



BROADBAND



IPTV



E-LEARNING



MOBILE



E-VIGIL

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NOTICE

NOTICE IS HEREBY GIVEN that the 26th Annual General Meeting of the Shareholders of IOL Netcom Limited will be held on Friday, the December 30, 2011 at M. C. Ghea Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai - 400 001 at 9.30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended June 2011 the Balance Sheet as on that date and the Reports of Directors and the Auditors thereon.

"RESOLVED THAT the Audited Profit and Loss Account for the year ended June 30, 2011, the Balance Sheet as on June 30, 2011, together with schedules, the Directors' Report thereon and the Auditor's Report, be and the same are hereby received, confirmed, approved, and adopted."

2. To re-appoint M/s. Dargar & Co Chartered Accountants, as Auditor of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix the Auditor's remuneration.

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s Dargar & Co, Chartered Accountants, be and is hereby reappointed Statutory Auditor of the Company to hold office from the conclusion of this Meeting up to the conclusion of the next Annual General Meeting, on a remuneration to be fixed by the Board of Directors of the Company in addition to reimbursement of all out of pocket expenses in connection with the audit of the accounts of the Company."

SPECIAL BUSINESS

3. To consider, and if thought fit, to pass, the following resolution, with or without modification(s) as special resolution:

"RESOLVED THAT Mr Siddhartha Sankar Bose be and is hereby appointed as Managing Director of the Company pursuant to Sections 198, 260, 269, 309, 310, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 for a period of one year upon the terms and conditions as decided & approved in Board Meeting, subject to approval of the shareholder in General Meeting and Central Govt.

RESOLVED FURTHER THAT the Board of Directors is authorized to make necessary changes in the term of appointment of Mr. Siddhartha S Bose within the permissible limit set out in the act and in the best interest of the company.

RESOLVED FURTHER THAT Mr Siddhartha S Bose, Managing Director of the Company, and/or Mr Rahul Dubey Company Secretary of the Company be and is/are hereby authorized to file form with mca."

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

"RESOLVED THAT in accordance with the provisions of Section 81(1A) of the Companies Act, 1956 (hereinafter referred as "Act") Securities Contracts (Regulation) Act, 1956 (SCRA), Securities Exchange Board of India Act, 1992 (SEBI), Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2011 (ICDRA Regulations), and any other applicable laws or rules and regulations, if any, (including any amendment thereto or re-enactment thereof for the time being in force), enabling provision in the Memorandum and Articles of Association of the Company, the Listing Agreement entered into by the Company with the Bombay Stock Exchange Limited and National Stock Exchange of India Limited, where the shares of the Company are listed and subject to such approvals, consents, permissions and sanctions of Government of India (GOI), Reserve Bank of India (RBI) under Banking Regulation Act, 1949 or any other applicable circular/notification issued from time to time, Foreign Exchange Management Act, 1999 (FEMA), The Registrar of Companies (ROC) and all other appropriate and/ or concerned authorities, inside or outside India, and subject to such conditions and modifications, as may be prescribed by any of them in granting such approvals, consents, permissions and sanctions which may be agreed to by the Board, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any duly authorised committee thereof for the time being exercising the powers conferred on the Board by this resolution) either to raise fund through borrowing including external commercial borrowing or to issue, offer and allot (including with provision for reservation on firm and/or competitive basis of such part of issue and for such categories of person including employees of the company as may be permitted), with and without Green Shoe option, in one or more tranche(s), in the course of domestic/international offerings to Domestic/ Foreign Investors/Institutional Investors/Foreign Institutional Investors, Members, Employees, Non-Resident Indians,

Companies or Bodies Corporate whether incorporated in India or abroad, Trusts, Mutual Funds, Banks, Financial Institutions, Insurance Companies, Pension Funds, Individuals or otherwise, whether shareholders of the Company or not, (hereinafter called as "investors") through a Rights Issue, and/or Private Placement and/or Qualified Institutions Placement (QIP) with or without an over-allotment option / Green Shoe option and/or Global Depository Receipts ("GDRs") and/or American Depository Receipts ("ADRs") and/or Foreign Currency Convertible Bonds ("FCCBs") and/or Convertible Securities and/or securities linked to equity shares or securities with warrants or a combination of the foregoing (hereinafter collectively referred to as "Securities") secured or unsecured, listed on any stock exchange inside India or any international stock exchange outside India, through an offer document and/ or prospectus and/or offer letter and/or offering circular, and/or listing particulars, as the Board in its sole discretion may at any time or times hereinafter decide, provided however the total amount raised through the aforesaid Securities should not, together with the over-allotment option/Green shoe option, if any, not exceeding Rs. 200 (Two Hundred) crores.

RESOLVED FURTHER THAT in case of any equity linked issue/offering, including without limitation, any GDR/ADR/ECB/QIPs/FCCB offering, the Board be and is hereby authorized to issue and allot such number of equity shares as may be required to be issued and allotted upon conversion, redemption or cancellation of any such Securities referred to above or as may be in accordance with the terms of issue/offering in respect of such Securities and such equity shares shall rank pari-passu with the existing equity shares of the Company in all respects except provided otherwise under the terms of issue/offering and in the offer document and/or prospectus and/or offer letter and/or offering circular and/or listing particulars.

RESOLVED FURTHER THAT the Company and/or any entity, agency or body authorized and/or appointed by the Company, may issue depository receipts representing the underlying Securities issued by the Company in negotiable, registered or bearer form with such features and attributes as are prevalent in international capital markets for instruments of this nature and to provide for the tradability and free transferability thereof as per international practices and regulations (including listing on one or more stock exchange(s) inside or outside India) and under the forms and practices prevalent in the international markets.

RESOLVED FURTHER THAT the consent of the Company be and is hereby granted in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to all necessary approvals, to the Board to secure, if necessary, all or any of the above securities to be issued, by the creation of mortgage and/or charge on all or any of the Company's immovable and/or movable assets, both present and future, in such form and manner and on such terms as may be deemed fit and appropriate by the Board.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board, in consultation with the Lead Managers, Underwriters, Advisors and/or other persons as appointed by the Company, be and is hereby authorized to determine the form, terms and timing of the issue(s)/offering(s), including the investors to whom the securities are to be allotted, issue price, face value, number of equity shares or other securities upon conversion or redemption or cancellation of the Securities, the price, premium or discount on issue/conversion of securities, rate of interest, period of conversion, listing on one or more Stock Exchanges in India and/or abroad and fixing of record date or book closure and related or incidental matters, as the Board in its absolute discretion may deem fit and accept any modifications in the proposals as may be required by the authorities in such issues in India and/or abroad.

RESOLVED FURTHER THAT such of these Securities as are not subscribed may be disposed off by the Board in its absolute discretion in such a manner, as the Board may deem fit and as permissible by law.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary or desirable, including without limitation to settle any question, difficulty or doubt that may arise in regard to the offer, issue and allotment of the Securities.

RESOLVED FURTHER THAT the Board be and is hereby authorized to accept any modification in the proposal as may be required by the authorities involved in such issues but subject to such conditions as the SEBI/GOI/RBI or such other appropriate authorities, inside or outside India, may impose at the time of their approval and as agreed to by the Board.

RESOLVED FURTHER THAT the Board may and is hereby entitled to appoint or enter into and execute all such arrangements/agreements, with, any Lead Manager(s) Underwriter(s)/Guarantor(s)/Depository(ies)/Listing Agent(s)/Trustee(s)/Legal Counsel/Custodian(s)/ Process Agent(s)/Advisor(s) and all such agencies or entities, inside or outside India, as may be involved or concerned in such issue/offering of Securities and to remunerate all such agencies and entities as may be involved in cash or otherwise including by way of payment of commission, brokerage, fees, expenses incurred in relation to the issue/offering of Securities and other expenses, if any or the like, subject to applicable laws and regulations."

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NOTES:

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business under item no. 3 and 4 is annexed hereto and forms an integral part of this notice.
2. A SHAREHOLDER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ANOTHER PERSON (WHETHER A SHAREHOLDER OR NOT) AS HIS/HER PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER. A PROXY SO APPOINTED SHALL NOT HAVE ANY RIGHT TO SPEAK AT THE MEETING AND SHALL BE ENTITLED TO VOTE ONLY UPON A POLL.
3. The instrument(s) appointing the Proxy, if any, shall be delivered at the Registered Office of the Company not less than forty eight (48) hours before the commencement of the Meeting and the instrument of proxy shall be treated as invalid in case of default.
4. The Register of Members and Share Transfer Register of the Company will remain closed from 26th December 2011 to 30th December 2011 (both days inclusive) to comply with Annual Book Closure requirements.
5. Members desiring any information with regard to accounts or operations are requested to write to the Company at an early date so as to enable the Management to keep the information ready.
6. Members holding shares under multiple folios in the identical order of names are requested to consolidate their holdings into one folio. Members are requested to immediately notify any change in their registered address specifying full address with Pin Code Number and quoting their registered Folio No. to the Company.
7. All documents and agreements refer to in the Notice and Explanatory statement are open for inspection at the Registered Office of the Company on all working days, except holidays, between 10.00 A.M and 1.00 P.M. up to the date of Annual General Meeting

For and on Behalf of the Board of Directors

Place : Mumbai
Date : November 14, 2011

Rahul Dubey
Company Secretary

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

Item no 3:

Mr. Siddhartha S Bose has been reappointed as Managing Director of the Company for a further period of one year.

I. The following information is given below:

GENERAL INFORMATION:

1. Nature of Industry: Internet Service Provider
2. Date or expected date of commencement of commercial production: Not Applicable. The company is an existing Company.
3. In case of new companies, expected date of commencement of activities as per project approved by the financial institutions appearing the prospectus: Not applicable
4. Export performance and net foreign exchange earning, if any: Revenue (Export): Nil
5. Foreign Investment or collaboration, if any: Not Applicable

II. Information about the Appointee:

1) Background Details:

Mr Siddhartha Bose is M. Com & MBA (Finance) with 21 years rich cross-vertical exposure in the field of accounts, finance, commercial and general management. He was also associated with leading academic institutions. He does not hold any shares in the company.

2) Remuneration proposed:

Rs. 1,15,000 per month including other allowances, perquisites, benefits as stated in the Notice.

- 3) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel if any: The appointee has no pecuniary relationship directly or indirectly with the company.

III. OTHER INFORMATION:

Reason for loss or inadequate profits: Due to the global downturn in the ISP business for last couple of years and higher operating cost, the company has incurred losses so far. The main features of the term and condition are as follows:

- a. Salary: Rs.1,15,000/- per month, including dearness allowance, all other allowances and perquisites.
- b. Allowance & Perquisites: The Managing Director shall be entitled to perquisites including free furnished accommodation or house rent in lieu thereof, medical reimbursement and Leave Travel concession for self and family, medical and personal accident insurance, Annual Bonus etc. in accordance with the rules of the Company which shall be the part of salary.
- c. The Managing Director shall be entitled to Company's Provident Fund, Superannuation Fund and Annuity Fund up to tax exempt limit, benefit of Gratuity and Pension Scheme for the Senior Management Staff, earned leave, encashment of leave at the end of the tenure and long service awards, as per the Rules of the Company and these shall not be included in the Computation of perquisites.
- d. Car for use on Company's business, telephone and other communication facilities at the residence will not be considered as perquisites.
- e. The Managing Director shall be entitled to payment of performance Bonus at the end of his term as Managing Director, based on the improved profitability of the Company during the year and also after reviewing his performance by the Board of Directors. The amount of performance Bonus shall not exceed 20% of the salary may be paid as may be decided by the Board for future.

None of the Directors of the Company except Mr. Siddhartha S Bose are in any way concerned or interested in the proposed resolution except as a Shareholder of the company.

The resolution set out at Item No. 3 is to be considered accordingly and the Board recommends the same for the approval of the shareholders.

A copy of the draft Agreement entered into between the Company and Shri Siddhartha S Bose will be available for inspection by members at the Registered Office of the Company between 10.00 a.m and 12.00 noon on any working days upto and including the date of the Annual General Meeting.

Item No: 4

The Board has decided to restructure the company, keeping in view the global corporate changes in order to face the global challenges, by way of merger/amalgamation/acquisition or any other modes, which are more feasible, as well as to complete the various agreements, entered or required to be entered with any Govt. authority, statutory authorities or corporate bodies, General Corporate Purposes, Working Capital requirement and payment of various liabilities including Statutory liabilities, if any, due to the company under various acts and any other activity which the Board may decide for the growth of the company.

None of the Directors of the Company are in any way concerned or interested in the proposed resolution except as a Shareholder of the company.

The resolution set out at Item No. 4 is to be considered accordingly and the Board recommends the same for the approval of the shareholders.

For and on Behalf of the Board of Directors

Place : Mumbai
Date : November 14, 2011

Rahul Dubey
Company Secretary

Terminology

Broadband Internet

The term broadband means wide bandwidth and it is a measure of the amount of information that a connection can send over phone lines, cables satellite and wireless connections. Larger the bandwidth faster the information can be transmitted. In broadband, the band is wider hence it can transfer information at 10 times the speed of a normal 56K dial-up. The company is currently providing Broadband Internet services to residential and corporate users through its optical fibre network.

Internet Protocol Television (IPTV)

IPTV is a system where a digital television service is delivered using Internet Protocol (IP) over a network infrastructure, which includes delivery by a broadband connection. IPTV makes your television experience more interactive and personalized. The term 'IP' in its name stands for internet protocol and refers to a method of sending information over a secure, tightly managed network that results in a superior entertainment experience's advertising

Triple play

The commercial bundling of IPTV, VoIP and Internet access is referred to as a Triple Play. The service is all set to pose a significant challenge to established cable and satellite services. Triple Play implies high-speed Internet, television and telephone service over a single broadband connection. With wireless, it's called Quadruple Play and grouped services (triple and quadruple) are called multi-play.

Video on Demand (VoD)

VoD system allows users to select and watch/listen to video content on demand. Memory-based VOD streaming systems have the advantage of being able to perform trick modes directly from RAM, which requires no additional storage or CPU cycles on the part of the processor. The function pause, fast forward, fast rewind, slow forward, slow rewind, jump to previous/future frame etc are called as trick modes. The content not only includes "Hollywood", "Bollywood" and other regional movies but also the TV programmes can be stored on the server for a certain time period after broadcast.

Music on Demand

This is similar to VoD service. With the server having music content for listening over Internet protocol (IP).

Interactive Learning

It includes Interactive Learning in passive mode, which is merely observing a learning process or just listening to information and Interactive learning online. Interactive learning online is learning through various media such as video, sound, graphics, animation and text. These media are structured in such a way that the audience has control over their presentation. The interactive learning online makes the Learning more entertaining and interactive.

E-services

E-services are a business concept through which many business services can be provided using the World Wide Web. It is an evolution of E-business into a new phase. These services can be done either at the website/vendor or at the consumer end.

E-Solutions

This term became popular in the business world because it was used to describe some products or services that when bundled together would lead to a complete solution. For example, Microsoft Office isn't just a suite of applications; it's a total office solution.

E-commerce

E-commerce (electronic commerce or EC) is the buying and selling of goods and services on the Internet, especially the World Wide Web.

VoIP

VoIP is a technology that allows telephone calls to be made over computer networks like the Internet. VoIP converts analog voice signals into digital data packets and supports real-time, two-way transmission of conversations using Internet Protocol (IP). VoIP offers a substantial cost savings over traditional long distance telephone calls.

Digital signage

Digital signage is a form of electronic display that shows information, advertising and other messages. Digital signs (such as LCD, LED, plasma displays, or projected images) can be found in public and private environments, such as retail stores and corporate buildings. The benefits of digital signage over traditional static signs are that the content can be exchanged more easily, animations can be shown, and the signs can adapt to the context and audience, even interactively. Digital signage also offers superior return on investment compared to traditional printed signs.

Network Personal Video Recorder (NPVR)

NPVR technology operates in the same manner as VoD except here the consumer decides what to record rather than the operator. The content hence recorded is kept on the domain dedicated to the subscriber on the server instead of local hard disk. Similarly, personal pictures/videos can be kept on the server and shared with the user group.

Gaming on Demand

With gaming-on-demand, subscriber can download and play some of the best computer games in the world. The service will also enable the subscriber to play online multi user games with other subscribers. In multi-user games, gamer buy the game and interact with other players and gaming environment on a central server via the network, in real-time or near real-time.

Video Conferencing

A videoconference is a live connection between people in separate locations for the purpose of communication, usually involving audio and often text as well as video. It provides transmission of full-motion video images and high-quality audio between multiple locations

E vigil:

E-Vigil's is a secured smart surveillance network, via Fiber and the Wireless. It is a next generation video surveillance systems are Open Standard Based, IP-Network-Centric, providing several benefits over traditional passive CCTV.

Internet data center:

They are the storehouses of information like text, images, and audio and video stored in data form. The data centers have rows and rows of racks that contain multiples of high-powered servers that host million of data and ensure that the data are available all the times. IOL Data Center provides complete physical, technical & secured structure where the critical business application is managed round the clock.

Channel on demand:

It works in the same way as VOD applications. In this service different genres of the channel available can be created and viewed. Specific groups can thus be separately catered.

VISION

*To use Next Generation Network (NGN) to create unified national
and international intraline communications.*

CORPORATE INFORMATION

BOARD OF DIRECTORS

Shri A. S. Oberai

Shri Siddhartha S Bose

Shri P. L. Chaturvedi

COMPANY SECRETARY

Shri Rahul Dubey

BANKERS

Bank of India, ING Vysya Bank

AUDITORS

Dargar & Co.

Chartered Accountants

58, Maharastra Bhavan, 4th Floor,

Nr. Handloom House, Bora Masjid Street,

Fort, Mumbai - 400 001.

Telephone: 6633 5498

REGISTERED OFFICE & CORPORATE OFFICE

813, Raheja Centre, Nariman Point,

Mumbai 400 021

Tel. No. + 91 22 2284 0415

Fax No. + 91 22 2284 0415

E-mail: invsrel@iolnetcom.com

REGISTRAR & TRANSFER AGENT

Bigshare Services Private Limited

E-2/3 Ansa Industrial Estate

Saki Vihar Road, Saki Naka

Andheri (East), Mumbai 400 072

Tel: + 91 22 2847 0652

Fax: + 91 22 2847 5207

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 26th Annual Report on the business and operations of your Company and the Audited Financial Statements for the year ended 30th June 2011.

FINANCIAL RESULTS

(Amount in Rupees)

Particulars	For the year ended	
	30th June 2011	30th June 2010
Total Income	1,14,52,319	9,19,11,110
Total Expenditure	2,45,31,610	16,07,80,182
Profit / (Loss) before interest and depreciation	(1,30,79,291)	(6,88,69,072)
Less: Interest	55,88,819	61,07,570
Depreciation	10,66,92,378	14,07,88,162
Profit / (Loss) before prior period expenses	(12,53,60,488)	(21,57,64,804)
Less: Prior period Expenses	0.00	0.00
Profit / (Loss) Before Tax	(12,53,60,488)	(21,57,64,804)
Less : Fringe Benefit Tax	-	8,22,000
Deferred Tax	-	-
Profit / (Loss) After Tax	(12,53,60,488)	(21,65,86,804)
Balance brought forward	(67,90,22,597)	(46,24,35,792)
Balance carried to Balance Sheet	(80,43,83,085)	(67,90,22,597)

Transfer to Reserves

In view of the loss incurred by the Company for the year ended June 30, 2011 no amount is proposed to be transferred to the Reserves.

Dividend

In view of the loss incurred during the year, your Directors do not recommend any dividend.

Capital Expenditure

The Company has made no capital expenditure during the financial year.

Review of Operations

The company has achieved net sales of Rs. 114.52 lacs during the year end June 30, 2011 as against sale of Rs. 919.11 lacs during the previous year, a decrease by 87.54%. The net loss for the year ended June 30, 2011 increased to Rs. 912.26 lacs from previous year. On a paid up capital of Rs. 2939.14 lacs the earning per share work out to Rs. (4.58).

SIGNIFICANT CORPORATE DEVELOPMENTS

The Board has forfeited the 92,50,000 warrant issued on November 28, 2001 and December 1, 2009 due to non receipt of the remaining amount within the period of 18 month from the date of allotment. The period of 18 month expire on May 2011. The company has obtained listing approval from NSE of 20,38,043 equity shares allotted to HT Media Ltd. on December 29, 2009. However the listing approval from BSE is still in process.

SUBSIDIARY COMPANY

There is no subsidiary company as on date.

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DISCLOSURE OF EMPLOYEE STOCK OPTIONS AS PER SEBI (EMPLOYEE STOCK OPTION SCHEME AND EMPLOYEE STOCK PURCHASE SCHEME) GUIDELINES, 1999

As of date, Company has not granted any options under the ESOP Scheme 2005.

PUBLIC DEPOSITS

Your Company has neither invited nor accepted or renewed any deposits from the public during the year under report.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of the Company, Shri P L Chaturvedi, Independent Director of the Company, who is due to retire at the forthcoming Annual general meeting has given his unwillingness for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to requirement under Section 217(2AA) of the Companies Act, 1956 and based on the representations received from the Operating Management and on the basis of discussion with Statutory Auditors, the Board of Directors hereby confirms;

- in the preparation of the annual accounts for the financial year ended 30th June 2011, the applicable accounting standards have been followed along with proper explanation relating to all material departures;
- that the Directors had selected such accounting policies and have applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true & fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;
- that 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 the Company and for preventing and detecting fraud and other irregularities;
- that the Directors have prepared the annual accounts for the financial year ended 30th June 2011 on a 'going concern' basis.

COMMITTEE

There are no Committee after the death of Shri S N Parikh. The Company is in process of appointment of new Independent Directors.

REPORT ON CORPORATE GOVERNANCE

The Company has made due compliance revised clause 49 of the listing agreement.

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a Management Discussion and Analysis Report and a Corporate Governance Report are made as a part of this Annual Report.

A Certificate from the Chartered Accountant in practice regarding compliance of the conditions of Corporate Governance as stipulated by Clause 49 of the Listing Agreement is attached to this report.

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

The information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, with respect to this matter is appended hereto and forms part of this report.

EMPLOYEES

There are no employee which information is furnished as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

AUDITORS

M/s Dargar & Co., Chartered Accountants, the Auditors of your Company, holds office till the conclusion of the ensuing Annual General Meeting and is eligible for re-appointment. The Company has received a letter from M/s. Dargar & Co., to the effect that their appointment as Auditors, if made would be within the limits under Section 224(1-B) of the Companies Act, 1956.

AUDITORS' REPORT

The observation of Auditors contained in their report have been adequate, dealt with in the notes to accounts given in schedule 'N' which are self-explanatory and therefore do not call for any comments.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Since the Company is a provider of telecommunication services, most of the information as required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988, as amended is not applicable. However, the information as applicable has been given in annexure A to this report.

APPRECIATION

Your Directors would like to place on record their sincere gratitude to the Stakeholders, Department of Telecommunications (DoT), Telecom Regulatory Authority of India (TRAI), the Central Government, the State Governments, Financial Institutions, Business Associates and Company's Bankers for their continued support and faith in the Company. Your Directors are also happy to place on record their appreciation for the whole-hearted co-operation, commitment and contribution made by all the employees and look forward to their continued support.

For and on behalf of the Board of Directors

Sd/-

**Siddhartha S Bose
Managing Director**

Place: Mumbai

Date: November 14, 2011

ANNEXURE "A" TO THE DIRECTORS' REPORT:

Information as per Section 217(1) (e), of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year 2010 - 2011

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

IOL Netcom Limited, being a telecommunications service provider, the information in Part A and B pertaining to conservation of energy and technology absorption are not applicable to the Company.

However, the Company requires energy for its operations and every endeavour has been made to ensure the optimal use of energy, avoid wastage and conserve energy as far as possible.

Research and Development (R&D)

No Research and Development has been carried out by Company in current Financial year.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

During the year under review earning from foreign currency transaction was Nil.

For and on behalf of the Board of Directors

Sd/-

**Siddhartha S Bose
Managing Director**

Place: Mumbai

Date: November 14, 2011

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Management Discussion & Analysis

(Pursuant to clause 49(IV)(F) of the Listing Agreement)

Management Discussion and Analysis report should include discussion on the following matters within the limits set by the company's competitive position:

1. Industry structure and developments

Despite the overall slowdown and driven by unprecedented demand for mobile phone connections, the Indian telecom industry grew at a rapid pace. The number of telephone subscribers in India increased from 787.28 million in Dec-10 to 846.32 million at the end of Mar-11, registering a sequential growth of 7.50% over the previous quarter as against 8.85% during the QE Dec-10. This reflects year-on-year (Y-O-Y) growth of 36.22% over the same quarter of last year. The overall Teledensity in India has reached 70.89 as on 31st March 2011.

Table 1.1: Subscriber Base & Teledensity - Rural & Urban Quarter ending

	Subscriber Base (million)		Teledensity	
	Rural	Urban	Rural	Urban
Mar-10	200.68	420.60	24.27	119.77
Jun-10	219.09	452.59	26.43	128.20
Sep-10	236.21	487.07	28.42	137.25
Dec-10	259.78	527.50	31.18	147.88
Mar-11	282.23	564.08	33.79	157.32

total wireless (GSM + CDMA) subscriber base registered a growth of 7.90% over the previous quarter and increased from 752.19 million at the end of Dec-10 to 811.59 million at the end of Mar-11. The year-on-year (Y-O-Y) growth over the same quarter of last year is 38.89%. Wireless Teledensity increased from 63.22 to 67.98.

Table 1.7: Wireless Subscriber Base & Teledensity - Rural & Urban Quarter ending

	Subscriber Base (million)		Teledensity	
	Rural	Urban	Rural	Urban
Mar-10	190.88	393.45	23.08	112.03
Jun-10	209.63	425.87	25.29	120.63
Sep-10	227.08	460.63	27.32	129.80
Dec-10	250.89	501.30	30.11	140.53
Mar-11	273.54	538.05	32.75	150.06

Internet subscribers increased from 18.69 million at the end of Dec-10 to 19.67 million at the end of Mar-11, registering a quarterly growth rate of 5.29%. Top 10 ISPs together hold 94.76% of the total Internet subscriber base. Number of Broadband subscribers increased from 10.99 million at the end of Dec-10 to 11.89 million at the end of Mar-11, registering a quarterly growth of 8.17% and Y-O-Y growth of 35.49%.

Maharashtra is having largest Internet (<256 Kbps) and Broadband (>=256 Kbps) subscriber base in the country. Tamil Nadu is at second place in internet and broadband subscriber base. In all the Top 10 states, the number of broadband subscribers is more than the number of Internet subscribers

The next evolution of broadband services must combine support for advanced applications like voice, video, multimedia, etc, with security to protect both the network and the end user. However, with a converged network infrastructure, service providers can offer voice, video and data - or "Triple Play" - over a single connection to corporate and residential customers. Delivering triple play services over broadband is the next revenue-generating objective for operators and service providers.

Regulatory changes

The Telecom Regulatory Authority had recommended that the unlinking / down linking guidelines should be amended to enable the broadcasters to provide signals to all distributors of TV channels including IPTV service providers The

Authority has held interactive discussions with the broadcasters to obtain a general consensus to adopt non-discriminatory price regime for IPTV and DTH services provide. TRAI has also issued consultation paper on NGN with an objective to develop a suitable regulatory framework for smoother and faster march towards NGN.

2 Opportunities and Threats:

Opportunities:

With the increasing consumer demand for the high quality and content delivery of media services, IPTV has a great potential to tap the market since it not only offers entertainment, but can also provide Internet data services, telephony, e-government and video streaming. The company is enhancing their position to exploit the opportunity. The company is a metro Ethernet fiber network infrastructure company with a fully integrated backbone network, featuring "1-1000 Mbps" access which provides superior network experience over its competitors.

Threats:

The company is facing stiff competition from various similar service providers. Moreover penetration of fast internet, needed for delivering good quality IPTV content is still lacking in pace and quality. The growing number of wireless connections is also hurting the growth of IPTV, which requires a fixed line broadband connection to work effectively. High price of IPTV in comparison to DTH and CAS remains a challenge as consumer remains unsure to invest in a new technology. Intellectual property rights issue regarding converting broadcasts into content for IPTV is still not resolved. Though TRAI is expected to resolve the same in the near future but further delay will hamper the incorporation of contents and features in IPTV services. Lack of Consumer awareness lowering the barriers to change which is traditionally high in Indian consumers.

3 Segment-wise or product-wise performance

The company has operated in one segment and the major revenue of the company comes from lease of optical fiber.

4 Outlook

We believe that IOL Netcom Limited will benefit from the overall economic growth based on:-

- Growth potential and track record of ability to penetrate into the market with cutting edge
- our ability to maximize returns on investment
- Expansion of network and covering the untapped urban/rural areas.

We firmly believe that we will continue to provide unique and innovative products and services to our customers that will help us further consolidate our market leadership

5 Risk and Concern

Our major risk and concern are:

- Change in Rules and Regulation by the Government
- Technical failures and natural disasters
- Change in Technology

6 Internal Control system and their adequacy

The Company believes in formulating adequate and effective internal control systems and implementation of the same results in safeguards of assets and interests of the Company as well as reliability & accuracy of accounting data. Management Information System (MIS) forms an integral part of the Company's control mechanism, where all operating parameters are monitored and controlled.

7 Financial Performance Vs. Operational Performance

The company has achieved net sales of Rs. 114.52 lacs during the year end June 30, 2011 as against sale of Rs. 919.11 lacs during the previous year, a decrease by 87.54%. The net loss for the year ended June 30, 2011 increased to Rs. 912.26 lacs from previous year. On a paid up capital of Rs. 2939.14 lacs the earning per share work out to Rs. (4.58).

8 Development in Human Resources

The focus of Human resource is on building and developing intellectual capital through innovative ideas and by providing the training of the employees is an on going process. The industrial relation climate of the Company continues to remain harmonious with focus on quality and safety.

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CORPORATE GOVERNANCE REPORT (Pursuant to Clause 49(VI) of the Listing Agreement)

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company has always been committed to the principles of good Corporate Governance. The Company's philosophy on Corporate Governance does not mean only total transparency, integrity and accountability of the management team but also to maximize shareholder's value and protection of the interests of all the stakeholders. The affairs of the Company are conducted in strict compliance with all applicable laws, policy requirements and ethical guidelines which helps in achieving its objective in relation to its shareholders, employees, customers, suppliers, regulatory authorities and society at large.

It is a recognized philosophy of the company that effective and good Corporate Governance is a must, not only in order to gain credibility and trust, but also as a part of strategic management for the survival, consolidation and growth.

2. BOARD OF DIRECTORS

The current strength of the Board of Directors of the Company is Three. The Board has an optimum mix of executive and non-executive directors i.e. one executive director, one Non-Executive Director and one Independent Director.

During the year 2010-2011, the board met 6 times on the following dates namely 13th August 2010, 16th September 2010, 26th November 2010, 4th January 2011, 14th February 2011 & 14th May 2011, there was no time gap of four months or more between any two meetings.

The following table gives details of directors, attendance of directors at the board meetings and last Annual General Meeting held on Friday, 31st January 2011 as well as number of membership held by directors in the board / committees of various companies :-

Name	Category	Attendance Particulars		Number of other directorships** and Total Committee*** member/Chairmanships (excluding IOL Netcom Ltd.)		
		Board Meetings	Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
Shri A. S. Oberai	NED	6	N	-	-	-
Shri S.N. Parikh (death 1 st March 2011)	ID	5	N	2	-	-
Shri P.L. Chaturvedi	ID	6	N	1	-	-
Shri Hemantkumar R Thakur (Retired on 31 st Jan 2011)	ID	4	N	-	-	-
Shri Siddhartha S Bose (Appointed on 25 th Aug 2010)	MD	5	Y	1	-	-

* "NED"-Non Executive Director, "MD" = Managing Director, "ID" = Independent Director; "Y"= Yes; "N"= No

** No. of Directorship excluding directorship in foreign company, Alternate directorships, Companies registered under Section 25 of Companies Act, 1956 and private companies.

*** Committees includes Shareholders / Investors Grievance Committee and Audit Committee

Appointment and Re-appointment of Directors

As required under Clause 49(VI) of the Listing Agreement the brief details of the directors seeking re-appointment at the ensuing Annual General Meeting are furnished hereunder :-

Mr. P L Chaturvedi, Independent Director of the company, retire by rotation shows his unwillingness for re-appointment.

3. AUDIT COMMITTEE

Brief description of terms of reference

The terms of reference of this Committee are wide enough to cover the matters specified for audit committees in Clause 49 of the Listing Agreement as well as in Section 292A of the Companies Act, 1956. They are as follows:

- a. Oversight of the company's financial reporting process and the disclosure of its financial information.
- b. Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- c. Reviewing with management the annual financial statements before submission to the board, focusing primarily on (i) any changes in accounting policies and practices (ii) major accounting entries based on exercise of judgment by management (iii) qualifications in draft audit report (iv) significant adjustments arising out of audit (v) the going concern assumption (vi) compliance with accounting standards (vii) compliance with stock exchange and legal requirements concerning financial statements and (viii) any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.
- d. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- e. Reviewing the adequacy of internal audit functions.
- f. Discussion with internal auditors any significant findings and follow up there on.
- g. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- h. Discussion with external auditors before the audits commences nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- i. Reviewing the company's various financial and risk management policies.
- j. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

Composition of the Audit Committee and attendance of members

The Committee comprises of Two Independent Directors Shri P. L. Chaturvedi and Late Shri S. N. Parikh and One Non Executive Director, Shri A. S. Oberoi reconstituted on September 16, 2010 and comprises of three Independent directors, Shri P L Chaturvedi, Shri Hemantkumar R Thakur, Late Shri S N Parikh and one Executive Director Shri Siddhartha S Bose. Shri P. L. Chaturvedi, Independent Director, is Chartered Accountant by profession and having wide experience on financial and taxation issues while other members of the committee are financially literate within the meaning of Clause II (A) Explanation 1 of Clause 49 of the Listing Agreement. There was no Audit Committee after the death of Shri S N Parikh.

The Company Secretary of the Company acts as the Secretary to the Committee.

During the year 2010-2011, the Audit Committee met 6 times on the following dates 13th August 2010, 16th September 2010, 26th November 2010, 24th December 2010, 4th January 2011 & 14th February 2011

Name of Member	Designation	Attendance
Shri P. L. Chaturvedi	Chairman	6
Shri S. N. Parikh	Member	6
Shri Hemantkumar R Thakur	Member	3
Shri Siddhartha S Bose	Member	4

4. EXECUTIVE COMMITTEE

- Brief description of terms of reference

The Committee is responsible for raising of fund from various sources and review the end use of the fund raised. The committee also sees that all the statutory compliance has been done on time and all requisite statutory approval are in place.

- Details of composition of Executive Committee

The Committee comprises of Two Independent Directors Shri P. L. Chaturvedi and Late Shri S. N. Parikh and One Non Executive Director, Shri A. S. Oberoi reconstituted on September 16, 2010 and comprises of one Non-executive Director Shri A S Oberai, One Independent directors Late Shri S N Parikh, and one executive Director Shri Siddhartha S Bose. There was no Executive Committee after the death of Shri S N Parikh.

The Company Secretary of the Company acts as the Secretary to the Committee.

The Committee do not met during the year.

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5. Remuneration Committee

□ Brief description of terms of reference

The Committee is in charge of formulating and recommending to the Board, from time to time, the sitting fees payable to the non-executive directors and remuneration payable to the Executive directors of the Company. The Committee is also responsible for implementation and supervision of the ESOP scheme.

□ Details of composition of Remuneration Committee

The Committee comprise of Two Independent Directors Mr. Sanjay Jagtap and Late Shri S. N. Parikh and One Non Executive Director Shri A. S. Oberoi reconstituted on September 16, 2010 and comprises of three Non-executive and Independent directors i.e Late Shri S N Parikh, Shri P. L.Chaturvedi and Shri. Hemat Kumar H Thakur. There was no Remuneration Committee after the death of Shri S N Parikh.

The Company Secretary of the Company acts as the Secretary to the Committee.

The meeting of the Committee held on November 26, 2010.

□ Remuneration to Director

Details of Remuneration paid to Executive director for the year ended June 30, 2011

Name	Salary payment (in Rs.) per month
Shri Siddhartha S Bose	1,15,000

Details of sitting fees paid to Non Executive directors for the period ended June 30, 2011

Name of Directors	Relationship with the other Directors	No of Board Meeting Attended @ Rs. 20000 per meeting	Total Sitting Fees (in Rs.)
Shri S.N. Parikh	No	5	100000
Shri P.L. Chaturvedi	No	6	120000
Shri Hemantkumar R Thakur	No	4	80000
Shri A S Oberoi	No	6	120000

Non executive Directors of the Company do not have any pecuniary relationship with the Company other than sitting fees.

6. SHARE TRANSFER AND SHAREHOLDERS' GRIEVANCE COMMITTEE

□ Brief description of terms of reference

To approve transfer, transmission, sub-division and issue duplicate/ re-materialization of shares and for redressal of investor complaints.

□ Details of composition of Share Transfer and Shareholder's Grievance Committee

The Committee comprises of Two Independent Directors Shri P. L. Chaturvedi and Late Shri S. N. Parikh and One Non Executive Director, Shri A. S. Oberoi reconstituted on September 16, 2010 and comprises of two Independent Directors Shri S N Parikh & Shri P. L.Chaturvedi and one Executive Director Shri Siddhartha S Bose. There was no Share Transfer & Share holder Grievances Committee after the death of Mr S N Parikh.

The Company Secretary of the Company acts as the Secretary to the Committee.

The Committee don't met during the year.

The details of shareholders' complaints status is as follows:

Particulars	Period ended March 31, 2009			
	Q1	Q2	Q3	Q4
Shareholders' complaints received	Nil	Nil	Nil	Nil
Shareholders' complaints solved	Nil	Nil	Nil	Nil
Shareholders' complaints pending	Nil	Nil	Nil	Nil

7. GENERAL BODY MEETING

Details of location of the last three Annual General Meetings and the details of special resolutions passed by Postal Ballot.

Year	Date & Time	Venue	Special Resolutions (if any) passed in the AGM
2007-08	September 30, 2008 at 4:30 p.m.	Utsav Hall, Samrat Hotel, Prem Court, J. Tata Road, Mumbai 400020	5
2008-09	October 30, 2009 at 11.00 a.m.	Kailash Prabhat Restaurant, Crystal Plaza, Link Road, Andheri (W), Mumbai-53	4
2009-10	January 31, 2011 at 9.30 a.m.	M C Ghea Hall, Boghila Hargovindas Building, 4th Floor, 18/20, K Dubash Marg, Kala, Ghoda, Mumbai - 400 001	2

8. **Postal Ballot Procedure:** There was no Postal Ballot has been conducted during the year.

9. DISCLOSURES

- (a) Disclosures on materially significant related party transactions i.e. transactions of the company of material nature, with its promoters, the directors of the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.

None of the transactions with any of the related parties were in conflict with the interests of the Company.

- (b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

There were no instances of non-compliance of any matter related to the capital markets during the last three years.

- (c) Whistle Blower Policy and affirmation that no personnel has been denied access to the Audit Committee

Every employee is free to access Audit Committee.

- (d) Adoption of Non Mandatory requirements: The Listing Agreement contains a list of non mandatory requirements in the Corporate Governance clause. However in order to keep the spirit, the Company has adopted certain non mandatory requirements of Corporate Governance as enumerated in the said Agreement.

The Company has constituted a Remuneration Committee, though not mandatory, as per the Listing Agreement. Details of the Remuneration Committee have been mentioned in paragraph 5 of this Report.

The Company did not undertake any training programme for the Board members during the year ended June 30, 2011.

The employees of the company are free to report to management about unethical behaviour, actual and suspended fraud or violation of company code of conduct or ethics policy.

10. MEANS OF COMMUNICATION

The financial results and other information of the Company are available on Company's website www.iolnetcom.com on BSE's website www.bseindia.com and on NSE's website www.nseindia.com.

Publication of Financial Results and Notice: The Asian Age and Mumbai Mitra.

Other announcements are available on BSE, NSE and Company's websites.

11. MANAGEMENT DISCUSSION & ANALYSIS

The Management Discussion & Analysis Report forms a part of the Directors' Report

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12. GENERAL SHAREHOLDER INFORMATION

AGM: Date, Time and Venue	30th December 2011 at 9.30 a.m
Financial calendar (Tentative)	June to June 1. First Quarter Results - November 2011 2. Second Quarter Results - February 2012 3. Third Quarter Results - May 2012 4. Fourth Quarter Results - August 2012 5. Audited results for the year ending June, 2012 - December 2012 6. Annual General Meeting (next year) - December 2012
Date of Book Closure	December 26, 2011 to December 30, 2011 (both days inclusive)
Dividend payment date	Not applicable, as no dividend is proposed to be paid
Listing on Stock Exchanges	Bombay Stock Exchange Limited National Stock Exchange of India Limited The Company has paid the Annual Listing fees for the period 1st April, 2010 to 31st March, 2011 to both the Stock Exchanges
Stock Code	BSE 512185 NSE IOLN
ISIN Number of Equity shares	Nominal value of Rs.10/- each INE517C01011 Nominal value of Rs.10/- each. Rs.5/- paid-up - IN9517C01027 Nominal value of Rs.10/- each. Rs.2.50 paid-up - IN9517C01019
Market Price Data: High, Low during each month in last financial year	Please see Annexure 'A'
Distribution of Shareholding and shareholding pattern as on 30/06/11	Please refer Annexure 'B'
Registrar and Share Transfer Agents	Bigshare Services Private Limited E-2/3 Ansa Industrial Estate Saki Vihar Road, Saki Naka Andheri (East), Mumbai 400 072 Tel: +91 22 2847 0652 Fax: + 91 22 2847 5207
Share Transfer System	All the share transfers are processed by the Registrar and Share Transfer Agents and are approved by the Company within one month of lodgment of transfer.
Dematerialization of shares and liquidity	Over 99.90 % of the shares issued by the Company have been dematerialized upto 30th June 2011
Address for correspondence	IOL NETCOM LIMITED Registered & Corporate office : 813, Raheja Centre, Nariman Point, Mumbai 400 021 Tel./Fax No. + 91 22 22840415 E-mail : invsrel@iolnetcom.com

Note: Shareholders holding shares in electronic mode should address all correspondence to their respective Depository Participants.

ANNEXURE 'A' : High / Low of market price of the Company's shares traded on Bombay Stock Exchange Limited (BSE) and National Stock Exchange Limited (NSE) during the year 2010-11 is furnished below:

2009-10	BSE		NSE	
Month	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
July	19.50	14.40	19.25	14.80
August	17.00	13.70	16.75	13.65
September	18.30	13.70	18.35	13.35
October	16.00	11.15	15.80	13.10
November	16.74	10.00	16.60	10.05
December	12.75	9.70	12.75	9.55
January	13.00	9.15	13.00	9.25
February	10.96	7.55	11.50	7.40
March	9.40	6.66	9.50	6.70
April	9.69	6.70	9.90	6.75
May	8.00	6.30	8.00	6.30
June	7.55	5.27	7.30	5.20

ANNEXURE 'C' : Distribution of Shareholding as on June 30, 2011

Range (in Rs.)	Total holder's	% of total holder's	Total holding in Rupees	% of total capital
1 - 500	7429	72.0982	1293823	4.7279
501 - 1000	1239	12.0245	10624990	3.8826
1001 - 2000	730	7.0846	1156010	4.2243
2001 - 3000	255	2.4748	664259	0.19244
3001 - 4000	301	1.1840	438543	1.6025
4001 - 5000	122	1.1549	565396	2.0661
5001 - 10000	119	1.8731	1424090	5.2040
10001 and above	217	2.1060	20760880	75.8652
Total	10304	100.00	27365500	100.00
No. of shareholders & shares in Physical Mode	----	00.10	28852	0.10543
No. of beneficial owners and shares in Electronic Mode	----	99.90	27336648	99.8945
Total	----	100.00	27365500	100.00

Shareholding Pattern as on June 30, 2011

S. No	Category	Folio's	%age	Shares	%age
1	Public	9811	95.2155	11172241	40.8260
2	Corporate Bodies	392	3.8043	14119677	51.5966
3	NRI	72	0.6988	451404	1.6495
4	Corporate Bodies (Promoters)	5	0.0485	947500	3.4624
5	FII's	4	0.0388	650474	2.3770
6	Trust	1	0.0097	100	0.0004
7	Clearing member	19	0.1844	24104	0.0881
	TOTAL	10304	100	27365500	100

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CEO/CFO CERTIFICATION

We, Siddhartha S Bose, Managing Director and Siddhartha Srivastava, President of the Company, to the best of our knowledge and belief hereby certify that:

- (a) We have reviewed financial statement and the cash flow statement for the year and the best of our knowledge and belief:
 - (i) these statement do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- (c) We accept responsibility for the establishing and maintaining internal control and that we have evaluated the effectiveness of the internal control systems of the company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps they have taken or propose to take to rectify these deficiencies.
- (d) We have indicated change in internal control during the year;
 - (i) significant changes in internal control during the year;
 - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial segments and
 - (iii) instances of significant fraud of which they have become aware and the involvement therein, if any of the management or an employee having a significant role in the company's internal control system.

Place : Mumbai
Date : November 14, 2011

sd/-
Siddhartha S Bose
Managing Director

sd/-
Siddhartha Srivastava
President

To the members of IOL NETCOM LIMITED

We have examined the compliance of the conditions of Corporate Governance by IOL NETCOM LIMITED for the year ended June 30, 2011 as stipulated in Clause 49 of the listing agreement of the Company with stock exchanges in India.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statement of the Company. In our opinions and to the best of our information and according to the explanations given to us, the Company has partially complied with the conditions of Corporate Governance as stipulated in the above listing agreement.

We state that in respect of investor grievances received during the year ended June 30, 2011 no investor grievances are pending against the Company as on June 30, 2011 as per the records maintained by the Company.

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.

Place : Mumbai
Dated : November 14, 2011

For Dargar & Co
PRACTICING CHARTERED ACCOUNTANTS

Vijay Dargar
Proprietor
FCA.No. 76191

Declaration for compliance of Code of Conduct

I hereby confirm that the Company has obtained from all the members of the Board and Senior Management team, an affirmation with the Code of Conduct for Directors and Senior Management in respect of financial year ended June 30, 2011.

Place : Mumbai
Date : November 14, 2011

Siddhartha S. Bose
Managing Director

AUDITORS' REPORT

TO THE MEMBERS OF IOL NETCOM LIMITED

1. We have audited the attached Balance Sheet of IOL NETCOM LIMITED hereinafter referred to as "the Company" as at 30th June 2011 and also the Profit and Loss Account of the Company and the Cash Flow Statement for the year ended on that date, annexed thereto. 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. The accounts have been prepared as to going concern concepts considering that the company is in the midst of restructuring.
2. We conducted our audit in accordance with the 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 presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) Order 2004, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure on the matters specified in paragraphs 4 and 5 of the said Order, to the extent they are applicable to the Company.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as under:
 - (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 except as stated in paragraph 6 (ii) below.
 - (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 the section 211 of the Companies Act, 1956 except as stated in paragraph 6 below.
5. On the basis of the written representations received from the directors as on 30th June 2011 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 30th June 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, Subject to
 - i. Note No. 3 of schedule N regarding uncertainty of collection of sundry debtors of Rs. 3.82 Crores and consequential effect thereon.
 - ii. In the absence of adequate information with respect to revenue recognized in the Financial Statements, we are unable to comment on the correctness or otherwise of the same. However, the Sale / Purchase & Losses are affected to their extent.
 - iii. Note no 7 of schedule N, the said account read with significant accounting policies and notes to accounts, 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:
 - a) In the case of the Balance Sheet, of the state of affairs of the company as at 30th June 2011.
 - b) In the case of the Profit and Loss Account, of the loss for the year ended on the date; and
 - c) In the case of the Cash Statement, of the cash flows for the year ended on that date.

For **DARGAR & CO.,**
Chartered Accountants
FRN: 007289W

Vijay Dargar
Proprietor
M.N. 76191

Place: Mumbai
Date: - November 14, 2011

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ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF IOL NETCOM LIMITED ON THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30th June 2011

On the basis of such checks of the books of account and other records as we considered appropriate and the information and explanation given to us during the course of audit we report that-

Fixed Assets:-

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
2. During the year, Fixed Assets have not been physically verified by the management, in our opinion, the Company needs to implement a programme for physical verification of fixed assets having regard to the size of the Company and nature of its assets.
3. During the year, the Company has not disposed off a substantial part of the fixed assets.

Inventories: -

4. The inventories have been physically verified during the year by the management. In our opinion having regard to the nature and location of the stocks, the frequency of the verification is reasonable.
5. The procedures of physical verification of stocks followed by the management were found reasonable and adequate in relation to the size of the Company and the nature of its business.
6. The Company is maintaining proper records of inventories. The discrepancies noticed on physical verification were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.

Loans & Advances

7. The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956, Accordingly, paragraph 4 (iii) of the Order is not applicable to the Company.

Internal Control

8. In our opinion and according to the information and explanations given to us, although the company has put in place the internal control procedures, the Company needs to strengthen the same to be commensurate with the size of the Company and the nature of its business for purchase of fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls. Further, refer paragraph 11 below regarding internal audit system.

Transactions with parties under section 301 of the Companies Act, 1956

9. There are no contracts or arrangements, the particulars of which need to be entered into the register maintained under section 301 of the Companies Act, 1956, Accordingly, paragraph 4 (v) of the Order is not applicable.

Public Deposits

10. The company has not accepted any deposit from the "public" attracting the provisions of Sections 58A and 58AA of the Companies Act 1956 or the rules framed there under.

Internal Audit

11. The company had put a formal internal audit system. However, in view of non-furnishing the internal audit reports from the internal auditor, we are unable to comment on the same.

Cost Records

12. To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 for any of the services rendered by the Company, Accordingly, paragraph 4 (viii) of the order is not applicable.

Statutory Dues

13. a) The Company has not been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income tax, VAT, Wealth Tax, Service tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities. Further, since the central government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in position to comment upon the regularity or otherwise of the Company in depositing the same.

- b) According to the information and explanation given to us, the extent of arrears which are outstanding, including interest and consequential penalty, if any, on the same, as at 30th June 2011 for a period of more than six months from the date they became payable are as follows.

Amount (Rs. In Lacs)

Particulars	2010-11	2009-2010
TDS	152.98	753.90
Provident Fund	23.62	23.62
Professional Tax	16.40	16.40
ESIC	9.57	9.57

- c) There are no dues of Income Tax, VAT, Custom Duty, Wealth Tax, Service Tax or Cess as on 30th June 2011, which have not been deposited on account of any dispute.

Accumulated Losses

14. The accumulated losses at the end of financial year are not more than fifty Five Percent of its net worth. The company has incurred cash losses amounting to Rs. 1.13 crores during the immediately preceding financial year.

Repayment of Dues

15. The company has defaulted in repayment of dues to the financial institution.

Utilization of Funds

16. On an overall examination of the balance sheet of the Company, no funds raised on short-term basis have been used for the purpose of long term investment.

Miscellaneous

17. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Hence, paragraph 4(xii) of the order is not applicable.
18. In our opinion and according to the information and explanation given to us, the Company is not Chit Fund or Nidhi/ Mutual Benefit Fund / Societies. Accordingly paragraph 4(xii) of the order is not applicable.
19. According to the information and explanation given to us, the company is not dealing or trading in shares, securities, debentures, and other investments. Accordingly paragraph 4(xii) of the order is not applicable.
20. According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly paragraph 4(xii) of the order is not applicable.
21. During the year, the Company has not availed/obtained any fresh term loan. Accordingly, clause 4 (xvi) of the Order is not applicable.
22. 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.
23. The Company has not created any securities in respect of debentures during the year.
24. The Company has not raised any money by public issues during the year. Accordingly paragraph 4(xii) of the order is not applicable.
25. We have neither come across any instance of fraud on or by the company noticed or reported during the year, nor have we been informed of any such case by management.

For **DARGAR & CO.,**
Chartered Accountants
FRN: 007289W

Vijay Dargar
Proprietor
M.N. 76191

Place: Mumbai
Date: - November 14, 2011

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IOL Netcom Limited Balance Sheet as on 30th June 2011

	Schedule	Audited 01-7-10 to 30-06-11 12 Months Period Rupees	Audited 01-4-09 to 30-06-10 15 Months Period Rupees
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	A	293,914,680	293,914,680
Reserve & Surplus	B	<u>1,261,130,024</u>	<u>1,081,430,024</u>
		1,555,044,704	
Equity Share Warrants		-	179,700,000
Secured Loans	C	78,488,176	25,260,890
Unsecured Loans	D	<u>202,259,493</u>	<u>202,259,493</u>
		<u>1,835,792,374</u>	<u>1,782,565,088</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	E	816,857,531	816,857,531
Less : Depreciation		<u>377,996,299</u>	<u>271,303,921</u>
Net Block		438,861,232	545,553,610
Capital Work in Progress (including Capital Advances)		<u>119,808,911</u>	<u>119,808,911</u>
		558,670,143	665,362,521
Intangible Assets		113,086,132	113,086,132
Investment			-
Deferred Tax Asset		21,147,484	21,147,484
Net Current Assets			
<u>Current Assets, Loans & Advances</u>	F		
Sundry Debtors		99,777,185	136,355,189
Cash and Bank balances		34,877,521	35,549,432
Other Current Assets		<u>258,401,929</u>	<u>278,401,929</u>
Total (A)		<u>393,056,635</u>	<u>450,306,550</u>
<u>Less: Current Liabilities & Provisions</u>	G		
Current Liabilities		41,432,476	140,208,332
Provisions		<u>13,118,630</u>	<u>6,151,864</u>
Total (B)		<u>54,551,105</u>	<u>146,360,196</u>
Net Current Assets		338,505,530	303,946,354
Profit and Loss Account Debit Balance		804,383,085	679,022,597
		<u>1,835,792,374</u>	<u>1,782,565,088</u>

Significant Accounting Policies and Notes to Accounts **N**

The Schedules referred to above form an integral part of the Balance Sheet

As per our report of even date attached

For and on behalf of Board of Directors

For **DARGAR & Co.**
Chartered Accountants
FRN NO 007289W

Siddhartha S. Bose
Managing Director

A. S. Oberoi
Director

Vijay Dargar
Proprietor
Membership No. 76191

Siddhartha Srivastava
President

Rahul Dubey
Company Secretary

Place: - Mumbai
Date: - November 14, 2011

IOL NETCOM LIMITED
Profit & Loss Account for the Year Ended 30th June 2011

	Schedule	Audited 2010-11 12 Months Period Rupees	Audited 2009-10 15 Months Period Rupees
INCOME			
Income from Operations	H	8,672,121	87,952,188
Other Income	I	2,780,198	3,958,922
		11,452,319	91,911,110
EXPENDITURE			
Cost of Operations	J	2,892,211	20,889,269
Employee Cost	K	13,554,908	50,881,237
Administration and General Expenses	L	8,084,491	89,009,677
Depreciation / Amortizations	E	106,692,378	140,788,162
Interest & Finance Expenses	M	5,588,819	6,107,570
		136,812,807	307,675,914
<i>Profit / (Loss) before Taxation</i>		(125,360,488)	(215,764,804)
Less : Prior Period Expense		-	-
Less : Profit / (Loss) before tax		(125,360,488)	(215,764,804)
Less : Tax Expenses			
Fringe Benefit Tax		-	822,000
Deferred Tax		-	-
Net Profit / (Loss) for the Period		(125,360,488)	(216,586,804)
Balance brought forward from previous year		(679,022,597)	(462,435,792)
Addition / Adjustment on Amalgamation		-	-
Balance Carried to Balance Sheet		(804,383,085)	(679,022,597)
Earnings Per Share			
Basic & Diluted (Nominal value of shares Rs. 10)		(4.58)	(8.21)
(Refer Note No. 9)			

Significant Accounting Policies and Notes to Accounts **N**

The Schedules referred to above form an integral part of the Balance Sheet

As per our report of even date attached

For and on behalf of Board of Directors

For **DARGAR & Co.**
Chartered Accountants
FRN NO 007289W

Siddhartha S. Bose
Managing Director

A. S. Oberoi
Director

Vijay Dargar
Proprietor
Membership No. 76191

Siddhartha Srivastava
President

Rahul Dubey
Company Secretary

Place: - Mumbai
Date: - November 14, 2011

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SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET As on 30th June 2011

Particulars	As at 30-6-11 12 Months Period Rupees	As at 30-3-10 15 Month Period Rupees
SCHEDULE A		
SHARE CAPITAL		
Authorized Capital		
700,00,000 Equity Shares of Rs. 10 Each	700,000,000	700,000,000
Issued Capital		
29,403,543 Equity Shares of Rs. 10 Each	294,035,430	294,035,430
Subscribed Capital		
29,403,543 Equity Shares of Rs. 10 Each		
Paid up Capital		
29,403,543 Equity Shares of Rs. 10 Each	294,035,430	294,035,430
Note: - 2038043 Equity Share allotted to HT Media Limited on Dec 29, 2009		
Less: - Calls in Arrears		
750 Equity Share of Rs. 10 Each; Rs. 5 Paid Up, Rs. 5 Unpaid	(3,750)	(3,750)
15,600 Equity Share of Rs. 10 Each; Rs. 2.50 Paid Up, Rs. 7.50 Unpaid	(117,000)	(117,000)
	293,914,680	293,914,680
SCHEDULE B		
Reserve & Surplus		
Securities premium as of 30.06.2011	1,081,430,024	1,026,810,472
Add: - Addition during the year	179,700,000	54,619,552
	1,261,130,024	1,081,430,024
SCHEDULE C		
SECURED LOANS		
Term Loan from Cisco Systems Capital (I) Pvt. Ltd [Secured against Equipments]	12,645,390	12,645,390
Hire Purchase Loan from Hewellett Packard [Secured against Equipments]	12,615,500	12,615,500
Term Loan From IDBI Bank Limited [Secured against Equipments]	53,227,286	-
	78,488,176	25,260,890
SCHEDULE D		
UNSECURED LOANS		
Inter Corporate Loans	202,259,493	202,259,493
	202,259,493	202,259,493

Schedules annexed to and forming part of the Financial Statements

SCHEDULE - E

FIXED ASSETS

PARTICULARS	GROSS BLOCK (COST)				DEPRECIATION				NET BLOCK	
	As on 01.07.2010	Additions	Deletion	As on 30.06.2011	As on 01.07.2010	Additions	Deletion	As on 30.06.2011	As on 30.06.2010	As on 30.06.2011
Plant and Machinery										
Fibre Optic Network	52,129,458			52,129,458	12,533,905	3,165,488		15,699,393	39,595,553	36,430,065
Last mile cabling	17,312,848	-		17,312,848	6,962,217	1,029,047		7,991,264	10,350,631	9,321,584
Cabling & Wiring Assets	22,092,114			22,092,114	5,350,714	1,341,263		6,691,977	16,741,400	15,400,137
ISP Equipments	100,463,439			100,463,439	46,197,583	5,908,629		52,106,212	54,265,856	48,357,227
Laser / IR Equipments	8,887,269			8,887,269	4,105,030	522,476		4,627,506	4,782,239	4,259,763
Main Server Equipments	128,281,632			128,281,632	30,357,050	7,792,818		38,149,868	97,924,582	90,131,764
Web Development Equipments	42,622,710			42,622,710	15,306,912	2,550,443		17,857,355	27,315,798	24,765,355
Digital Receiver, Dish Antenna ,Box	36,816,117		-	36,816,117	5,412,800	2,255,353		7,668,153	31,403,317	29,147,964
Splice Machine	730,000		-	730,000	161,911	44,413		206,324	568,089	523,676
ISP / IPTV Equipments & Encoder	143,213,078		-	143,213,078	22,302,711	8,766,732		31,069,443	120,910,367	112,143,635
Computers & Accessories										
PCs, Laptops & Accessories	102,774,780		-	102,774,780	73,418,636	12,182,784	-	85,601,420	29,356,144	17,173,360
UPS-FA	41,740,673		-	41,740,673	16,807,049	6,315,565	-	23,122,613	24,933,624	18,618,060
	-		-	-	-		-	-	-	-
Office Equipments	45,231,176		-	45,231,176	12,972,353	2,814,088	-	15,786,441	36,613,414	29,444,735
Furniture and fittings	61,541,879		-	61,541,879	15,342,206	4,405,441	-	19,747,647	46,199,673	41,794,232
Vehicles	7,675,611		-	7,675,611	3,082,690	760,546	-	3,843,236	4,592,921	3,832,375
TOTAL TANGIBLES	811,512,784	-	-	811,512,784	270,313,765	59,855,087		330,168,852	545,553,610	481,343,932
Previous Year	816,857,531	-	-	816,857,531	197,085,428	74,218,493		271,303,921	619,772,103	545,553,610
Intangibles										
Copy Rights / Trade marks	115,848,967			115,848,967	67,691,015	18,085,565		85,776,579	48,157,952	30,072,388
Software	33,624,199			33,624,199	18,016,045	5,463,555		23,479,600	15,608,154	10,144,599
Project Development Cost	115,870,041			115,870,041	66,877,429	18,204,102		85,081,531	48,992,612	30,788,510
Goodwill	935,468			935,468	608,054	136,422		744,476	327,414	190,992
TOTAL INTANGIBLES	266,278,675	-	-	266,278,675	153,192,543	41,889,644	-	195,082,186	113,086,132	71,196,489
Previous Year	266,278,675			266,278,675	86,622,874	66,569,669		153,192,543	179,655,801	113,086,132

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SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET As on 30th June 2011

Particulars	As at 30-6-11 12 Months Period Rupees	As at 30-6-10 15 Month Period Rupees
SCHEDULE F		
<u>CURRENT ASSETS, LOANS & ADVANCES.</u>		
<u>CURRENT ASSETS</u>		
Sundry Debtors		
(Unsecured but considered good)		
Outstanding for more than 6 months	99,777,185	136,355,189
Others		-
	<u>99,777,185</u>	<u>136,355,189</u>
Less: Provisions for bad and doubtful debts	Nil	
Cash and Bank Balances		
Cash on Hand	570	62,700
(As certified by the Management)		
Balances with Scheduled Banks		
- In Current Accounts	1,560,404	2,170,185
- In Fixed Deposits	<u>33,316,547</u>	<u>33,316,547</u>
		<u>35,549,432</u>
<u>LOANS AND ADVANCES</u>		
(Unsecured but considered good)	-	-
Advances recoverable in cash or kind for value to be received		
- Advances for Expenses	201,541,745	201,541,745
- Loans Given	-	-
- Staff Advances	-	-
- Prepaid Expenses, etc	-	-
- TDS Receivables	<u>7,697,784</u>	<u>7,697,784</u>
	209,239,529	209,239,529
Other Receivables	49,162,400	69,162,400
Security Deposits	-	-
Total Current Assets	<u>393,056,635</u>	<u>450,306,550</u>
SCHEDULE G		
<u>CURRENT LIABILITIES AND PROVISIONS</u>		
<u>CURRENT LIABILITIES</u>		
Sundry Creditors	24,274,861	37,345,940
Statutory Liabilities	15,298,200	84,863,066
Bank Overdrafts	66,091	66,091
Other Outstanding Liabilities	<u>1,793,324</u>	<u>17,933,235</u>
	41,432,476	140,208,332
<u>PROVISIONS</u>		
Provision for Income Tax	10,313	10,313
Provision for Tax (06-07)	226,499	226,499
Provision for Expenses	12,787,322	4,025,142
Provision for Fringe Benefit Tax (Net of Advances)	<u>94,496</u>	<u>1,889,910</u>
	<u>54,551,105</u>	<u>6,151,864</u>

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET As on 30th June 2011

Particulars	As at 30-6-11 12 Months Period Rupees	As at 30-6-10 15 Month Period Rupees
SCHEDULE H		
<u>INCOME FORM OPERATIONS</u>		
Income from operations	-	24,291,877
Sale of Software & Hardware	-	-
Sale of Contents / Broadcast Rights	-	49,600,000
Lease income From Optic Fibre	8,672,121	14,060,311
	8,672,121	87,952,188
SCHEDULE I		
<u>OTHER INCOME</u>		
Interest on Fixed Deposit	2,780,198	2,684,222
Sundry balance written back	-	3,026
Exchange Gain / (Loss)	-	865,474
Miscellaneous Income	-	406,200
	2,780,198	3,958,922
SCHEDULE J		
<u>OPERATIONAL COST</u>		
Bandwidth Charges	1,835,908	12,524,792
Cabling & Wiring Expenses	383,022	766,045
Software Maintenance Charges	-	854,403
Subscription Chgs	-	3,332,533
Operators Expenses	376,764	1,883,821
Movie Rights Charges	-	394,365
Consumables	-	474,384
Fiber Connectivity & Labour Charges/ Operator Exp.	296,517	658,926
	2,892,211	20,889,269
SCHEDULE K		
<u>EMPLOYEE COST</u>		
Salaries & Allowances	13,531,997	50,746,468
Staff Walfare Expenses	22,911	134,769
	13,554,908	50,881,237

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SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET As on 30th June 2011

Particulars	As at 30-6-11 12 Months Period Rupees	As at 30-6-10 15 Month Period Rupees
SCHEDULE L		
<u>ADMINISTRATION AND GENERAL EXPENSES</u>		
Communication Expenses	331,046	4,138,076
Rent, Rates & Taxes	2,156,091	32,450,036
Electricity Charges	150,995	6,710,882
Advertising Exp.	3,063,315	11,305,482
Repair & Maintenance	86,531	1,730,620
Legal & Professional Fees	436,347	5,454,338
Brokerage & Commission	8,000	-
Business Promotion	3,712	742,472
Miscellaneous Expenses	415,002	14,333,497
Travelling & Conveyance (Inc. Foreign Travel)	166,072	5,535,725
Interest on TDS	-	6,458,549
License and other fees		
Insurance Expenses		
Service Tax Expenses		
Auditor Remuneration		
a) Statutory Audit Fees	150,000	150,000
b) Other Matters	25,000	-
Sundry Balances written off	1,092,380	-
	8,084,491	89,009,677
SCHEDULE M		
<u>FINANCE CHARGES</u>		
Bank Charges including commission	32,583	2,715,282
Finance Charges on Lease Assets	1,089,017	1,100,018
Fixed Loans	4,467,218	2,292,270
	5,588,819	6,107,570

Schedule N: Significant Accounting Policies and Notes forming part of financial Statements

IOL Netcom Limited was incorporated on 18th February 1985. The Company is licensed to provide Internet Services (ISP).

I) Significant Accounting Policies:

a) Basis of preparation of financial statements

The financial statements have been prepared to comply in all material aspects with the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI), in accordance with Indian Generally Accepted Accounting Principles and as per the provision of the Companies Act, 1956. The financial statements are prepared under the historical cost convention on accrual and going concern basis.

b) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities on the date of financial statements, the reported amount of revenues and expenses and the disclosures relating to contingent liabilities as on the date of financial statements. Actual results could differ from those of estimates. Any revision in accounting estimates is recognized in accordance with the respective accounting standard.

c) Revenue Recognition

- Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.
- Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.
- Revenue from services is recognized on accrual basis over the period of services.

d) Fixed Assets and Depreciation

Fixed Assets are stated at cost of acquisition/construction less accumulated depreciation and impairment loss. Cost includes direct expenses as well as clearly identifiable indirect expenses incurred to bring the assets to their working condition for its intended use, net of CENVAT/Service Tax recoverable.

Capital work in progress includes assets that are under construction/development and not yet ready to use.

Fixed Assets are depreciated on a straight-line basis at the rates specified in Schedule XIV of Companies Act, 1956 except a few items of Fixed Assets which are depreciated on a written down value basis. Proportionate depreciation is charged for addition / deletion during the year. Individual assets of value less than Rs.5, 000 are depreciated in the year of purchase.

e) Intangible Assets

□ Project development Expenses

Expenditure related to the development of IPTV project are treated as Project Development Expenses and classified as "Intangible Assets" to be amortized over a period of 5 years.

□ Content Rights

The Company purchases movie/film rights, software rights, copyrights and trademarks related to IPTV Project. Expenditure related to the acquisition of content rights for IPTV is classified as "Intangible Assets" to be amortized over a period of 5 years or license period, whichever is lower.

□ Others

Other Intangible assets are amortized over a period of 5 years.

f) Investments

Investments are classified into current and long-term investments. Current investments are stated at lower of cost or market value. Long-term investments are classified at cost less provisions, if any, for permanent diminution in the value of such investments.

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g) Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined on a weighted average basis. Inventories include other costs incurred in bringing the inventories to their present location and condition.

h) Employee Benefits

- Provident fund is a defined contribution scheme and is charged to Profit and Loss Account on accrual basis.
- The Company's liabilities towards gratuity are considered as defined benefit plans. The present value of obligation towards gratuity is determined on actuarial valuation basis.
- The Company's liabilities towards leave encashment benefits is accounted for on the basis of actuarial valuation and the resultant actuarial gains and losses are charged to profit & loss account.

i) Operating Leases

□ Lease Income:

Lease rentals in respect of Operating Lease arrangements are recognized in Profit & Loss Account in accordance with AS-19 "Leases". Costs, including depreciation, incurred in earning the lease income are recognized as expenses.

□ Lease Expense:

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as Operating Leases. Operating Lease payments are recognised as an expense in the Profit & Loss Account on a straight line basis over the lease period.

j) Finance Leases

Assets acquired under finance leases are capitalized at the inception of the lease and depreciated on straight line basis over the useful life in accordance with the Company's depreciation policy. The amount outstanding towards these liabilities is shown as borrowings in the balance sheet.

k) Earnings Per Share

The Company reports basic and diluted earnings per share in accordance with AS-20 "Earnings Per Share". Basic earnings per share are computed by dividing the net profit or loss for the year by the weighted average number of Equity Shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit or loss for the year by the weighted average number of Equity Shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares.

l) Taxation

Tax expenses comprise current income tax, deferred tax, & fringe benefit tax. Income tax & fringe benefit tax comprises the amount of tax for the period determined in accordance with the Income Tax Act, 1961.

□ Fringe Benefit Tax (FBT):

FBT payable under the provisions of Section 115WC of the Income Tax Act, 1961 is in accordance with the Guidance Note on Accounting for Fringe Benefits Tax issued by the ICAI regarded as an additional Income Tax and considered in determination of the profit / (losses) for the year.

□ Deferred Tax

The Company provides for deferred tax using the liability method, based on the timing difference resulting from the recognition of items in the financial statements / and in estimating its current income tax provision. Deferred Tax Assets arising from temporary timing difference are recognized to the extent, there is reasonable certainty that the assets can be realized in future. Deferred tax assets are recognized only if there is a virtual certainty backed by convincing evidence of realization of such assets. Deferred tax assets and liabilities are reviewed as at each balance sheet date and are appropriately adjusted, to the extent considered necessary, to reflect the amount that is reasonably or virtually certain to be realized.

m) Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the carrying value of such asset is reduced to its recoverable amount and the impairment loss is charged to Profit and Loss Account. If at the Balance Sheet date there is an indication that an impairment loss recognized in prior periods no longer exists or has decreased, then the assets are restated to that effect.

n) Provisions, Contingent Liabilities and Contingent Assets

Contingent Liabilities as defined in AS - 29 on "Provisions, Contingent Liabilities and Contingent Assets" are disclosed by way of Notes to Accounts. Provision is made if it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability.

II) Notes To Accounts:

1. Contingent Liabilities not provided for:

Guarantees given by the Company's bankers on behalf of the Company amount to Rs.333 Lacs (P.Y. Rs. 384 Lacs)

Claims against the Company not acknowledged as debt are as under:

Name of the Claimant	Amount (Rs. in Lacs)		Status
	Current Year	Previous Year	
M/s Supreme Telecommunications Ltd.	1,634.90	1,634.90	Under Arbitration
M/s B G Broadband Networks India Pvt. Ltd.	2,301.44	2,301.44	Counter claim under arbitration
M/s Dishnet Wireless Ltd.	35.18	35.18	Under Arbitration
Bharti Airtel	56.30	56.30	Under Arbitration
Indus Media Communications Ltd.	2.33	2.33	-
Notice of show cause from Service Tax Department	454.27	467.88	-
TOTAL	4,484.42	4,498.03	

2. The Company has not provided interest of Rs. 138.47 lacs (P.Y. Rs. 31.33 lacs) and Rs. 104 lacs (P.Y. Rs. 102 lacs) on delay in payment of statutory liabilities relating to Tax Deducted at Source and Service Tax respectively till June 2010. In view of the above, the accumulated losses and loss for the year are understated by 138.47 lacs and 31.33 lacs respectively and outstanding liabilities are understated by the same amount.

3. The Company has sent written notices to certain debtors and is in the process of taking legal action against the same. Further, there are some debit and credit balances that are subject to confirmation. However, the management is of the opinion that the realizable value of the above debtors is not less than the value stated in the Balance Sheet and accordingly no provision is considered necessary.

The assessment for A.Y. 2006-07, 2007-08, & 2008-09 have erosion out of section 144 assessment and are contested in appeals before the CIT (Appeals) and the ITAT.

4. Employee Benefits

□ Defined Contribution Plan: Amount recognized as expenses Rs.15.21 Lacs for the year ended 31st March, 2009.

□ Defined Benefit Plan: During the year the company has not contributed to Defined Benefit Plan.

5. Segment Reporting

During the year the Company has operated in only one segment. Hence, in the opinion of the management, segment reporting is not considered as applicable.

Annual Report 2010-11

6. Finance Leases - As Lessee

The Company has taken a server on Finance Lease and disclosures required as per AS 19 on "Leases" issued by the ICAI with regard to the above are as under:

Particulars	Amount (Rs in lacs)	
	Current Year	Previous Year
Outstanding balance of minimum lease payments		
Not later than 1 year	126.87	89.63
Later than 1 year but not later than 5 years	79.14	102.44
Total	206.01	192.07
Present value of minimum lease payments		
Not later than 1 year	109.52	77.37
Later than 1 year but not later than 5 years	85.54	91.25
Total	195.06	168.62
Finance Charges	29.01	23.45

Book Value of Assets taken on Lease	Amount (Rs. In lacs)	
	Current Year	Previous Year
Cost of Asset taken on lease	202.14	202.14
Accumulated Depreciation	31.17	20.50
Net Book Value	233.31	181.64

9. Related party disclosures as required by AS-18 "Related Party Transactions" are given as below:

<u>Name</u>	<u>Relationship</u>
Key Managerial Personnel	
Name	Designation
Mr. Siddhartha Srivastava	President
Mr. Siddhartha Bose	Managing Director

10. Earning Per Share (EPS)

Particulars		2010-2011	2009-2010
Profit after tax as per P / L Acts (Rs. in lacs)	A		(2157.64)
Weighted Avg. no. of shares outstanding (No. in lacs)	B		294.03
Basic EPS (Rs.)	A/B		(8.21)
Potential Equity shares on Account conversion of Equity Share Warrants (No. in lacs)	C		95.00
Weighted Avg. no. of total shares outstanding (No. in lacs)	B + C		294.03
Diluted EPS (Rs.)			(8.21)
Nominal Value per share (Rs)			10.00

11. Deferred Taxation

The components of Deferred Tax are as under:

Particulars	Amount (Rs. in Lacs)		
	Opening	Addition / Review	Closing
Deferred Tax Asset			
Unabsorbed Losses (Depreciation)	647.21	44.00	691.21
Gratuity & Leave Encashment		-	-
Disallowance u/s 43B		-	-
Disallowance u/s 40A		-	-
Deferred Tax Liability			
Depreciation	391.74	-	391.74
Net Deferred Tax Asset			255.47

12. Managerial Remuneration

During the F.Y. 10 - 11, remuneration of Rs. 11.86 Lacs (P.Y. Rs. Nil Lacs) has been paid to the Managing Director of the Company. The break up of the remuneration, as provided by Managing Director, is as under:

Particulars	Amount (Rs. In Lacs)	
	Current Year	Previous Year
Basic Salary	9.32	0.00
Medical Reimbursement	0.38	0.00
Leave Travel Allowance	0.86	0.00
Club Fees	0.05	0.00
Personal Accident Insurance Premium	0.10	0.00
Servant Allowance	0.35	0.00
House Rent Allowance	0.72	0.00
Gas Electricity Allowance	0.08	0.00
TOTAL	11.86	00.00

13. In view of current and unabsorbed depreciation and losses, in the opinion of the management, no provision for tax is considered necessary.
14. In the opinion of the management, the realizable value of current assets including sundry debtors, loan and advances is not less than the value at which they are stated in the balance sheet, in the ordinary course of business.
15. The purchase & sale of software & broadcasting rights cannot be expressed in generic unit. Hence, it is not possible to give quantitative details of the same as required under Para 3 of Part II of Schedule VI to the Companies Act, 1956.
16. **Micro, Small and Medium Enterprises Development Act, 2006**
The management is currently in the process of identifying enterprises which have been provided goods and services to the company which qualify under the definition of medium and small enterprises as defined under Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, the disclosure in respect of the amount payable to such Micro, Small, and Medium enterprises as at 31st March 2009 has not been made in the financial statements. However, in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material.
17. Previous year's figures have been regrouped and / or rearranged wherever necessary to conform to current year's classification.

For and on behalf of The Board of Directors

Siddhartha S. Bose
Managing Director

A. S. Oberoi
Director

Siddhartha Srivastava
President

Rahul Dubey
Company Secretary

Place: Mumbai

Date: November, 14, 2011

Annual Report 2010-11

BALANCE SHEET ABSTRACT AND COMPANY 'S GENERAL BUSINESS PROFILE AS PER PART IV OF SCHEDULE VI OF THE COMPANY ACT, 1956

a) Registration Details

Registration no:	35474
State Code	11
Balance Sheet date	June 30, 2011

b) Capital raised during the period

Public Issue	----
Right Issue	----
Bonus Issue	----
Private Placement	----

Position of Mobilization and Deployment of funds (amount in Rs)

Total Liabilities (including shareholders fund)	1,83,57,92,374
Total Assets	1,83,57,92,374

c) Source of funds

Paid up Capital	293914680
Equity Shares Warrants	-----
Reserve & Surplus	126,11,30,024
Secured Loans	7,84,88,176
Unsecured Loans	202259493

Application of Funds

Net Fixed Assets (including CWIP & Intangible Assets)	67,17,56,276
Investments	---
Net Current Assets	33,85,05,530
Miscellaneous Expenditure	---
Deferred Tax Assets	2,11,47,484
Accumulated Losses	80,43,83,085

d) Performance of the Company (amount in Rs)

Turnover	1,14,52,319
Total Expenditure	13,68,12,807
Profit before Tax	(12,53,60,488)
Profit after tax	(12,53,60,488)
Earning per share	(4.58)

For and on behalf of The Board of Directors

Siddhartha S. Bose
Managing Director

A. S. Oberai
Director

Siddhartha Srivastava
President

Rahul Dubey
Company Secretary

Place: Mumbai
Date: November 14, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE, 2011
PURSUANT TO CLAUSE 32 OF THE LISTING AGREEMENT.**

Particulars	2010-11 01-07-10 to 30-06-11	2009-2010 01-04-09 to 30-06-10
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net (Loss) / Profit after depreciation and before tax	(125360488)	(215764804)
Adjustments For		
Depreciation & Amortization	106692378	140788162
Balances Written Off	0	(3026)
Prior Period Expenses	0	0
Interest on Fixed Deposit	(2780198)	(2684222)
Bank Interest & Finance Charges	32583	2715282
Bank Charges including Commission	5556235	3392288
Operating Profit / Loss before working capital changes	109,500,999	144,208,483
Increase/(Decrease) in current assets	(15859489)	(71556321)
Increase/(Decrease) in current liabilities	56640704	376619313
NET CASH FLOW FROM OPERATING ACTIVITIES	(35168387)	188927897
	(51027876)	117371576
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Investment in fixed assets including CWIP	0	(54711701)
Investment in intangible assets	0	0
Interest received on fixed deposits	2780198	2684222
Sales Proceeds from sale of Investments	0	0
NET CASH USED IN INVESTING ACTIVITY	2780198	(52027479)
C. CASH FLOW FROM FINANCE ACTIVITIES :		
Proceeds on conversion of warrants into equity shares	0	74999982
Proceeds from issue of Equity Shares Warrants	0	0
Proceeds from issue of fully convertible debentures	0	(75000000)
Increased (Decrease) in Secured Loans	53227286	(9801887)
Increased (Decrease) in unsecured Loans	0	(53986468)
Bank Interest & Finance Charges	(32583)	(2715282)
Bank Charges Including Commission	(5556235)	(3392288)
NET CASH FLOW FROM FINANCING ACTIVITY	47638467	(69895942)
NET DECREASE IN CASH & CASH EQUIVALENTS A+B+C	(609211)	(4551845)
Opening Cash & Cash Equivalents	35486732	40038577
Closing Cash & Cash equivalents	34877521	35486732

- 1) Cash flow statement has been prepared under the Indirect Method as set out in the AS-3 "Cash Flow Statement" issued by the Institute of Chartered Accountants of India.
- 2) Previous year figures have been regrouped and / or rearranged wherever necessary.
- 3) Opening Cash & Cash Equivalents includes the Cash & Cash Equivalents taken over pursuant to the scheme of Amalgamation.

As per our report of even date attached

For DARGAR & Co.

Chartered Accountants

FRN NO 007289W

Vijay Dargar

Proprietor

Membership No. 76191

Place: - Mumbai

Date: - November 14, 2011

For and on behalf of Board of Directors

Siddhartha S. Bose
Managing Director

A. S. Oberoi
Director

Siddhartha Srivastava
President

Rahul Dubey
Company Secretary

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ATTENDANCE SLIP

IOL NETCOM LIMITED

Registered Office: 813, Raheja Centre, Free Press Road, Nariman Point, Mumbai - 400 021, Maharashtra
(PLEASE COMPLETE THIS SLIP AND HAND IT OVER AT THE ENTRANCE OF MEETING HALL)

TWENTY SIXTH ANNUAL GENERAL MEETING

Member's Name (in capital letters)

Folio No. No. of Shares held

DP. ID*	
---------	--

Client ID*	
------------	--

I hereby record my presence at the Twenty Sixth Annual General Meeting of the company being held on Friday, 30th December 2011 at 9.30. a.m. M. C. Gheha Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai - 400 001

Signature of the Shareholder or Proxy

* Applicable for investors holding shares in electronic form

----- CUT HERE -----

PROXY FORM

IOL NETCOM LIMITED

Registered Office: 813, Raheja Centre, Free Press Road, Nariman Point, Mumbai - 400 021, Maharashtra

DP. ID*	
Client ID*	

Regd. Folio No.	
-----------------	--

I/We

of

being a member/members of the Company, hereby appoint

of in the District of

or failing him of in the District of

or failing him of in the District of

as my/our Proxy to vote for me/us on my/our behalf at the Twenty Sixth Annual General Meeting of the Company to be held on Friday, 30th December 2011 at 9.30. a.m. or at any adjournment thereof.

Signed this Day of 2010

* Applicable for investors holding shares in electronic form.

Affix
Re.1/-
Revenue
Stamp

Note : The Proxy form duly completed and signed must be deposited at the Registered Office of the Company, not less than 48 hours before the meeting.

AS PER SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) MANDATE, THE SECURITIES OF YOUR COMPANY ARE TO BE TRADED ONLY IN DEMAT FORM W.E.F 8TH MAY 2000 FOR ALL THE INVESTORS. MEMBERS ARE, THEREOF, REQUESTED TO COMPLETE ALL FORMALITIES FOR

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