. 11.20.

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/-

(M. VIJAYA BHASKER REDDY)

Executive Director

Sd/

(K. KAMESWARA RAO)

Director

Date: 29th August, 2009

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. 560.08 Lakhs and Net Profit of Rs.9.60 Lakhs for the year ending 31st March' 2009, as against a Gross Revenue and Net Profit of Rs.583.61 Lakhs and Rs.84.53 Lakhs respectively for the year ending 31st March' 2008.

Your company as part of expansion plans in its core business, did look at horizontal growth and was close enough to acquiring an Australian Web Hosting company with intent to have data center access across the world. Hence we had undertaken the exercise of due diligence and consented initially to acquire the company namely M/s Anchor Systems Pty Limited. We had a one time expense of Rs. 42,90,807/- on account of travel, forex fluctuations and legal costs. Consequent to the economic recession that hit the Global markets, the Board of Directors felt that it would not be wise to go ahead with this acquisition. The same has impacted the profit of the company

Overall performance based on the consolidated Accounts, of your Company has registered a Net Profit of Rs.10.63 Lakhs, as against of Net Profit of Rs.26.87 Lakhs in the previous year ending 31st March' 2008.

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'2009, the company has about 86 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 share holders and employees.

2) Board of Directors

The Board of Directors consists of 8 Directors.

The composition and category of Directors as on 31.03.2009 is as follows:

| Category | Name of Directors |
|---|--|
| Promoter / Executive Director | : Nil |
| Promoter Group / Executive Director | : Sri M. Vijaya Bhasker Reddy |
| Promoter / Non Executive Directors | : Dr.Manohar Loka Reddy Dr.Loka Narayan Reddy |
| Non-Executive and Independent Directors | : Sri K.Kameswara Rao Sri V.Harish Kumar Sri Abraham Joy Sri M.Suresh Kumar Reddy Sri P.Sobhan Prakash (upto 26th February, 2009) |

NETTLINX LIMITED

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 | | No. of other Directorships and Committee Member/Chairmanship | | |
|-----------------------------|------------------------|-----------------------------|--|----------------------------|------------------------------|
| | Board Meeting | Last Annual General Meeting | Other Directorship including Pvt. Ltd. Cos | Other Committee Membership | Other Committee Chairmanship |
| Sri K.Kameswara Rao | 10 | Yes | 1 | 1 | Nil |
| Dr.Loka Narayan Reddy * | No | No | Nil | Nil | Nil |
| Dr.Manohar Loka Reddy | 8 | Yes | 9 | Nil | Nil |
| Sri V.Harish Kumar | 7 | No | 2 | Nil | Nil |
| Sri M.Suresh Kumar Reddy | 7 | Yes | 1 | Nil | Nil |
| Sri Abraham Joy** | 4 | Yes | 2 | Nil | Nil |
| Sri P.Sobhan Prakash*** | 1 | No | 7 | Nil | Nil |
| Sri M. Vijaya Bhasker Reddy | 10 | Yes | 6 | 1 | Nil |

* (NRI)

** Foreign Citizen

*** Sri. P.Sobhan Prakash resigned as Director w.e.f 26th February, 2009

NETTLINX LIMITED
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:

14th May, 2008
 16th June, 2008
 25th July, 2008
 29th September, 2008
 29th October, 2008
 17th November, 2008
 15th December, 2008
 31st January, 2009
 26th February, 2009
 10th March, 2009

3) Audit Committee

The Audit Committee consists of non-executive directors Viz., Sri.K.Kameswara Rao, Chairman, Sri V. Harish Kumar and Sri. Abraham Joy. 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 | 2 |

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, one remuneration Committee meeting was held for the purpose of granting of options to the employees and no other meetings were held as there was no consideration of remuneration to Directors.

Details of remuneration paid to the Managing Director / Executive for the year ending 31.03.2009

The aggregate of salary and perquisites paid for the year ended 31st March 2009 to Executive Director, were as follows.

Sri M. Vijaya Bhasker Reddy – Executive Director Nil

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. Vijaya Bhasker Reddy, Sri K.Kameswara Rao and Sri.V.Harish Kumar. 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 – 500063. Ph: 91-040-23232200/23231589 Fax:040-23231610 E-Mail: info@nettlinx.org

ii) Details of complaints for the year 2008 – 2009

| S.No | Nature | Number | |
|------|---------------------------------------|----------|---------------------|
| | | Received | Attended & Resolved |
| 1. | Transfer of Shares | 0 | 0 |
| 2. | Dematerialization / Rematerialization | 0 | 0 |
| 3. | Loss of Shares / Duplicate Shares | 1 | 1 |
| 4. | Others | 0 | 0 |
| | Total | 1 | 1 |

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 |
|------------|-----------------------------------|-----------|----------------------------|
| 29.09.2008 | Hotel Anmol Continental Hyderabad | 10.30 A.M | 2 |
| 27.09.2007 | Hotel Anmol Continental Hyderabad | 11.30 A.M | 1 |
| 27.09.2006 | Hotel Golkonda Hyderabad | 10.30 A.M | Nil |

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 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, 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 News paper) 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.

NETTLINX LIMITED

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 Wednesday, the 30th September, 2009 at 3:30 P. M.
2. Tentative Calendar of events for the financial year 2009 -2010 (April – March) is given below

| | | |
|--------------------------------------|----------------|--------------|
| * Un – audited Financial results for | First Quarter | July 2009 |
| | Second Quarter | October 2009 |
| | Third Quarter | January 2010 |
| | Fourth Quarter | April 2010 |

3. **Book Closure:** From, The 23rd September, 2009 to The 30th September, 2009 (both days inclusive) for the purpose of Annual General Meeting.

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

- The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001
- The Calcutta Stock Exchange, 7 Lyons Range, Calcutta – 700001. *

*In the process of De-Listing.

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 companies 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

| Month & Year | Bombay Stock Exchange (BSE) (Rs.) | |
|------------------|-------------------------------------|-------|
| April – 2008 | 23.20 | 20.10 |
| May – 2008 | 23.00 | 18.15 |
| June – 2008 | 20.85 | 16.05 |
| July - 2008 | 20.50 | 15.00 |
| August - 2008 | 20.45 | 15.10 |
| September - 2008 | 18.70 | 12.25 |
| October - 2008 | 17.50 | 10.55 |
| November - 2008 | 15.50 | 12.75 |
| December - 2008 | 14.96 | 11.51 |
| January - 2009 | 14.34 | 11.65 |
| February - 2009 | 12.75 | 10.88 |
| March - 2009 | 12.15 | 10.31 |

- b) The listing fee for the year 2008-2009 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, BharatNagar, Hyderabad-500018, 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 30days 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.

NETTLINX LIMITED
7. (a) Shareholding Pattern as on 31st March 2009

| Sl. No. | Category | No. of Shares (Issued Equity) | %age |
|---------|--|-------------------------------|-------------|
| 1 | Promoters & Associates | 6269283 | 56.84% |
| 2 | Indian Financial Institutions, Banks, Mutual Funds | 900 | 0.01% |
| 3 | Foreign Institutional Investors / NRIs | 50966 | 0.46% |
| 4. | Others | 4708863 | 42.69% |
| | Total | 11030012 | 100% |

(b) Distribution of Shareholding as on 31st March 2009

| No. of Shares Held | No. of Shareholders | % of Shareholders | No. of Shares (Issued Equity) | % of Shareholding |
|--------------------|---------------------|-------------------|-------------------------------|-------------------|
| 1-500 | 1722 | 68.60% | 308637 | 2.80% |
| 501-1000 | 334 | 13.31% | 296546 | 2.69% |
| 1001-10,000 | 385 | 15.34% | 1235590 | 11.20% |
| 10001-1,00,000 | 59 | 2.35% | 1810129 | 16.41% |
| 1,00,001 & Above | 10 | 0.40% | 7379110 | 66.90% |
| Total | 2510 | 100.00% | 11030012 | 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 31.03.2009, 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:-

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 – 500063.
Ph: 91-040-23232200
Fax: 23231610
Email: info@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 2009.

Place : Hyderabad
Date : 29.08.2009

Sd/-
M. VIJAYA BHASKER REDDY
EXECUTIVE DIRECTOR

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 2009, 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

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

Place: Hyderabad

Date : 29.08.2009

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.

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.2,66,90,909/- |
| Foreign Exchange outflow | Rs.1,07,55,364/- |

Details of Stock Options

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

| Sl No | Description | NETTLINX ESOP 2007 |
|-------|---|---|
| 1 | Options Granted during the Year 2008-09 | 400000 |
| 2 | Pricing Formula | Market Price as defined in SEBI (ESOS & ESPS) Guidelines, 1999 in vogue |
| 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 | 202500 |
| 7 | Variation of terms of options | Nil |
| 8 | Money realized by exercise of Options | Nil |
| 9 | Total No of options in force | 400000 |
| 10 | Options granted | 400000 |
| (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 |

Annexure – IV

| | | |
|----|--------------------|-------|
| 8 | K.Nagaraj | 15000 |
| 9 | Y.Srinivas Reddy | 10000 |
| 10 | C.Neetha Reddy | 10000 |
| 11 | Mohd. Wasif Ali | 5000 |
| 12 | G.Vidya Sagar | 10000 |
| 13 | Ravi Varanasi | 10000 |
| 14 | P. Vasanth | 5000 |
| 15 | V.N.Prasad Grandhi | 5000 |
| 16 | K.Suryanarayana | 10000 |
| 17 | T.Venkata Ramana | 5000 |
| 18 | M. Ramesh Kumar | 5000 |
| 19 | J. Shyam Kumar | 5000 |
| 20 | Ch. Rajasekhar | 5000 |
| 21 | R. Ayyappa | 5000 |
| 22 | A. Uday Kiran | 5000 |
| 23 | P.Jayachandra | 5000 |
| 24 | K.Vidhya Sagar | 5000 |
| 25 | B.Vidya Sagar | 10000 |
| 26 | K.S.Srilakshmi | 5000 |
| 27 | V. Ramesh Babu | 5000 |
| 28 | K.V. Nagendra Rao | 5000 |
| 29 | M Hanumanth Reddy | 5000 |
| 30 | K.Surendrababu | 5000 |
| 31 | V.Raveendra Reddy | 5000 |
| 32 | V.Chandra Kiran | 15000 |
| 33 | Srekanth Reddy | 50000 |

Blocked for Future Allocation to Employees 400000

- (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.0.09

AUDITORS' REPORT

To the Members of **NETTLINX LIMITED**

1. We have audited the attached Balance Sheet of **NETTLINX LIMITED**, as at 31st March, 2009 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, 2009 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, 2009;
 - (ii) in the case of profit and loss account, of the Profit 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

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

Place: Hyderabad
Date : 29.08.2009

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 2009

- (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 2009, 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

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

Place: Hyderabad
Date: 29.08.2009

BALANCE SHEET AS AT 31ST MARCH, 2009

| SCHEDULE | As At | | |
|--|------------------------|-------------------------|-------------------------|
| | 31st March 2009 Rs. | 31st March 2008 Rs. | |
| A) SOURCES OF FUNDS | | | |
| 1. Shareholders' Funds | | | |
| a) Share Capital | 1 | 110300120 | 110300120 |
| b) Reserves and Surplus | 2 | 81179871 | 80219381 |
| 2. Loan Funds | | | |
| a) Secured Loans | 3 | 52694513 | 61430379 |
| TOTAL | | <u>244174504</u> | <u>251949881</u> |
| B) APPLICATION OF FUNDS | | | |
| 1. Fixed Assets | | | |
| a) Gross Block | 4 | 140693814 | 132190779 |
| b) Less : Depreciation | | 101752067 | 94076754 |
| c) Net Block | | <u>38941747</u> | <u>38114025</u> |
| 2. Investments | 5 | 108568064 | 103215665 |
| 3. Current Assets, Loans and Advances | | | |
| a) Sundry Debtors | 6 | 26603793 | 28161998 |
| b) Cash and Bank Balance | 7 | 9565342 | 23178872 |
| c) Loans and Advances | 8 | 70216335 | 70928824 |
| | | <u>106385470</u> | <u>122269695</u> |
| Less : Current Liabilities & Provisions | | | |
| a) Current Liabilities | 9 | 10238385 | 10287349 |
| b) Provisions | 10 | 2084377 | 3084911 |
| | | <u>12322763</u> | <u>13372260</u> |
| Net Current Assets | | 94062708 | 108897435 |
| 4. Deferred Tax Asset-Net | | 2309186 | 1332356 |
| 5. a) Miscellaneous Expenditure | 11 | 292800 | 390400 |
| (to the extent not written off or adjusted) | | | |
| TOTAL | | <u>244174504</u> | <u>251949881</u> |
| Notes to accounts | 17 | | |

Schedules 1 to 17 annexed hereto form part of these accounts.

As per our report of even date

For **DEVA & CO.,**
Chartered Accountants

For and on behalf of the Board of Directors

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

Sd/
(M. Vijaya Bhasker Reddy)
Executive Director

Sd/
(K.Kameswara Rao)
Director

Place : Hyderabad
Date : 29-08-2009

Sd/
(N. Sunder Raj)
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

| | | For the year ended 31 st March 2009 Rs. | Previous year ended 31 st March 2008 Rs. |
|--|---|---|--|
| SCHEDULE | | | |
| INCOME | | | |
| Income from services and other operations | 12 | 44956555 | 52211601 |
| Other Income | 13 | 11052235 | 6149511 |
| | | <u>56008790</u> | <u>58361112</u> |
| EXPENDITURE | | | |
| Operating and Administration Expenses | 14 | 28186265 | 24663260 |
| Personnel Cost | 15 | 10396131 | 8955297 |
| Financial Charges | 16 | 7836124 | 5536063 |
| Depreciation | | 8341505 | 8406893 |
| Miscellaneous Expenditure Written off | | 97600 | 97600 |
| | | <u>54857624</u> | <u>47659114</u> |
| Profit before Tax and Prior Period items | | 1151166 | 10701998 |
| Less: Provision for Taxation : | | | |
| Current Tax | | 1034007 | 2168040 |
| Deferred Tax (Debit/ Credit) | | (976830) | (67458) |
| Fringe Benefit Tax | | 133499 | 147824 |
| Profit After Tax | | 960490 | 8453592 |
| Less : Prior Period Item / Adjustment | | 0 | 0 |
| Profit After Tax and Prior Period items | | 960490 | 8453592 |
| Balance Brought forward from Previous Year | | 29786801 | 21333209 |
| Total Profit / (Loss) | | <u>30747291</u> | <u>29786801</u> |
| Profit / (loss) Carried to Balance Sheet | | <u>30747291</u> | <u>29786801</u> |
| Earnings per Share-basic and diluted | | 0.09 | 0.77 |
| Notes to accounts | | 17 | |
| Schedules 1 to 17 annexed hereto form part of these accounts. | | | |
| As per our report of even date | | | |
| For DEVA & CO., | For and on behalf of the Board of Directors | | |
| Chartered Accountants | | | |
| Sd/ (M. Devaraja Reddy) Partner Membership No.026202 | Sd/ (M. Vijaya Bhasker Reddy) Executive Director | Sd/ (K.Kameswara Rao) Director | |
| Place : Hyderabad Date : 29-08-2009 | Sd/ (N. Sunder Raj) Director | | |

SCHEDULES FORMING PART OF THE BALANCE SHEET

| | As At 31st March 2009 Rs. | As At 31st March 2008 Rs. |
|---|--------------------------------------|--------------------------------------|
| Schedule - 1 | | |
| SHARE CAPITAL | | |
| AUTHORISED | | |
| 2,00,00,000 Equity Shares of Rs.10 each | <u>200000000</u> | <u>200000000</u> |
| ISSUED, SUBSCRIBED AND PAID UP | | |
| 1,10,30,012 Equity Shares of Rs.10/- each fully paid up. | <u>110300120</u> <u>110300120</u> | <u>110300120</u> <u>110300120</u> |
| Schedule - 2 | | |
| RESERVES AND SURPLUS | | |
| Securities Premium | 22432580 | 22432580 |
| Preferential Warrants | 15000000 | 15000000 |
| General Reserve | 13000000 | 13000000 |
| Profit & Loss Account | <u>30747291</u> | <u>29786801</u> |
| | <u>81179871</u> | <u>80219381</u> |
| Schedule - 3 | | |
| SECURED LOANS : | | |
| <i>Vehicle Loans from :</i> | | |
| - ICICI Bank Ltd, Khairatabad Br, Hyd | 0 | 247500 |
| - HDFC Bank Ltd, Lakadikapool Br, Hyd | 1462667 | 0 |
| Bank Loans | | |
| - ICICI Bk-Term Loan (INR) | 46666667 | 60000000 |
| - ICICI Bk-CC Account | 4565179 | 1182879 |
| | <u>52694513</u> | <u>61430379</u> |

NETTLINX LIMITED

Schedule - 4 FIXED ASSETS



(Amount in Rs.)

| DESCRIPTION OF THE ASSET | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|--------------------------|------------------|---------------------------|---------------------------|------------------|-----------------|-----------------|---------------------------|------------------|-----------------|-----------------|
| | AS AT 01.04.08 | ADDITIONS DURING THE YEAR | DELETIONS DURING THE YEAR | AS AT 31.03.09 | AS AT 01.04.08 | DURING THE YEAR | DELETIONS DURING THE YEAR | TOTAL 31.03.09 | AS AT 31.03.09 | AS AT 31.03.08 |
| Land | 890105 | 1550000 | 0 | 2440105 | 0 | 0 | 0 | 0 | 2440105 | 890105 |
| Buildings | 12017910 | 0 | 0 | 12017910 | 972726 | 195892 | 0 | 1168618 | 10849292 | 11045184 |
| Plant and Machinery | 103372590 | 5400009 | 0 | 108772599 | 83854234 | 7117220 | 0 | 90971454 | 17801145 | 19518356 |
| Office Equipment | 3572892 | 626058 | 0 | 4198950 | 2117635 | 181888 | 0 | 2299523 | 1899426 | 1455257 |
| Furniture and Fixtures | 6900472 | 234443 | 0 | 7134915 | 4485926 | 434336 | 0 | 4920262 | 2214653 | 2414546 |
| Vehicles | 5436810 | 2037548 | 1345023 | 6129335 | 2646233 | 412169 | 666192 | 2392210 | 3737125 | 2790577 |
| TOTAL | 132190779 | 9848058 | 1345023 | 140693814 | 94076754 | 8341505 | 666192 | 101752067 | 38941747 | 38114025 |
| 31st March, 2008 | 128535492 | 4400348 | 745061 | 132190779 | 86163387 | 8406893 | 493526 | 94076754 | 38114025 | 42372105 |

SCHEDULES TO THE BALANCE SHEET

| | As At 31st March 2009 Rs. | As At 31st March 2008 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 31st March 2009 Rs. | As At 31st March 2008 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 | 127560 |
| 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 Host Department LLC USA | 42000000 51964299 | 42000000 51485900 |
| Sub Total : | <u>107381759</u> | <u>102029360</u> |
| Total : | <u>108568064</u> | <u>103215665</u> |
| Notes: | | |
| Aggregate carrying cost of quoted Investments | 1186305 | 1186305 |
| Aggregate Market Value of quoted Investments | 59390 | 289910 |
| Aggregate cost of unquoted Investments | 107381759 | 102029360 |
| Schedule - 6 SUNDRY DEBTORS (Unsecured and Considered good) | | |
| Sundry Debtors: | | |
| - Less than six months | 17578328 | 16706089 |
| - More than six months | 9025466 | 11455909 |
| | <u>26603793</u> | <u>28161998</u> |
| Schedule - 7 CASH AND BANK BALANCES | | |
| Cash on hand | 46936 | 152863 |
| <u>With Scheduled Banks :</u> | | |
| - In Current Accounts | 7961594 | 6585144 |
| - In Fixed Deposits / Margin accounts | 1556812 | 16440866 |
| | <u>9565342</u> | <u>23178872</u> |

SCHEDULES TO THE BALANCE SHEET

| | As At 31st March 2009 Rs. | As At 31st March 2008 Rs. |
|--|---------------------------------|---------------------------------|
| Schedule - 8 | | |
| LOANS AND ADVANCES & OTHER CURRENT ASSETS | | |
| Tax deducted at Source | 3086201 | 2812675 |
| Advance Payment of FBT | 267165 | 165914 |
| Trade, Staff Advances(incl.Rent Deposits) | 939760 | 844922 |
| Prepaid Expenses | 108161 | 80700 |
| Other Deposits / Receivables | 47307919 | 37512772 |
| TDS Adjustment a/c | 2862989 | 2862989 |
| Loans & ICDs | 15644140 | 26644140 |
| Unmatured HP Finance charges | 0 | 4712 |
| | <u>70216335</u> | <u>70928824</u> |
| Schedule - 9 | | |
| CURRENT LIABILITIES | | |
| Other Liabilities | 5832083 | 3249420 |
| For Supplies and Services | 1279766 | 4638781 |
| TDS Payable | 65721 | 69487 |
| Trade & Security Deposits | 1266018 | 1735461 |
| Advances from Customers | 1794799 | 594201 |
| | <u>10238385</u> | <u>10287349</u> |
| Schedule - 10 | | |
| PROVISIONS | | |
| Provision for Tax | | |
| - Current Tax | 1034007 | 2168040 |
| - Fringe Benefit Tax | 281323 | 147824 |
| Provision for Gratuity & Leave encashment | 769047 | 769047 |
| | <u>2084377</u> | <u>3084911</u> |
| Schedule - 11 | | |
| MISCELLANEOUS EXPENDITURE | | |
| (To the extent not written off or adjusted) | | |
| Deferred Revenue Expenses | 292800 | 390400 |
| | <u>292800</u> | <u>390400</u> |

| SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT | | |
|--|---|--|
| | For the year ended 31st March 2009 Rs. | Previous year ended 31st March 2008 Rs. |
| Schedule - 12 | | |
| INCOME FROM SERVICES AND OTHER OPERATIONS | | |
| Domestic | | |
| Income from Bandwidth Services | 23492181 | 18610525 |
| Income from Web Solutions | 1608629 | 1632978 |
| Income from VOIP Sales | 3863435 | 2309011 |
| Export | | |
| Income from Software Development (export) | 15992310 | 29659088 |
| | <u>44956555</u> | <u>52211601</u> |
| Schedule - 13 | | |
| OTHER INCOME | | |
| Interest on Deposits | 565030 | 201669 |
| Interest on ICD's and Loans | 2805280 | 2744589 |
| Rental Income | 1987746 | 1873050 |
| Other Income | 104191 | 1292623 |
| Dividend Income | 7630 | 7580 |
| Equipment Rental Charges | 2351138 | 30000 |
| Income from Forex Fluctuations | 3086721 | 0 |
| Sale of VOIP Phones | 144500 | 0 |
| | <u>11052235</u> | <u>6149511</u> |
| Schedule - 14 | | |
| OPERATING, ADMINISTRATIVE AND SALES EXPENSES | | |
| Annual Membership Fee | 175747 | 106974.89 |
| Bandwidth , Leased Circuit Charges&Service Chrgs | 12673720 | 13156974 |
| Rent & Maintenance | 2170069 | 1515938 |
| Domain Registration Expenses | 120966 | 30223 |
| Voip Minutes | 1584826 | 620477 |
| DID Monthly Rental | 854706 | 322324 |
| Power and Electricity | 1541994 | 1372849 |
| Legal and Professional Charges | 1207950 | 107392 |
| Marketing & Busines Promotion Exps | 120975 | 33528 |
| Postage & Telephone Expenses | 392977 | 480613 |
| Advertisement and Publicity | 38426 | 203227 |
| Managerial Remuneration & Sitting Fee | 51000 | 55500 |
| Traveling Expenses | 1111963 | 525614 |
| Licences, Fees, Rates & Taxes | 299665 | 367564 |
| Insurance | 287119 | 352741 |
| Office Maintenance | 132817 | 167209 |

NETTLINX LIMITED
SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

| | For the year ended 31st March 2009 Rs. | Previous year ended 31st March 2008 Rs. |
|--|---|--|
| Printing and Stationery | 213932 | 188060 |
| Discount on Services & Sales | 337495 | 1953102 |
| Local Conveyance | 500538 | 527997 |
| Repairs and Maintenance | 158504 | 414666 |
| Listing, Demat and Filing Fee | 129431 | 201533 |
| Vehicle Maintenance | 267889 | 232636 |
| Audit Fees | 50000 | 62180 |
| Loss on Sale of Assets | 378831 | 81535 |
| Loss due to Forex-fluctuation | 0 | 508533 |
| Board meeting Expenses (AGM, EGM & Qtrly Exps) | 13550 | 19564 |
| Miscellaneous Exps | 36752 | 22391 |
| Computers & Networking Maintenance | 1018565 | 508253 |
| Community Development | 0 | 337500 |
| Others | 2315857 | 186164 |
| | <u>28186265</u> | <u>24556286</u> |

Schedule - 15
EMPLOYEE COST

| | | |
|---|------------------------|-----------------------|
| Salaries | 7452592 | 5874670 |
| Stipend | 1678725 | 1933062 |
| Staff Recruitment & Training | 36536 | 72480 |
| Staff Welfare | 538336 | 290365 |
| Contribution to PF, ESI & Group Insurance | 689942 | 318968 |
| Gratuity & Leave encashment | 0 | 465752 |
| | <u>10396131</u> | <u>8955297</u> |

Schedule - 16
INTEREST AND FINANCIAL CHARGES

| | | |
|-------------------------|-----------------------|-----------------------|
| Interest & Finance chgs | 7714839 | 4674392 |
| HP Finance Charges | 16368 | 33751 |
| Bank Charges | 104917 | 827920 |
| | <u>7836124</u> | <u>5536063</u> |

Schedule - 17**NOTES TO ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2009****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.

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 and completion of projects.

h) Taxes on income –

Tax expense for the year comprises of current tax and deferred tax. Current taxes are

NETTLINX LIMITED

measured at the amounts expected to be paid using the applicable tax rates and tax laws. 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) Earnings Per Share –

The earnings considered in ascertaining the Company's Earnings Per Share (EPS) comprises the net profit after tax. 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 31.03.2009 Rs. | As on 31.03.2008 Rs. |
|---|----------------------------|----------------------------|
| Unexpired Bank Guarantee (with 100% cash margin) | 12,00,000 | 12,00,000 |

3. Foreign Exchange Inflow and Outflow

| | | |
|--------------------------|-----------------|-----------------|
| Foreign Exchange Inflow | Rs. 2,66,90,909 | Rs. 3,05,26,570 |
| Foreign Exchange Outflow | Rs. 1,07,55,364 | Rs. 3,53,952 |

4. Payment to Auditors

| | | |
|---------------------------|--------|--------|
| Statutory Audit Fees | 15,000 | 15,000 |
| Tax Audit Fees | 15,000 | 15,000 |
| Tax Representation | 15,000 | 15,000 |
| Re-imbusement of Expenses | 5,000 | 5,000 |

5. Loans and advances, sundry debtors, creditors and other deposits are subject to confirmation.

6. None of the suppliers had informed the company that they are they are Micro, Small and Medium Enterprises. Hence, information regarding dues to these enterprises if any, could not be furnished.

7. Related Party Disclosures

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

Associates -

Northeast Broking Services Ltd
Northeast Commodities Pvt.Ltd

Key Management Personnel -

Dr. Manohar Lokareddy

Particulars of related party transactions –

- Northeast Broking Services Ltd:

Particulars

Associates

| | 2008-2009 | 2007-2008 |
|-----------------------------------|------------------|------------------|
| | Rs. | Rs. |
| Rent Received | 17,13,036 | 14,58,050 |
| Other Services | 2,28,650 | 2,50,000 |
| Inter Corporate Deposits placed | Nil | Nil |
| Amount outstanding as on 31.03.09 | 3,32,160 | 1,63,473 |

8. Earnings per Share

| | Year ended | Year ended |
|---|------------------------------------|------------------------------------|
| | 31st March, 2009 | 31st March, 2008 |
| a. Profit / (Loss) after Tax (Rs.) | 9,60,490 | 84,53,592 |
| b. Number of Equity Shares at the beginning of the year | 11030012 | 11030012 |
| c. Number of Equity Shares at the end of the year | 11030012 | 11030012 |
| d. Weighted average number of Equity Shares outstanding during the year | 11030012 | 11030012 |
| e. Face value of each Equity Share (Rs.) | 10 | 10 |
| f. Basic & Diluted Earnings per Share (Rs.) | 0.09 | 0.77 |

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. During the financial year the company proposed to acquire an Australian Web Hosting Company namely M/s. Anchor Systems PTY. Ltd., an Incurred an expenditure of Rs. 42,90,807/- on account of travel, legal costs etc., Consequently the proposal was dropped due to economic recession that hit the global market. The expenditure was debited to profit and loss account

11. 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

Sd/-

(M. DEVARAJA REDDY)

Partner

Membership No. 026202

Place: Hyderabad

Date: 29-08-2009

For and on behalf of the Board

Sd/-

(M. VIJAYA BHASKER REDDY)

Executive Director

Sd/-

(K. KAMESWARA RAO)

Director

Sd/-

(N. SUNDER RAJ)

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

(Rs. In lakhs)

| | Year ended 31.03.2009 | Year ended 31.03.2008 |
|--|--------------------------|--------------------------|
| A. Cash Flows from Operating Activities | | |
| Net Profit before Interest and Tax | 89.87 | 162.38 |
| Depreciation | 83.42 | 84.07 |
| Foreign exchange loss | 0 | 5.09 |
| Miscellaneous expenses written off | 0.98 | 4.88 |
| (Profit) / Loss on sale of Fixed Assets | 3.79 | 0.82 |
| Operating profit before working capital changes | 178.05 | 257.23 |
| (Increase)/ Decrease in Sundry Debtors | 15.58 | (11.81) |
| (Increase)/ Decrease in Loans and Advances | 7.12 | 313.70 |
| Increase/(Decrease) in Current Liabilities and Provisions | (10.49) | (72.49) |
| Income Taxes Paid | (11.68) | (23.16) |
| Net Cash Flow from Operation Activities | 178.59 | 463.47 |
| B. Cash Flows from investing Activities | | |
| Purchase of Fixed Assets | (98.48) | (44.00) |
| Purchase of Long term Investments | (53.52) | (964.86) |
| Proceeds from sale of Fixed Assets | 3.00 | 0.00 |
| Net Cash Flow from Investing Activities | (149.00) | (1008.86) |
| C. Cash Flows from Financing Activities | | |
| Proceeds on issue of Preferential Allotments | 0.00 | 132.75 |
| Increase in Miscellaneous expenses | 0.00 | (3.89) |
| Proceeds from Secured Loans | (87.36) | 606.02 |
| Repayment of Secured Loans | 0.00 | (8.27) |
| Financial expenses paid | (78.36) | (55.36) |
| Net cash Flow from/ (used) Financing Activities | (165.72) | 671.25 |
| Net (Decrease)/Increase in Cash and Cash equivalents during the year | (136.14) | 125.85 |
| Cash and Cash equivalents at the beginning of the year | 231.79 | 105.94 |
| Cash and Cash equivalents at the end of the year | 95.65 | 231.79 |

As per our report of even date

For DEVA & CO

Chartered Accountants

Sd/-

(M. Devaraja Reddy)

Partner

For and on behalf of the Board of Directors

Sd/-

(M. Vijaya Bhasker Reddy)

Executive Director

Sd/-

(K. Kameswara Rao)

Director

Membership No.026202

Sd/-

(N. Sunder Raj)

Director

Place : Hyderabad

Date : 29-08-2009

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
 Balance Sheet 31. 03. 2009

State Code - 01

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

Public Issue
NIL

Right Issue
NIL

Bonus Issue
NIL

Private Placement
NIL

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

Total Liabilities
244175

Total Assets
244175

SOURCES OF FUNDS

Paid-up Capital
110300

Reserves & Surplus
81179

Secured Loans
52695

Unsecured Loans
0

APPLICATION OF FUNDS

Net Fixed Assets
38942

Investments
108568

Net Current Assets
94063

Deferred Tax Asset
2309

Misc. Expenditure
292800

Accumulated Losses
NIL

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

Turnover (Gross Revenue)
56009

Total Expenditure
54858

Profit / (Loss) Before Tax
1151

Profit / (Loss) After Tax
960

Earnings per share (in Rs.)
0.09

Dividend Rate (%)
NIL

V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICE OF COMPANY

(as per monetary terms)

Item Code No.
NIL

1. Internet Service Provider
2. Software Development

For and on behalf of the Board of Directors

Sd/-
(M. Vijaya Bhasker Reddy)
 Executive Director

Sd/-
(K. Kameswara Rao)
 Director

Sd/-
(N.Sunder Raj)
 Director

Place : Hyderabad
 Date : 29-08-2009

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, 2009, 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, 2009;
 - ii. in the case of the consolidated profit and loss account, of the consolidated results of operations of the company and its consolidated entities for the year ended on that date; and
 - iii. in the case of the consolidated cash flow statement, of the consolidated cash flows of the Company and its consolidated entities for the year ended on that date.

For M/s. DEVA & CO
Chartered Accountants

Sd/-
(M. DEVARAJA REDDY)

Partner

Membership No. 026202

Place : Hyderabad
Date : 29-08-2009

NETTLINX LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009

| | SCHEDULE | As At | As At |
|--|----------|------------------------|------------------------|
| | | 31st March 2009 Rs. | 31st March 2008 Rs. |
| A) SOURCES OF FUNDS | | | |
| 1. Shareholders' Funds | | | |
| a) Share Capital | 1 | 110300120 | 110300120 |
| b) Reserves and Surplus | 2 | 79592114 | 80548237 |
| 2. Minority Interest | | 2377034 | 2209712 |
| 3. Loan Funds | | | |
| a) Secured Loans | 3 | 62857115 | 66037038 |
| b) Unsecured Loans | 4 | 4184837 | 3492505 |
| TOTAL | | <u>259311220</u> | <u>262587613</u> |
| B) APPLICATION OF FUNDS | | | |
| 1. Fixed Assets | | | |
| a) Gross Block | 5 | 276694459 | 259455879 |
| b) Less : Depreciation | | 117241174 | 102502074 |
| c) Net Block | | <u>159453285</u> | <u>156953805</u> |
| 2. Investments | 6 | 2949189 | 2502305 |
| 3. Current Assets, Loans and Advances | | | |
| a) Inventories | 7 | 445070 | 535280 |
| b) Sundry Debtors | 8 | 41483712 | 36086891 |
| c) Cash and Bank Balance | 9 | 16159232 | 33693921 |
| d) Loans and Advances | 10 | 107288992 | 131748181 |
| | | <u>165377006</u> | <u>202064273</u> |
| Less : Current Liabilities & Provisions | | | |
| a) Current Liabilities | 11 | 72137644 | 99717709 |
| b) Provisions | 12 | 2291901 | 3882514 |
| | | <u>74429545</u> | <u>103600223</u> |
| Net Current Assets | | 90947461 | 98464050 |
| 4. Deferred Tax Asset-Net | | 1863393 | 1377621 |
| 5. a) Miscellaneous Expenditure | 13 | 4097891 | 3289832 |
| (to the extent not written off or adjusted) | | | |
| TOTAL | | <u>259311220</u> | <u>262587613</u> |
| 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

Sd/-
(M. Devaraja Reddy)
Partner
Membership No.26202

For and on behalf of the Board of Directors

Sd/-
(M. Vijaya Bhasker Reddy)
Executive Director

Sd/-
(K.Kameswara Rao)
Director

Place : Hyderabad
Date : 29-08-2009

Sd/-
(N. Suder Raj)
Director

NETTLINX LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2009

| SCHEDULE | For the year ended 31st March 2009 Rs. | Previous year ended 31st March 2008 Rs. |
|---|---|--|
| INCOME | | |
| Income from services and other operations | 14 | 158493687 |
| Other Income | 15 | 16152281 |
| | <u>174645968</u> | <u>122338884</u> |
| EXPENDITURE | | |
| Operating and Administration Expenses | 16 | 110155287 |
| Personnel Cost | 17 | 33284362 |
| Financial Charges | 18 | 13452220 |
| Depreciation | | 15405292 |
| Miscellaneous Expenditure Written off | | 128286 |
| | <u>172425448</u> | <u>115896480</u> |
| Profit before Tax and Prior Period items | 2220520 | 6442404 |
| Less: Provision for Taxation : | | |
| Current Tax | 1262384 | 3019026 |
| Deferred Tax (Debit/ Credit) | (485772) | (103786) |
| Fringe Benefit Tax | 189304 | 204467 |
| Profit After Tax | 1254604 | 3322697 |
| Less: Prior Period Item / Adjustment | 190875 | 635696 |
| Profit After Tax and Prior Period items | <u>1063730</u> | <u>2687001</u> |
| Earnings per Share-basic and diluted | 0.10 | 0.24 |

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

For and on behalf of the Board of Directors

 Sd/-
(M. Devaraja Reddy)
Partner

 Sd/-
(M. Vijaya Bhasker Reddy)
Executive Director

 Sd/-
(K.Kameswara Rao)
Director

Membership No.026202

 Place : Hyderabad
Date : 29.08.2009

 Sd/-
(N. Sunder Raj)
Director

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

| | As At 31st March 2009 Rs. | As At 31st March 2008 Rs. |
|--|---------------------------------|---------------------------------|
| Schedule - 1 | | |
| SHARE CAPITAL | | |
| AUTHORISED | | |
| 2,00,00,000 Equity Shares of Rs.10/- each | 200000000 | 200000000 |
| ISSUED, SUBSCRIBED AND PAID UP | | |
| 1,10,30,012 Equity Shares of Rs.10/- each fully paid up. | 110300120 | 110300120 |
| | <u>110300120</u> | <u>110300120</u> |
| Schedule - 2 | | |
| RESERVES AND SURPLUS | | |
| Securities Premium | 25280013 | 25280013 |
| Preferential Warrants | 15000000 | 15000000 |
| General Reserve | 19798969 | 16519136 |
| Profit & Loss Account | 30445696 | 23749088 |
| | <u>90524678</u> | <u>80548237</u> |
| Schedule - 3 | | |
| SECURED LOANS : | | |
| <i>Vehicle Loans from :</i> | | |
| - ICICI Bank Ltd, Khairatabad Br, Hyd | 0 | 247500 |
| - HDFC Bank Ltd, Hyd | 1649608 | 485851 |
| Bank Loans | | |
| ICICI Bk - Term Loan (INR) | 46666667 | 61182879 |
| ICICI Bk - CC Account | 4565179 | 0 |
| HDFC Bank Ltd, (IADFAC A/c) | 979095 | 0 |
| Bank of Maharashtra - CC Account (IADFAC A/c) | 1484863 | 0 |
| Bank of Maharashtra - (IADFAC A/c) | 7511703 | 4120808 |
| | <u>62857115</u> | <u>66037038</u> |
| Schedule - 4 | | |
| UNSECURED LOANS : | | |
| Loans from Directors & Others | 4184837 | 3492505 |
| | <u>4184837</u> | <u>3492505</u> |

NETTLINX LIMITED



Schedule - 5 CONSOLIDATED FIXED ASSETS

(Amount in Rs.)

| DESCRIPTION OF THE ASSET | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|--------------------------|------------------|---------------------------|---------------------------|------------------|------------------|-----------------|---------------------------|------------------|------------------|------------------|
| | AS AT 01.04.08 | ADDITIONS DURING THE YEAR | DELETIONS DURING THE YEAR | AS AT 31.03.09 | AS AT 01.04.08 | DURING THE YEAR | DELETIONS DURING THE YEAR | TOTAL 31.03.09 | AS AT 31.03.09 | AS AT 31.03.08 |
| Good will | 3665000 | 0 | 0 | 3665000 | 0 | 0 | 0 | 0 | 3665000 | 3665000 |
| Land | 50628931 | 4711825 | 0 | 55340756.7 | 0 | 0 | 0 | 0 | 55340757 | 50628931.4 |
| Buildings | 12017910 | 0 | 0 | 12017910 | 972726 | 195892 | 0 | 1168618 | 10849292 | 11045184 |
| Plant and Machinery | 175168735 | 10778337 | 0 | 185947072 | 92007537 | 14004311 | 0 | 106011848 | 79935225 | 83161198.7 |
| Office Equipment | 3828482 | 626058 | 0 | 4454539.61 | 2148171 | 199651 | 0 | 2347822 | 2106717 | 1680311 |
| Furniture and Fixtures | 7754783 | 234443 | 0 | 7989226 | 4593171 | 485585 | 0 | 5078756 | 2910470 | 8161612.21 |
| Vehicles | 6570322 | 2037548 | 1345023 | 7262847 | 2780469 | 519853 | 666192 | 2634130 | 4628717 | 3789853 |
| TOTAL | 259634164 | 18388211 | 1345023 | 276677352 | 102502074 | 15405292 | 666192 | 117241174 | 159436178 | 157132090 |
| 31st March, 2008 | 133802377 | 50686933 | 5065595 | 179423716 | 80094731 | 6460765 | 0 | 86555496 | 92868219 | 53707646 |

CONSOLIDATED SCHEDULES TO THE BALANCE SHEET

| | As At 31st March 2009 Rs. | As At 31st March 2008 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 |

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

| | As At 31st March 2009 Rs. | As At 31st March 2008 Rs. |
|---|---------------------------------|---------------------------------|
| 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 |
| M/s.Surana Telecom. (500 Equity shares of Rs.10/- each) | 17598 | 17598 |
| ICICI Bank Ltd | 27700 | 0 |
| Sagar Cements Ltd (1050 Equity Shares of Rs. 10/- each) | 419184 | 0 |
| Sub Total : | 1633189 | 1186305 |
| 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 : | 1316000 | 1316000 |
| Total : | 2949189 | 2502305 |
| Notes: | | |
| Aggregate carrying cost of quoted Investments | 1633189 | 1186305 |
| Aggregate Market Value of quoted Investments | 208490 | 20450 |
| Aggregate cost of unquoted Investments | 1316000 | 1316000 |

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

| | As At 31st March 2009 Rs. | As At 31st March 2008 Rs. |
|--|---------------------------------|---------------------------------|
| Schedule - 7 | | |
| INVENTORIES | | |
| (At lower of cost and net realisable value) | | |
| Closing Stock | 445070 | 535280 |
| | 445070 | 535280 |
| Schedule - 8 | | |
| SUNDRY DEBTORS | | |
| (Unsecured and Considered good) | | |
| Sundry Debtors: | | |
| - Less than six months | 31040490 | 24630982 |
| - More than six months | 10443222 | 11455909 |
| | 41483712 | 36086891 |
| Schedule - 9 | | |
| CASH AND BANK BALANCES | | |
| Cash on hand | 1413848 | 473883 |
| <i>With Scheduled Banks :</i> | | |
| - In Current Accounts | 13188573 | 16779172 |
| - In Fixed Deposits / Margin accounts | 1556812 | 16440866 |
| | 16159232 | 33693921 |
| Schedule - 10 | | |
| LOANS AND ADVANCES & OTHER CURRENT ASSETS | | |
| Tax deducted at Source | 4749773 | 3517979 |
| Advance Payment of FBT | 293611 | 165914 |
| Advance Tax Payment | 28325 | 28325 |
| Trade, Staff Advances(incl.Rent Deposits) | 1839760 | 1744922 |
| Prepaid Expenses | 118622 | 15157780 |
| Other Deposits / Receivables | 55656684 | 63605061 |
| TDS Adjustment a/c | 2862989 | 2862989 |
| Loans & ICDs | 41739228 | 44660499 |
| Unmatured HP Finance charges | 0 | 4712 |
| | 107288992 | 131748181 |

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

| | As At 31st March 2009 Rs. | As At 31st March 2008 Rs. |
|---|---------------------------------|---------------------------------|
| Schedule - 11 | | |
| CURRENT LIABILITIES | | |
| Other Liabilities | 37533807 | 84602358 |
| For Supplies and Services | 13228542 | 15869137 |
| TDS Payable | 93984 | 210934 |
| Trade & Security Deposits | 1266018 | 1735461 |
| Advances from Customers | 20015293 | 594201 |
| | <u>72137644</u> | <u>103012090</u> |
| Schedule - 12 | | |
| PROVISIONS | | |
| Provision for Tax | | |
| - Current Tax | 1186065 | 2936000 |
| - Fringe Benefit Tax | 336789 | 177467 |
| Provision for Gratuity & Leave encashment | 769047 | 769047 |
| | <u>2291901</u> | <u>3882514</u> |
| Schedule - 13 | | |
| MISCELLANEOUS EXPENDITURE | | |
| (To the extent not written off or adjusted) | | |
| Deferred Revenue Expenses | 292800 | 2161579 |
| Preliminary Expenses | 1547358 | 1128253 |
| | <u>1840158</u> | <u>3289832</u> |

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | For the year ended 31st March 2009 Rs. | Previous year ended 31st March 2008 Rs. |
|---|---|--|
| Schedule - 14 | | |
| INCOME FROM SERVICES AND OTHER OPERATIONS | | |
| Domestic | | |
| Income from Bandwidth Services | 23492181 | 18610525 |
| Income from Web Solutions | 65078657 | 25812062 |
| Income from VOIP Sales | 3863435 | 2309011 |
| Income from Service | 36821096 | 27301229 |
| Analysis Charges | 13246008 | 12333573 |
| Export | | |
| Income from Software Development (export) | 15992310 | 29659088 |
| | <u>158493687</u> | <u>116025487</u> |
| Schedule - 15 | | |
| OTHER INCOME | | |
| Interest on Deposits | 565030 | 208453 |
| Interest on ICD's and Loans | 2805280 | 2744589 |
| Rental Income | 1987746 | 1873050 |
| Other Income | 5204237 | 424335 |
| Dividend Income | 7630 | 7580 |
| Equipment Rental Charges | 2351138 | 30000 |
| Income from Forex Fluctuations | 3086721 | 0 |
| Others | 144500 | 1025390 |
| | <u>16152281</u> | <u>6313397</u> |
| Schedule - 16 | | |
| OPERATING, ADMINISTRATIVE AND SALES EXPENSES | | |
| Operating expenses | 47120038 | |
| Annual Membership Fee | 175747 | 0 |
| Bandwidth, Leased Circuit Charges&Service Chrgs | 26112811 | 39273116 |
| Analysis Expenses | 2976275 | 1751285 |
| Rent & Maintenance | 3742139 | 3813613 |
| Domain Registration Expenses | 6269423 | 2322990 |
| Voip Minutes | 1584826 | |
| DID Monthly Rental | 854706 | |
| Power and Electricity | 2263437 | 1992866 |
| Legal and Professional Charges | 2460290 | 2147719 |
| Marketing & Busines Promotion Exps | 3227040 | 1427993 |
| Postage & Telephone Expenses | 785242 | 935420 |

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

| | For the year ended 31st March 2009 | Previous year ended 31st March 2008 |
|---|--|---|
| | Rs. | Rs. |
| Advertisement and Publicity | 235366 | 203227 |
| Managerial Remuneration & Sitting Fee | 51000 | 55500 |
| Traveling Expenses | 2380955 | 2051662 |
| Licences, Fees, Rates & Taxes | 323346 | 445618 |
| Insurance | 1611635 | 1232226 |
| Office Maintenance | 289702 | 377577 |
| Printing and Stationery | 214412 | 358155 |
| Commission & Discount on Services | 337495 | 1953102 |
| Local Conveyance | 707382 | 610410 |
| Repairs and Maintenance | 237330 | 554235 |
| Listing, Demat and Filing Fee | 129651 | 219126 |
| Vehicle Maintenance | 999011 | 803286 |
| Audit Fees | 144451 | 73416 |
| Loss on Sale of Assets | 378831 | 81535 |
| Loss due to Forex-fluctuation | 0 | 508533 |
| Others | 3300485 | 291164 |
| Board meeting Expenses (AGM, EGM & Qtrly Expns) | 13550 | 19564 |
| Miscellaneous Expns | 75874 | 342197 |
| Computers & Networking Maintenance | 1152837 | 686212 |
| Community Development | 0 | 337500 |
| Bad Debts Written off | 0 | 227331 |
| | <u>110155287</u> | <u>65096579</u> |

Schedule - 17**EMPLOYEE COST**

| | | |
|---|------------------------|------------------------|
| Salaries | 29159038 | 20575984 |
| Stipend | 1678725 | 1933062 |
| Staff Recruitment & Training | 954022 | 127162 |
| Staff Welfare | 583603 | 1491345 |
| Contribution to PF, ESI & Group Insurance | 908974 | 502342 |
| Gratuity & Leave encashment | 0 | 465752 |
| | <u>33284362</u> | <u>25095647</u> |

Schedule - 18**INTEREST AND FINANCIAL CHARGES**

| | | |
|------------------------------|------------------------|-----------------------|
| Interest on bill discounting | 0 | 24755 |
| Interest & Finance chgs | 9272262 | 6621268 |
| HP Finance Charges | 557620 | 90087 |
| Bank Charges | 3622338 | 2188089 |
| | <u>13452220</u> | <u>8924198</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

For and on behalf of the Board of Directors

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

Sd/-
(M. Vijaya Bhasker Reddy)
Executive Director

Sd/-
(K. Kameswara Rao)
Director

Place : Hyderabad
Date : 29.08.2009

Sd/-
(N. Sunder Raj)
Director

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

| | (Rs. In lakhs) | |
|--|--------------------------|--------------------------|
| | Year ended 31.03.2009 | Year ended 31.03.2008 |
| A. Cash Flows from Operating Activities | | |
| Net Profit before Interest and Tax | 156.73 | 153.67 |
| Depreciation | 154.05 | 164.40 |
| Foreign exchange loss | 0.00 | 5.09 |
| Miscellaneous expenses written off | 1.28 | 3.40 |
| (Profit) / Loss on sale of Fixed Assets | 3.79 | 0.82 |
| Minority Interest | 1.67 | 6.36 |
| Operating profit before working capital changes | 317.52 | 333.73 |
| (Increase)/ Decrease in Sundry Debtors | (53.97) | (68.02) |
| (Increase)/ Decrease in Loans and Advances | 244.59 | (478.34) |
| Increase in Inventories | 0.90 | (2.85) |
| Increase/(Decrease) in Current Liabilities and Provisions | (291.71) | 311.22 |
| Income Taxes Paid | (14.52) | (32.23) |
| Net Cash Flow from Operation Activities | 202.83 | 63.51 |
| B. Cash Flows from investing Activities | | |
| Purchase of Fixed Assets | (208.35) | (807.77) |
| Purchase of Long term Investments | (4.47) | 0.00 |
| Acquisition of Shares in Subsidiaries | 0.00 | 0.00 |
| Proceeds from sale of Fixed Assets | 3.00 | 0.00 |
| Net Cash Flow from Investing Activities | (209.82) | (807.77) |
| C. Cash Flows from Financing Activities | | |
| Proceeds on issuance of capital/Preferential Allotments | 0.00 | 167.94 |
| Increase in Miscellaneous expenses | (8.08) | (34.38) |
| Proceeds from Secured Loans | (31.80) | 644.49 |
| Proceeds from Unsecured Loans | 6.92 | 319.00 |
| Financial expenses paid | (134.52) | (89.24) |
| Net cash Flow from/ (used) Financing Activities | (168.36) | 1007.81 |
| Net (Decrease)/Increase in Cash and Cash equivalents during the year | (175.35) | 216.50 |
| Cash and Cash equivalents at the beginning of the year | 336.94 | 120.43 |
| Cash and Cash equivalents at the end of the year | 161.59 | 336.94 |

As per our report of even date
For **DEVA & CO.,**
Chartered Accountants

For and on behalf of the Board of Directors

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

Sd/-
(M. Vijaya Bhasker Reddy)
Executive Director

Sd/-
(K. Kameswara Rao)
Director

Place : Hyderabad
Date : 29-08-2009

Sd/-
(N. Sunder Raj)
Director

NETTLINX LIMITED

STATEMENT PURSUANT TO SECTION 212 (e) OF THE COMPANIES ACT, 1956



NETTLINX LIMITED

| 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, 2009 | March 31, 2009 | March 31, 2009 | March 31, 2009 | March 31, 2009 |
| 2 | Holding company's intres as of March 31, 2009 | 67.00% in equity shares | 100.00% in capital | 99.90% in equity shares | 100.00% 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.3,87,533/- | Rs.17,01,377/0 | Rs. 20,02,144/- | Nil | (Rs.39,87,814/-) |
| 4 | Net aggregate amount of profits/(losses) of the subsidiary for the previous financial years 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. | 12,90,656/0 | Rs.12,04,054/- | (Rs.37,23,624/-) | Nil | (Rs.45,37,677/-) |

For and on behalf of the Board of Directors

Sd/-
(M. Vijaya Bhasker Reddy)
Executive Director

Sd/-
(K. Kameswara Rao)
Director

Place: Hyderabad
Date: 29-08.2009

Sd/-
(N. Sunder Raj)
Director



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 16th Annual General Meeting of the equity shareholders to be held at Hotel Anmol Continental, Opp. Secretariat, Saifabad, Hyderabad-500 063 on Wednesday, the 30th September, 2009 at 3:30 PM.

Dated _____ this day of _____ 2009

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 16th Annual General Meeting of the Members being held at Hotel Anmol Continental, Opp. Secretariat, Saifabad, Hyderabad-500 063 on Wednesday, the 30th September, 2009 at 3:30 P.M.

*Delete whichever is not applicable.

Signature of Member/Proxy*



Your Power to Communicate

BOOK - POST

TO

If undelivered, please return to

NETTLINX LIMITED

5-9-22 3rd Floor

My Home Sarovar Plaza

Secularat Road, Sarifabad

Hyderabad - 500 063