

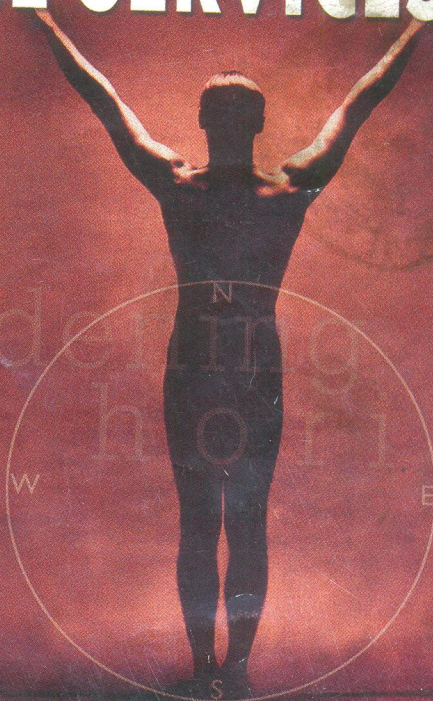


shrinking  
distances

We  
get  
you  
there.  
Faster.

# 2<sup>nd</sup> Annual Report 1999-2000

# SOUTHERN ONLINE SERVICES LIMITED



wider  
horizons

Your Friendly Neighbourhood Internet Service Provider





PROMOTERS



REGISTERED OFFICE



**BOARD OF DIRECTORS :**

**C.M.RAMESH,**  
Chairman and Managing Director

**N.SATISH KUMAR,**  
Executive Director.

**K.RADHA KRISHNA,**  
Director.

**B.SREEDHARA REDDY,**  
Director.

**B.H.R.BALAJI,**  
Director.

**REGISTERED OFFICE :**

3A, 3<sup>rd</sup> Floor, Samrat Complex,  
Office Block, Saifabad,  
HYDERABAD - 500 004.

**AUDITORS :**

M/s. UMMAREDDY & ASSOCIATES.  
Chartered Accountants.  
Jabbar Apartments,  
Begumpet,  
HYDERABAD - 16

**BANKERS :**

Central Bank of India,  
Corporate Finance Branch,  
Koti, HYDERABAD.

**REGISTRARS :**

SINDHU CORPORATE SERVICES PVT LTD,  
18A, ( NEW No 492) East Marredpally,  
SECUNDERABAD - 500 026.



## NOTICE

## NOTICE

Notice is hereby given that the 2<sup>nd</sup> Annual General Meeting of the Members of the Company will be held on Wednesday, 29<sup>th</sup> November, 2000 at 03.00 p.m. at Chiraan Fort, 1-8-333 & 334, A-Wane, Begumpet, Opp. Police Lines, Secunderabad-500 003. to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as on 31<sup>st</sup> March 2000 and Audited Profit & Loss Account for the year ended on that date together with the Directors' Report and Auditors' Report thereon.
2. To appoint Director in place of Mr. N. Satish Kumar who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Director in place of Mr. K.Radha Krishna who retires by rotation and being eligible offers himself for reappointment.
4. To appoint M/s Ummareddy & Associates, Chartered Accountants, Hyderabad as Auditors of the Company for the period commencing from the conclusion of this meeting till the conclusion of the next Annual General Meeting at a remuneration as may be fixed by the Board of Directors of the Company.

**SPECIAL BUSINESS:**

5. To consider and if thought fit to pass with or without modification, the following resolution as a Special Resolution:

"RESOLVED that consent of the Company be and is hereby accorded under Section 163 of the Companies Act, 1956 to maintain the Register of Members, Index, Returns and copies of the documents etc., at the office of the Share Transfer Agents, M/s Sindhu Corporate Services Pvt. Limited at 18A (New No.492), East Marredpally, Secunderabad-500 026 or such other places within the twin cities of Hyderabad as may be considered convenient for office administrative reasons ".

By Order of the Board  
For **Southern Online Services Limited**

Place : Hyderabad  
Date : 28.10.2000

**CM. Ramesh**  
Chairman and  
Managing Director

## NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY INSTEAD OF HIMSELF / HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORMS TO BE VALID SHALL BE LODGED WITH THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business is annexed hereto.
3. The Register of members and Share Transfer books of the Company will be closed from 24.11.2000 to 29.11.2000 (Both days inclusive).
4. The Members are requested to intimate any change in their address quoting their Registered Folio.
5. The Members are requested to bring Annual Report to the Meeting and are also requested to send their queries, if any, on the adoption of accounts well in advance, so as to enable to place relevant records and information at the time of Annual General Meeting.

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

The Register of Members, Index, Returns and copies of the documents etc., were so far kept at the Registered Office of the Company. As the share transfer work and dematerialisation of shares is being handled by the Share Transfer Agents i.e., M/s. Sindhu Corporate Services Pvt. Ltd, for administrative convenience it was decided to keep the Register of Members, Index, Returns and copies of the documents etc., at the office of the Share Transfer Agents at 18A, (New No.492), East Marredpally, Secunderabad, (A.P) - 500 026 or such other places within the twin cities of Hyderabad as may be considered convenient for office administrative reasons ".

Accordingly, a Special Resolution as required under Section 163 of the Companies Act, 1956, is submitted for your approval. None of the Directors are interested in the above resolution otherwise than as the Shareholders of the Company.

For **Southern Online Services Limited**

Place : Hyderabad  
Date : 28.10.2000

**CM. Ramesh**  
Chairman and  
Managing Director



## DIRECTOR'S REPORT

**DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting the Second Annual Report together with the Audited Accounts of the company for the year ended 31<sup>st</sup> March, 2000.

**Financial Results**

	(Rs.in Lacs)
Year Ended 31.03.2000	
<b>Operating Profit</b>	<b>61.63</b>
Less: Depreciation	20.46
Less: Misc.Expenditure Written off.	0.46
Net Profit carried forward to Balance Sheet	40.71

**Internet Scenario in India**

A new era of opportunities is drawing with the dawn of the new millennium in India.. This era of opportunities arises from the explosion in the world of Electronic Commerce, Internet and the new ways of doing business. Worldwide, a new economy had been created by companies going online and conducting an increasing amount of their business through transactions and business process, which take place through the Internet.

This Internet and e' Commerce revolution presents unprecedented opportunities for companies in India in the field of software services, Internet service providing and pure Internet web oriented services to companies worldwide.

**Internet infrastructure in India**

The growth of Internet worldwide is now well known with over an estimated 350 million users on the net and over one million websites, which have been created to cater to various segments of the Internet infrastructure. In India, Internet was introduced in the year 1995 and since then it has grown to over 700,000 customers available through more than 100 towns.

**Prospects of the Internet market**

An analysis of the money flows on the Internet presents a highly diversified picture with global flows of revenues through a widespread range of revenue

streams. These range from pure Internet access, portal and e' Commerce to transaction oriented revenues, entertainment portal and advertisement revenues, revenues derived from pure software services and generating web content.

Simultaneously, new streams of opportunities are opening up through state of the art developments i.e. WAP gateways for providing mobile Internet services, XML for e' Commerce, Voice XML gateways for providing voice based interactive Internet services and others.

These require tremendous interactive software developments with continuously changing technologies of XML/XHTML, WAP voice XML, security and certification oriented services and transaction oriented net services.

While there is no dearth of opportunities on the net, many companies are moving on to the net being part of the global development and driving the technologies, which are now being, introduced world wide. With the strength of the Indian software professionals and the entrepreneurial spirit of the dot COM companies, opportunities are very significant. The offshoot of this is the tremendous business for the Internet Service providers.

**Future Developments**

Tremendous developments are taking place on the Internet with the IP V.6 coming on the horizon together with the Internet Mobile world, which will continue to drive the Internet capabilities of reaching large and larger base of Internet customers. Simultaneously, virtually every company in India and overseas will need to become net enabled and do business on the in addition to their physical brick and mortar businesses.

It is this new paradigm shift that opens new and tremendous opportunities for the Internet Service providers operating in India.

**Review of Activities**

Your company has commenced commercial operations as an Internet Service Provider in Andhra Pradesh since May, 11,1999. Your company is a premier, front ranking Internet Service Provider in the state of Andhra Pradesh. Your company's network spans the entire state with 4 branches at nodal towns like Karimnagar, Kakinada, Vijayawada and Khammam apart from the corporate office at Hyderabad catering the needs of the twin cities of Hyderabad and Secunderabad.



Your Company has planned to establish its operations at different districts in Andhra Pradesh.

**Dial up and Lease Line Services:**

Your Company has got 3800 customer in Dial-up segment, cable network segment, web-hosting and corporate segment.

**Colocation Server**

Your Company has also started dedicated and colocation server services and has bagged projects from reputed customers in this segment.

Ex: GATI Cargo, J S Soft Merchants

**Dedicated Server**

Under this segment your Company will have a committed Bandwidth along with a server, which will be provided by your company.

**Corporate e' Mail**

In this segment corporate customers can avail number of e-mail ids under their prime account of your company. In this segment your company is already serving TATA communications Ltd.

Ex: cybermaintenance.com, sindhusoft.com, krssl-stock.com.

**Web hosting /Designing**

Your Company has already started Web-hosting services to various customers by informing them the advantage of hosting their sites from your company Your company has announced lucrative packages in this segment for customers.

Ex: JNTU.org, Loveera.com, acb-op.org.

**FTP Services**

Your Company has already started FTP download access service at its registered office for various customers to download files (data) which is not possible through Dial up connectivity.

EX: millennium, apcmp(a.p.cyclone mitigation project), e-logic (medi trans), mediland (medical transcription)

**E' Commerce**

In this segment your Company has already procured various software to provide e solutions to customers as per their requirements, like securing their transactions with high security. The project is yet to takeoff fully due to delay of various policy decisions from the Government.

**Software Development**

Your Company has already agreed two development and implementation projects from TATA communications Ltd and CMC Ltd. On-line billing software module has been developed successfully for TATA Communications LTD.

A billing software has been implemented for the end customer who is also Internet Service Provider, a customer of CMC LTD. Your company is now focussing towards various projects with the established track record in this segment.

**Company's Tie-ups**

Your Company has entered a tie-up with Intel as a business partner. As a business partner of Intel group your company would be getting updated reports about new Intel Technologies from time to time.

Your Company entered a tie-up with CMC Ltd to provide solutions to upcoming ISPs as well as corporate customer segment.

Your Company has recently entered an MOU with HCL Comnet Systems and Services Ltd to offer Checkpoint firewall as well as other security level software and microwave solutions as an integral part of their Internet solutions.

Your Company is in the advanced stage of negotiation with some of the companies for providing solutions through Microwave.

**International Gateway**

Your Company presently provides Internet services as a licensed ISP via Videsh Sanchar Nigam Ltd (VSNL) Gateway. The Government has recently permitted ISPs to set up their own Gateways. Your Company has received the in principle licence for setting up the international gateway and applied for approvals to the various Departments of Central Government for getting the no objection certificate to operate in the approved frequency and society check etc,



**DIRECTOR'S REPORT**

The international gateway provides various benefits like:

- Quality of service
- Committed speed
- Direct link
- Uninterrupted services
- Can handle large number of subscriber base
- Easy to upgrade
- Can support multiple services (ATM, Frame Relay, DSL, ADSL and much more services) as and when Govt. permits.

The Company is in an advanced stage of commissioning the International Gateway.

**Initial Public Offer**

In order to part finance the International gateway project your Company made an initial public offer of 1,340,000 equity shares. The public issue was open during the period 5<sup>th</sup> May 2000 to 9<sup>th</sup> May 2000. The public issue was subscribed 4.25 times.

The allotment was finalized in consultation with the regional stock exchange- HSE.

**Listing on Stock Exchanges**

Your Company's equity shares have been listed with Hyderabad Stock Exchange w.e.f 14.07.2000 and Bangalore Stock Exchange w.e.f 17.07.2000 .

**Year 2000 (Y2K) status**

Your Company achieved a smooth Y2K transition into the new millennium.

**Term loan from Central Bank of India.**

In order to part finance the International gateway projects your company has availed a term loan of Rs.61.71 Lacks. This term loan was disbursed on 02.05.2000 and is secured by the hypothecation of Fixed Assets and Book debts of the company and is also guaranteed by the personal guarantees of the Directors.

**Fixed Deposits**

The Company has not accepted any fixed deposits and the provisions of Section 58A of the Companies Act, 1956 are not applicable to the Company.

**Directors**

Pursuant to Article 48 of the Articles of Association of the Company, N.Satish Kumar and K.Radha Krishna are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offered themselves for re-appointment.

**Auditors**

The Statutory Auditors M/s UMMAREDDY & ASSOCIATES, Chartered Accountants, Hyderabad retire at the conclusion of the ensuing Annual General Meeting and being eligible, offered themselves for re-appointment.

**Personnel**

None of the employees are covered under Section 217 (2A) of the Companies Act,1956, read with the Companies (Particulars of Employees) Rules,1975 and forming part of the Directors' Report for the year ended 31<sup>st</sup> March,2000.

**Information as per Section 217 (1) (e) of the Companies Act,1956**

Your Company has no activity relating to conservation of energy or technology absorption. During the Year 1999-2000, there is no foreign exchange earnings. However there was foreign exchange outflow of Rs.1,77,792/- towards traveling expenses.

**Acknowledgements**

Your Directors wish to place on record, the dedication, competence, hard work, co-operation and support extended by our young, dynamic and highly motivated employees of the Company who have enabled the Company to achieve a technology growth during the year. Your Directors would like to thank all the shareholders who have reposed faith in the Company.

Your Directors have pleasure in recording their appreciation for the assistance extended to the Company by various officials of Central & State Government, the Dept. of Telecommunications, Bankers i.e., Central Bank of India, Bank of Madhura & Bank of Punjab Ltd and other governmental agencies for their support during the year and look forward to their continued support.

**For Southern Online Services Limited**

Place : Hyderabad  
Date : 28.10.2000

**CM. Ramesh**  
Chairman and  
Managing Director



**AUDITOR'S REPORT**

To,  
The Members of  
Southern Online Services Ltd  
HYDERABAD.

We have audited the attached Balance Sheet of M/s **SOUTHERN ONLINE SERVICES LTD, HYDERABAD**, as at 31st March 2000 and the Profit & Loss Account annexed thereof for the year ended on that date and report that:

1. 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 ;
  2. In our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of such books ;
  3. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account submitted to us ;
  4. In our opinion, the Profit and Loss Account and the Balance Sheet comply with the accounting Standards referred to in sub-section (3c) of Section 211 of the Companies Act, 1956.
  5. In our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view ;
    - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2000
- AND
- b) In the case of the Profit and Loss Account, of the Profit for the year ended on that date.
  6. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, and on the basis of such checks of books and records of the Company as we considered appropriate and according to the information and explanations given to us during the course of audit, we further state on the matters

specified in paragraphs 4 and 5 of the said order that:

- 6.1 The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets of the company have been physically verified by the management at reasonable intervals and no material discrepancies have been noticed on such verification.
- 6.2 None of the fixed assets have been revalued during the year.
- 6.3 The company has not taken loan from the parties listed in the Register maintained under Section 301 of the Companies Act, 1956, (1 of 1956).
- 6.4 The company has not granted any loans, secured or unsecured, to companies, firm or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956, or to companies under the same management within the meaning of the section 370 (1-B) of the Companies Act, 1956.
- 6.5 In our opinion there are adequate internal control procedures commensurate with the size of the company and the nature of the business with regard to the purchase of plant and machinery, equipment and other assets and with regard to the service rendered.
- 6.6 The company has not accepted any deposits from the public and consequently the provisions of Section 58-A of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975 are not applicable.
- 6.7 The Company has no Internal Audit system commensurate with its size and nature of its business.
- 6.8 According to the information and explanations given to us, maintenance of cost records has not been prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956, for any of the activities of the company.
- 6.9 According to the information and explanations given to us the provisions of Employee State Insurance Act are not applicable to the Company and the Company has not paid the Provident Fund amounts regularly with appropriate authorities.



## AUDITOR'S REPORT

- 6.10 In our opinion and according to the information and explanations given to us, the transactions of purchases made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, and aggregating during the year to Rs. 50,000/- or more in respect of each party have been made at prices and terms which are reasonable, having regard to the prevailing market prices or the prices at which transactions for similar goods or materials have been made with other parties .
- 6.11 According to the information and explanations given to us and records of the company examined by us, there are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty which have remained outstanding as at 31<sup>st</sup> March, 2000 for a period of more than six months from the date they became payable.
- 6.12 According to the information and explanations given to us and records of the Company examined by us, personal expenses of employees or Directors have not been charged to revenue account, other than those payable under contractual obligations in accordance with generally accepted business practice.
- 6.13 The company is not a Sick Industrial Company within the meaning of the clause (o) of the Sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
- 6.14 The Company has a reasonable system of allocating man-hours utilised to the relative jobs, commensurate with its size and nature of its business.
- 6.15 There is a reasonable system of authorisation at proper levels, and an adequate system of internal control commensurate with the size of The Company and the nature of its business.

For **Ummareddy & Associates**  
Chartered Accountants

**Sakhamuru Venu**  
Partner

Place : Hyderabad  
Date : 28.10.2000



## Balance Sheet as at 31st March, 2000

Description	Schedule No.	As at 31.03.2000 (Rs.)	As at 31.03.1999 (Rs.)
<b>I. SOURCE OF FUNDS :</b>			
<b>1. Shareholders' Funds :</b>			
a. Share Capital	1	40,200,000	2,808,510
b. Reserves and Surplus	2	4,071,330	-
<b>2. Loan Funds :</b>			
a. Secured Loans	3	-	10,410,708
b. Unsecured Loans		-	-
<b>TOTAL :</b>		<b>44,271,330</b>	<b>13,219,218</b>
<b>II. APPLICATION OF FUNDS :</b>			
<b>1. Fixed Assets :</b>			
a. Gross Block		29,723,393	10,752,130
b. Less : Depreciation		2,046,391	-
c. Net Block		27,677,002	10,752,130
d. Capital Work in Progress		6,444,755	870,382
e. Pre- Operative Expenses	5	-	579,100
<b>2. Investments</b>		-	-
<b>3. Current Assets, Loans and Advances :</b>	6	14,022,583	2,293,048
Less : Current Liabilities & Provisions :	7	4,054,895	1,323,842
<b>Net Current Assets</b>		9,967,687	969,206
<b>4. Miscellaneous Expenditure</b> (to the extent not written off or adjusted)	8	181,886	48,400
<b>TOTAL :</b>		<b>44,271,330</b>	<b>13,219,218</b>
Notes forming part of Accounts	13		

As per our report of even date  
for **UMMAREDDY & ASSOCIATES.**  
Chartered Accountants

for and on behalf of the Board

**SAKHAMURU VENU**  
Partner

**C.M. RAMESH**  
Chairman and  
Managing Director

**N.SATISH KUMAR**  
Executive Director

Place: Hyderabad.  
Date : 28.10.2000.

**Y.V.NAGESHWAR RAO**  
Vice President ( Finance) and  
Company Secretary.



**Profit and Loss Account for the year ended 31st March, 2000**

Description	Schedule No.	Year ended 31.03.2000 (Rs.)	Year ended 31.03.1999 (Rs.)
<b>INCOME</b>			
Internet and related Services.		20,069,258	-
Other Income		184,381	-
<b>TOTAL :</b>		<b>20,253,639</b>	<b>-</b>
<b>EXPENDITURE</b>			
Personnel Cost	9	1,402,904	-
Operating & Administrative Expenses:	10	6,999,813	-
Financial Expenses	11	2,313,943	-
Marketing Expenses	12	3,373,786	-
<b>Sub Total</b>		<b>14,090,446</b>	<b>-</b>
Operating Profit		6,163,193	-
Depreciation		2,046,391	-
Miscellaneous expenditure written off		45,472	-
<b>Profit Before Tax Carried forwarded to Balance Sheet.</b>		<b>4,071,330</b>	<b>-</b>

As per our report of even date  
for **UMMAREDDY & ASSOCIATES.**  
Chartered Accountants

for and on behalf of the Board

**SAKHAMURU VENU**  
Partner

**C.M. RAMESH**  
Chairman and  
Managing Director

**N.SATISH KUMAR**  
Executive Director

Place: Hyderabad.  
Date : 28.10.2000.

**Y.V.NAGESHWAR RAO**  
Vice President ( Finance) and  
Company Secretary.



## SCHEDULES

## Schedules forming part of the Balance Sheet

Description	As at 31.03.2000 (Rs.)	As at 31.03.1999 (Rs.)
<b>1. Share Capital</b>		
Authorised :		
60,00,000 Equity Shares of Rs.10/- each.	60,000,000	10,000,000
<b>Issued, Subscribed &amp; Paid-up :</b>	40,200,000	5,000
40,20,000 Equity Shares of Rs.10/- each fully paid up ( out of which 40,19,500 Shares are allotted during the year)		
<b>Share Application Money</b>	-	2,803,510
<b>Total :</b>	<b>40,200,000</b>	<b>2,808,510</b>
<b>2. Reserves &amp; Surplus</b>		
Profit & Loss A/c	4,071,330	-
<b>TOTAL :</b>	<b>4,071,330</b>	-
<b>3. Secured Loans</b>		
Term Loan from Central Bank Of India, Corporate Finance Branch. Hyderabad.	-	10,410,708
<b>TOTAL :</b>	-	<b>10,410,708</b>



## 4. Fixed Assets

Sl. No	ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
		As at 01.04.1999	Additions during the year	As at 31.03.2000 year	Upto 31.03.1999*	For the year	Upto 31.03.2000	As at 31.03.2000	As at 31.03.1999
1	Air Conditioners	-	343,540	343,540	-	20,649	20,649	322,981	-
2	EDP Equipment	10,457,531	17,562,926	28,020,457	-	1,964,277	1,964,277	26,056,180	10,457,531
3	Office Equipment	257,479	133,064	390,543	-	21,201	21,201	369,342	257,479
4	Furniture & Fixtures	37,120	931,733	968,853	-	40,264	40,264	928,589	37,120
<b>TOTAL :</b>		<b>10,752,130</b>	<b>18,971,263</b>	<b>29,723,393</b>	<b>-</b>	<b>2,046,391</b>	<b>2,046,391</b>	<b>27,677,002</b>	<b>10,752,130</b>
Capital Work-in- Progress		870,382	5,574,373	6,444,755	-	-	-	6,444,755	-



Description		As at 31.03.2000 (Rs.)		As at 31.03.1999 (Rs.)
<b>5. Pre-Operative Expenses:</b>				
Balance b/f from Previous Year	579,100			579,100
Add : Incurred During the Year	470,086			-
Sub - Total	1,049,186			-
Less: Transferred to EDP Equipments.	1,049,186	-		-
<b>TOTAL :</b>		-		<b>579,100</b>

**6. Current Assets , Loans & Advances:****A. Current Assets :**

## Sundry Debtors

Debts outstanding for a period exceeding six months 1,426,785

Other Debts 5,272,770

## Cash and Bank Balances

## Cash on Hand

410,678

## Balances with Scheduled Banks

- on Current Accounts

306,430

- Short Term Deposits

4,040,920

## Deposits

## Telephone Deposits

1,538,884

## Other Deposits

43,432

**B. Loans and Advances:**

982,684

1,177,246

**TOTAL :****14,022,583****2,293,048****7. Current Liabilities & Provisions :**

## Sundry Creditors

3,321,284

1,235,868

## Outstanding Liabilities

733,611

87,974

**TOTAL :****4,054,895****1,323,842**



Description	As at 31.03.2000 (Rs.)	As at 31.03.1999 (Rs.)
<b>8. Miscellaneous Expenditure</b> (to the extent not written off or adjusted)		
Preliminary Expenses	227,358	48,400
Less: Written Off During the year	45,472	-
<b>TOTAL :</b>	<b>181,886</b>	<b>48,400</b>

**Schedules forming part of the Profit and Loss Account**

Description	As at 31.03.2000 (Rs.)	As at 31.03.1999 (Rs.)
<b>9. Personnel Cost.</b>		
Salaries	1,309,674	-
Staff Welfare	93,230	-
<b>TOTAL :</b>	<b>1,402,904</b>	<b>-</b>

**10. Operating & Administrative Expenses :**

Lease Line Rentals	4,504,331	-
Telephone, Mobile & Pager Expenses	720,100	-
Electricity Charges	293,937	-
Rent , Rates & Taxes	196,945	-
Travelling & Conveyance Expenses	520,242	-
Office Maintenance	175,995	-
Printing & Stationery	216,520	-
Postage & Telegrams	8,460	-





SCHEDULES

Security Service	63,525	-
Membership, Books & Periodicals	163,425	-
Insurance	26,013	-
Professional Charges	15,800	-
General Expenses	29,554	-
Staff Recruitment Expenses	15,526	-
Vehicle Maintenance & Hire Charges.	29,440	-
Audit Fee	20,000	-
<b>TOTAL :</b>	<b>6,999,813</b>	<b>-</b>

**11. Financial Expenses :**

Interest on Term Loan	1,978,723	-
Bank Charges	335,220	-
<b>TOTAL :</b>	<b>2,313,943</b>	<b>-</b>

**12. Marketing Expenses :**

Advertisement & Selling Expnses	2,877,786	-
Business Promotion	483,000	-
Seminars	13,000	-
<b>TOTAL :</b>	<b>3,373,786</b>	<b>-</b>



**13. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS****SIGNIFICANT ACCOUNTING POLICIES****1. Basis of Preparation of Financial Statements :**

- A. Financial Statements have been prepared under the historical cost convention and in accordance with generally accepted Accounting Principles and Provisions of the Companies Act, 1956 as applicable to the Company.
- B. Accounting Policies not specifically referred to otherwise are consistent and consonance with generally accepted Accounting Principles followed by the Company.

**2. Revenue Recognition:**

Internet access is sold to customers for a specified Number of Hours either based up on the advances received or, billed to the customers, which is to be utilised within a specified period. The company recognizes revenue based on the bills raised on customer at the time of facilitating the internet access.

Income from File Transfer Protocol Server up load and down load service charges recognized after the services have been completed and billed to the customers.

**3. Fixed Assets:**

Fixed assets are stated at the cost of acquisition less accumulated depreciation, Direct costs are capitalised until the assets are ready to put to use. These costs include installation cost, duties, taxes and other allocated expenses including finance cost relating to specified borrowing incurred during the construction period.

**4. Capital Work- in -Progress :**

Advances paid towards the acquisition of Fixed Assets, the cost of Assets not put to use before the year end are disclosed under capital Work-in-progress.

**5. Depreciation:**

Depreciation on Fixed Assets has been provided on Straight Line Method as per the rates mentioned in schedule XIV of the Company's Act, 1956.

**6. Miscellaneous Expenditure :**

Expenditure ( to the extent not written off or adjusted ) incurred in connection with the formation of the company has been amortised over a period of 5 years.

Expenditure incurred in connection with the increase of authorised capital has been amortised over a period of 5 years.

**7. Contingent Liabilities:**

No liability was provided for in respect of Contingent liability but only mentioned by way of notes on accounts.

**II. NOTES ON ACCOUNTS****1. Managerial Remuneration:**

- A. Managerial Remuneration paid to the Chairman and Managing Director and whole time Directors.

	1999-2000	1998-99
Salaries	Rs.4,62,000	Rs. 45,000
Other Perquisites	Rs.2,99,940	Rs. 15,000



## NOTES ON ACCOUNTS

- B. No computation of Profit U/section. 350 of the Companies Act, 1956 has been given since no commission is paid to Directors.

**2. Auditors Remuneration:**

	1999-2000	1998-99
For Statutory Audit	Rs. 15,000	Rs.15,000
For Tax Audit	Rs. 3,000	Rs. 3,000
For Other Services	Rs. 2,000	Rs. 2,000

**3. Contingent Liabilities not provided for :**

	1999-2000	1998-99
In respect of guarantees issued by the Bankers in favour of the President of India, acting through the Telegraph Authority.	Rs.20,00,000	Rs.20,00,000

4. Current Liabilities and Provisions: Included Rs. 2,44,500/- Due to the Chairman cum Managing Director (Previous year Rs. 60,000/-) and Rs.1,08,160/- To the other Directors ( Previous year NIL).
5. Provision for Income Tax has not been made in Financial Statements since the Company would avail the benefit of net profit exemption U/s 80 I A of the Income Tax act 1961.
6. Balances appearing under different accounts of Debtors, Creditors, Loans, advances are subject to confirmation.
7. Previous year figures have been regrouped / reclassified / rearranged wherever necessary for better comparison with current year figures.
8. Cash and Bank Balances Include Rs 40,40,920 representing fixed deposits lodged with Banker as margin money against guarantees issued by them (Previous year 22,26,602/- ) .
9. The Company is engaged in the business of internet service providing and other related services. The production and sale of such services are not capable of being expressed in any generic unit and hence it is not possible to give the quantitative details of sales and the information as required under paragraphs 3,4C and 4D of Part II of Schedule – VI to the Companies Act, 1956.

As per our report of even date for and on behalf of the Board  
for **UMMAREDDY & ASSOCIATES.**  
Chartered Accountants

**SAKHAMURU VENU**  
Partner

**C.M. RAMESH**  
Chairman and  
Managing Director

**N.SATISH KUMAR**  
Executive Director

Place: Hyderabad.  
Date : 28.10.2000.



**Balance Sheet Abstract and Company's General Business Profile****I. Registration Details**

Registration Number	30463
State Code Number	01
Balance Sheet Date	31 <sup>st</sup> March, 2000

**II. Capital Raised During the Year (Amount in Rs Thousands)**

Public Issue	—
Right Issue	—
Bonus issue	—
Private Placement	401.95

**III. Position of Mobilization and Deployment of Funds (Amount in Rs Thousands)**

Total Liabilities	442.71
Total Assets	442.71

**Sources of Funds**

Paid-up Capital	402.00
Reserves & Surplus	40.71
Secured Loans	NIL
Unsecured Loans	NIL

**Application of Funds**

Net Fixed Assets	341.21
Investments	NIL
Net Current Assets	99.68
Miscellaneous Expenditure	1.82
Accumulated Losses	NIL

**IV. Performance of Company (Amount in Rs Thousands)**

Turnover	202.54
Total Expenditure	161.82
Profit /Loss Before Tax +(-)	40.72
Profit /Loss After Tax +(-)	40.72
Earnings per Share in Rs	1.01
Dividend Rate %	NIL

**V. Generic Names of Three principal products/ services of Company (as per monetary terms)**

Item Code No. (ITC Code)	NIL
Product Description	Internet Service Providers

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For and on behalf of the Board of Directors

**C.M.Ramesh**  
Chairman and Managing Director

**N. Satish Kumar**  
Executive Director

Place :Hyderabad  
Date : 28.10.2000



## CASH FLOW STATEMENT

## CASH FLOW FOR THE YEAR ENDED 31ST MARCH 2000

	Year Ended 31.03.2000
<b>I CASH FLOW FROM OPERATIONS</b>	
Profit as per Profit & Loss Account before Taxation & Extraordinary items	4,071,330
ADD : Adjustments for	
A. Depreciation	2,046,391
B. Preliminary Expenses Written off	45,472
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>6,163,193</b>
ADD / LESS : Adjustments for Working Capital	
A. Increase / Decrease in other Current Assets	(7,882,515)
B. Decrease in Loan & Advances	194,562
C. Increase in Current Liabilities	2,731,053
<b>CASH GENERATED FROM OPERATIONS NET CASH FROM OPERATING ACTIVITIES - "A"</b>	<b>1,206,294</b>
<b>II CASH FLOW FROM INVESTING ACTIVITIES</b>	
A. Purchase of Fixed Assets	23,966,536
B. Preliminary Expenses	178,958
<b>NET CASH USED IN INVESTING ACTIVITIES - "B"</b>	<b>24,145,494</b>
<b>III CASHFLOW FROM FINANCING ACTIVITIES</b>	
A. Proceeds of Shares Issue	37,391,490
B. Repayment of Secured Loans	(10,410,708)
<b>Net Cash used in Financing Activities - "C"</b>	<b>26,980,782</b>
<b>Net Increase in Cash or Cash Equivalents ( A+B+C )</b>	<b>4,041,581</b>
Opening Cash & Bank Balances	716,446
ADD:Net increase in Cash & Cash Equivalents	4,041,582
Closing Cash & Bank Balances as on 31.03.2000.	4,758,028

for and on behalf of the Board of Directors

C.M.RAMESH  
Chairman and Managing Director.

N.SATISH KUMAR  
Executive Director

**AUDITORS' CERTIFICATE**

We have verified the above Cash Flow Statement of SOUTHERN ONLINE SERVICES LIMITED derived from Audited Financial Statements for the year ended 31st March 2000, and found the same in accordance therewith, and also with the requirement of clause 32 of the Listing Agreement.

for Ummareddy & Associates.  
Chartered Accountants.

For and on behalf of the Board of Directors.

S. VENU.  
PARTNER

C.M.RAMESH  
Chairman and Managing Director

N.SATISH KUMAR  
Executive Director



PROXY FORM



**SOUTHERN ONLINE SERVICES LIMITED**

3A, 3<sup>rd</sup> Floor, Samrat Complex,  
Office Block, Saifabad, HYDERABAD – 500 004.

**PROXY FORM**

Folio No.: .....

I/We .....of..... in the district  
of..... being a member/members of the above named company,  
hereby appoint Mr/Ms/Kum..... in the district of  
..... as my/our proxy to attend and vote for me/us on my/our behalf at  
the Second Annual General Meeting of the Company to be held at Chiran Fort, 1-8-333 & 334, A-Wane,  
Begumpet, Opp.Police Lines, Secunderabad - 500 003. on Wednesday, the 29th November, 2000 at  
11.30 a.m. and at any adjournment thereof.

Signed this ..... day of ..... 2000.

Address .....

Signed .....

Affix Re. 1/-  
Revenue  
Stamp

Note : The proxy form duly completed must be deposited at Regd. Office not less than 48 hours before the  
time for holding the meeting. A proxy need not be a member.



**SOUTHERN ONLINE SERVICES LIMITED**

3A, 3<sup>rd</sup> Floor, Samrat Complex,  
Office Block, Saifabad, HYDERABAD – 500 004.

**ATTENDANCE SLIP**

I hereby record my presence at the Second Annual General Meeting of the Company at Chiran Fort, 1-8-  
333 & 334, A-Wane, Begumpet, Opp.Police Lines, Secunderabad - 500 003. on Wednesday, the 29th  
November, 2000 at 11.30 a.m.

.....  
Full name of the Shareholder (in block letters)

.....  
Signature

Folio No.....

No. of Shares held.....

.....  
Full name of the proxy (in block letters)  
(To be filled if the Proxy attends instead  
of the member)

.....  
Signature

Note: Shareholders attending the meeting in person or by proxy are requested to complete the attend-  
ance slip and hand it over at the entrance of the meeting hall.