

Board of Directors

N.Satish Kumar	<i>Managing Director</i>
B.H.R.Balaji	<i>Executive Director</i>
K.Radha Krishna	<i>Director - Finance</i>
B. Sreedhara Reddy	<i>Director – Admn.</i>
Y. Anand Swaroop	<i>Director</i>
B.Suresh	<i>Director</i>
K.Tejesh Kumar	<i>Director</i>
Emmanuel H.D'Silva	<i>Director</i>

Auditors

M/s. P. Murali & Co.,
Chartered Accountants
6-3-655/2/3,
Somajiguda,
Hyderabad - 500 082

Regd. Office

3A, 3rd Floor, Samrat Complex,
Saifabad, Hyderabad-04
Tel : (040) 23241999,
Fax : (040) 23241444
Website : www.sol.net.in
e-mail : info@sol.net.in

Registrars & Share Transfer Agents

M/s. Aarthi Consultants Pvt Ltd
1-2-285, Domalguda, Hyderabad-29.
Tel : (040) 27642217/27638111
Fax : (040) 27632184
Email : hyd2_aarcons@sancharnet.in

Bankers

Central Bank of India
Corporate Finance Branch
Koti, Hyderabad

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

NOTICE

NOTICE is hereby given that the Sixth Annual General Meeting of the Members of the Company will be held on Wednesday, the 9th day of June, 2004 at 11.30 A.M. at Dream Valley Resorts, Srinagar, Gandipet, Hyderabad – 500 075 to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March 2004 and Audited Profit & Loss Account for the year ended on that date together with the Directors' Report and Auditors' Report.
2. To appoint a Director in place of Mr. Anand Swaroop who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. B. Suresh, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s. P. Murali & Co., Chartered Accountants, Hyderabad as Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting at the 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(s), the following resolution as an ordinary resolution:

"RESOLVED THAT Mr K. Tejesh Kumar who was appointed as an Additional Director of the Company by the Board of Directors, who holds office under Section 260 of the Companies Act, 1956, up to the date of ensuing Annual General Meeting and in respect of whom the Company has received notice in writing proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

"RESOLVED THAT Mr. Emmanuel H. D'Silva who was appointed as an Additional Director of the Company by the Board of Directors, who holds office under Section 260 of the Companies Act, 1956, up to the date of ensuing Annual General Meeting and in respect of whom the Company has received notice in writing proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

"RESOLVED THAT pursuant to the provisions of Section 94 (1) (a) of the Companies Act, 1956, and other applicable provisions, if any, the Authorized Share Capital of the Company be and is hereby increased from Rs.12,00,00,000/- (Rupees Twelve Crores only) divided into 1,20,00,000 (One Crore Twenty Lakhs) Equity Shares of Rs.10/- each, to Rs 23,00,00,000/- (Rupees Twenty Three Crores only) divided into 2,30,00,000 (Two Crores Thirty Lakhs) Equity Shares of Rs.10/- (Rupees Ten only) each, ranking pari passu with the existing Equity Shares."

RESOLVED FURTHER that the existing Clause V of the Memorandum of Association of the Company as to the share capital be and is hereby deleted and in its place the following **Clause V** be substituted "

"The Authorised share capital is Rs 23,00,00,000/- (Rupees Twenty Three Crores only) divided into 2,30,00,000 (Two Crores Thirty Lakhs) Equity Shares of Rs.10/- (Rupees Ten only) each.

The Share Capital of the Company whether original, increased or reduced may be sub-divided, consolidated or divided into such classes of shares as may be allowed under the law for the time being relating to companies with such privileges or rights as may be attached and to be held upon such terms as may be prescribed by the regulations of Articles of Association of the Company."

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

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

“RESOLVED THAT pursuant to the provisions of Sec. 81 & Sec.81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 subject to all necessary approvals, consents, permissions, and/or sanctions of the Government of India (GOI), Reserve Bank of India (RBI), Securities & Exchange Board of India (SEBI) and all other appropriate authorities, institutions or bodies and subject to such conditions as may be prescribed by them in granting such approval, consent, permission or sanction, the Board of Directors of the Company and or Committee of the Board duly constituted and authorized (herein after referred to as “Board”) be and is hereby authorised on behalf of the Company to offer, issue and allot **17296600 (One Crore Seventy two lakhs ninety six thousand six hundred only)** Equity Shares of Rs.10/- each for cash aggregating to **Rs. 17,29,66,000/- (Rupees Seventeen Crores twenty nine lakhs sixty six thousand only)** plus the amount of premium and oversubscription, if any, from members, the promoters, public and subscription as may be allowed by the authorities concerned to and/or Financial Institutions and/or Mutual Funds and/or Foreign Institutional Investors and/or Foreign Investors (whether Institutions and/or Incorporated Bodies and/or Individuals or otherwise) Non-Resident Indians and/or other entities and/or to such other persons whether or not such entities or persons or members of the company, by way of Public cum Rights Issue (hereinafter referred to as the “Composite Issue”) and/or Private Placement or any one or more or a combination of the above methods through prospectus and/ or letter of offer or otherwise at such subscription or issue price or prices whether below or above the market price or prices with or without premium, on such terms and conditions as may be decided by the Board including the terms of issue as to the price and entities/persons to whom such shares may be issued and on the terms and conditions and matters connected therewith, in consultation

with the Lead managers and/or other advisors and/or otherwise on such terms as may be decided and deemed appropriate by the Board”.

RESOLVED FURTHER that the above shares when issued shall rank pari-passu with the existing equity shares of the Company in all respects except that they shall be entitled to pro-rata dividend from the date of allotment”.

RESOLVED FURTHER that the issue of the shares shall be deemed to have been made in India/Abroad at the place of issue and shall be governed by the law of the country as applicable and the Board be and is hereby authorized to file such prospectus and other documents as may be required to be filed in India and/or in foreign country or countries and to seek the listing of such securities in one or more International and/or Indian Stock Exchanges”.

FURTHER RESOLVED that the Board be and is hereby authorized to engage the services of or appoint solicitors, advocates, legal advisors, merchant bankers, guarantors, depositories, custodians and any such other agencies to act as managers, lead managers, or in any other capacity or to advise or to certify any matter relating to Company’s accounts or otherwise, on such terms as to remuneration by way of commission, brokerage, fees or otherwise as the Board may in its absolute discretion deem appropriate”.

FURTHER RESOLVED that for the purposes of giving effect to the above resolution the Board be and is hereby authorized on behalf of the Company to do all such acts, deeds matters and things as it may at its discretion deem necessary or desirable for such purposes and to settle any question, difficulties or doubts that may arise in regard to any such issue or allotment as it may in its absolute discretion deem fit”.

On behalf of the Board

Place : Hyderabad
Date : 13-05-2004.

N. Satish Kumar
Managing Director

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND, ON A POLL, TO VOTE INSTEAD OF HIM OR HER. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY, NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A FORM OF PROXY IS GIVEN AT THE END OF THE ANNUAL REPORT.
2. AN EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956 IS ANNEXED HERETO.
3. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED FROM MONDAY, 7TH JUNE, 2004 TO WEDNESDAY, 9TH JUNE, 2004 (BOTH DAYS INCLUSIVE).
4. MEMBERS HOLDING SHARES IN PHYSICAL FORM ARE REQUESTED TO NOTIFY/SEND ANY CHANGE IN THEIR ADDRESS TO THE COMPANY'S SHARE TRANSFER AGENTS, OR TO THE COMPANY AT ITS REGISTERED OFFICE.
5. SHAREHOLDERS / PROXIES SHOULD BRING DULY FILLED ATTENDANCE SLIPS SENT HERewith FOR ATTENDING THE MEETING ALONG WITH THE COPIES OF ANNUAL REPORTS TO THE ANNUAL GENERAL MEETING.

Explanatory Statement

[Pursuant to Section 173(2) of the Companies Act, 1956]

Item No. 5 :

Mr. K. Tejesh Kumar was appointed by the Board of Directors as an additional Director with effect from 15.10.2003. Pursuant to Section 260 of the Companies Act, 1956, Mr. K. Tejesh Kumar holds office of director up to the date of this Annual General Meeting. The Company has received a notice in writing under Section 257 of the Companies Act, 1956, along with a deposit of Rs. 500/- from a member signifying his intention to propose the name of Mr. K. Tejesh Kumar as a candidature for the office of Director. The profile of this Director is given hereto under the head 'additional information'.

The Board recommends the resolution for the members' approval in the Annual General Meeting. None of the Directors of the Company except Mr. K. Tejesh Kumar to the extent of his appointment as director is concerned or interested in this resolution.

Item No. 6 :

Mr. Emmanuel H. D'Silva was appointed by the Board of Directors as an additional Director with effect from 13-04-2004. Pursuant to Section 260 of the Companies Act, 1956. Mr. Emmanuel H. D'Silva holds office of director up to the date of this Annual General Meeting. The Company has received a notice in writing under Section 257 of the Companies Act, 1956, along with a deposit of Rs. 500/- from a member signifying his intention to propose the name of Mr. Emmanuel H. D'Silva as a candidature for the office of Director. The profile of this Director is given hereto under the head 'additional information'.

The Board recommends the Resolution for the members' approval in the Annual General Meeting. None of the Directors of the Company except Mr. Emmanuel H. D'Silva, to the extent of his appointment as director is concerned or interested in this resolution.

Item No. 7 :

The present Issued and paid up capital of the Company is Rs. 5,70,33,970 (Rupees Five crores seventy lakhs thirty three thousand nine seventy only) which is inclusive of the recently made preferential allotment of Rs.34,30,970/- as against the present authorized capital of Rs. 12,00,00,000 (Rupees twelve crores only).

Since the Company is contemplating to issue further Shares to Public/Promoters by way of Public Offer/ Rights Issue/private placement, as the case may be, by issuing and allotting 17296600 Equity Shares of Rs.10/- each (to meet the project cost of Rs. 17.10 crores plus to enable retaining of oversubscription, if any, it is necessary to increase the Authorized Share Capital of the Company to Rs.23,00,00,000/- (Rupees Twenty Three Crores Only) by creation of 1,10,00,000 further Equity Shares of Rs.10/-, each which will rank pari passu in all respects with the existing shares of the Company.

The proposed increase requires approval of the Members in general meeting. Consequent to the increase in the Authorised Share Capital, the Company's Memorandum of Association will also require alteration so as to reflect the increase.

The Board recommends the Resolution for the members' approval in the Annual General Meeting.

None of the Directors is interested or concerned in the resolution.

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

Item No. 8 :

Your Company's plans to diversify into Bio Technology have fructified with the concrete Strategy arrived at for setting up of a Project for producing Bio Fuels like Bio Diesel etc., with a project outlay of Rs. 17.10 crores. In order to meet the resources for the implementation of Bio Diesel Project and to enable for accepting oversubscriptions, if any, the Board wishes to issue and allot 17100000 Equity Shares of Rs.10/- each for cash aggregating to Rs.17,10,00,000/- (Rupees Seventeen Crores Ten Lakhs only) with or without premium, to the public or any other persons/bodies as mentioned in the Special Resolution, vide item no. 8 in the Notice, by way of Rights Issue/public offer/private placement etc. The detailed terms and conditions of the issue, the categories of offers and the respective quantum will be determined in consultation with the Advisors and the Lead Managers.

Hence, the enabling resolution is being proposed to give adequate flexibility and discretion to the Board to finalize the terms in consultation with the Lead Managers or such authorities as may be required to be consulted in accordance with the established practices. The shares when issued will be listed on Stock Exchanges as may be decided by the Board.

Consent of the members is being sought by a Special Resolution pursuant to the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956

The Special Resolution as set out at the Item-8 of the Notice, if passed will have the effect of allowing the Board to issue and allot shares to the entities/persons on the terms and conditions as may be decided by the Board. The Board may be authorized to take all steps necessary for implementing this resolution.

The Board recommends passing of the special resolution. None of the Directors is interested or concerned in the resolution.

On behalf of the Board

Place : Hyderabad **N. Satish Kumar**
Date : 13-05-2004 Managing Director

Additional Information :

(As per the Clause 49 of the listing agreement)

Brief Profile of Directors who retire by rotation and are eligible for reelection :

Mr. Anand Swaroop

Mr. Anand Swaroop, aged 38 years, is a graduate in Mechanical Engineering from Osmania University, MBA & M.Phil in Econometrics from London School of Economics. Mr. Anand Swaroop has 18 years of IT Sector Experience and has proven his abilities in various capacities. He has in depth knowledge in IT Market, its potential. His knowledge, experience and relations help our company manifold.

He does not hold directorships in any other companies.

Mr. B. Suresh

Mr. B. Suresh, is a graduate and PG Diploma in computer applications. He has gained excellent knowledge and experience in IT field. He is a business entrepreneur by profession and also Partner of several other firms. He has excellent administration skills. His services are very much useful to enhance the effectiveness of the Board as well as the Committees of the Board.

He does not hold directorships in any other companies.

Brief Profile of Directors whose appointment will be placed in the Meeting for the approval of Members:

Mr. K. Tejesh Kumar

Mr. K. Tejesh Kumar, is a Post graduate in Master of Business Administration (MBA) from Andhra University. He executed several consulting and software development projects. His technical and managerial skills will be of great importance to the company. The Board is of the opinion that his appointment as director will be in the best interests of the company. Mr. K. Tejesh Kumar, is also a director of Global IT Inc., a software company in Chicago, USA.

Mr. Emmanuel H. D'Silva

Mr. Emmanuel H. D'Silva, has done his Ph.D in Natural Resource Management from Victoria University of Wellington, New Zealand. He also obtained a Diploma in Journalism from R.P. Institute of Communication Studies, Bombay, India. Mr.Emmanuel H. D'Silva is credited with a vast and rich experience of more than 15 years at the World Bank, Washington, DC, USA covering a wide range of projects in Africa, South Asia, and Southeast Asia in the areas of environment, agriculture, rural development, education, and external affairs and also five years in the field working on rural poverty issues in Adilabad district of Andhra Pradesh, India.

He does not hold directorships in any other companies.

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the **Sixth Annual Report** together with the Audited Balance Sheet, Profit & Loss Account and Cash Flow Statement for the financial year ended 31st March, 2004.

Financial Results :

The highlights of the financial results for the year under review along with the comparative figures for the previous year are as follows:

(Rs. in Lakhs)

Particulars	2003-04	2002-03
Total Income	310.44	307.10
Operating Profit	91.44	89.91
Less: Depreciation	76.58	75.49
Less: Misc. Expenditure written off.	9.84	9.84
Net Profit	4.63	4.22

Review and Prospects :

The total revenue of the Company for the financial year ended 31st March, 2004 is Rs. 310.44 Lakhs as compared to the previous year's total revenue of Rs. 307.10 Lakhs. During this financial year the Company has recorded a net profit of Rs. 4.46 Lakhs as against the previous year's net profit of Rs. 4.22 Lakhs.

Your Company has been able to withstand, maintain and improve the revenues despite increasing competition, expensive dial up internet access. Your company is providing Internet Services through Optic Fibre Cable, MLLN Line, BSNL Physical Loop, W-LAN, RF Link etc. enhancing the quality of service and competitiveness of the company in the ISP Market. The Company has also been providing VOIP services to corporates.

Your Company has been providing the following services:

- Dial up and Lease Line Services
- Colocation Server
- Dedicated Server
- Corporate e' Mail
- Web hosting /Designing
- FTP Services
- VOIP
- Application Server
- DSL

Bio Diesel Project :

In addition to the existing business, your Directors have considered various proposals for diversifying the Company's activities into other activities like Bio-technologies, Biofuel and bio-technology products etc.

In this direction, Your Directors have conceived an idea of setting up of a Bio Diesel plant to produce Bio Diesel from non-edible vegetable oils (pongamia, jatropha, etc.) and other sources.

Bio Diesel from vegetable oils is safe, biodegradable, and free of sulphur. It uses proven and low-capital cost technology, hence can be implemented readily. Bio Diesel reduces serious air pollutants, such as soot, particulars, carbon monoxide, hydrocarbons, and air toxics and is a superior lubricant than Petro Diesel. Bio Fuel is increasingly being used as a substitute fuel in Europe and the United States.

It augurs well for the Company that selection of the Project has been meticulously done with scientific and technical counseling and further that the criteria for selecting the Bio Diesel Project are 1) new opportunities are being created by Government policy encouraging the production and distribution of Bio Fuel. Provision of Several financial incentives such as investment subsidy, exemptions in sales and income taxes, rebates on power, etc. are under consideration. 2) vast swathes of unproductive land can be brought under energy plantations to produce Bio Fuel, which provides opportunities to involve rural communities living in poverty, NGOs, and local

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

Governments as well as raw material for the Bio Fuel Project. Most significantly, the Project is expected to yield a better bottom line ensuring the financial viability of the project. Your directors are very much confident and look forward to complete and commercially take off the project at the earliest.

Directors :

Pursuant to Article 48 of the Articles of Association of the Company, Mr. Anand Swaroop, Director and Mr. B. Suresh, Director are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr. K. Tejesh Kumar and Mr. Emmanuel H. D'Silva were appointed as the Additional Directors of the company. They hold office till the date of the ensuing annual general meeting. The Company has received notices in writing from shareholders proposing their candidatures as Directors of the company. The Board recommends their appointment.

During the year Mr. T. Brahmananda Reddy resigned as Director w.e.f. 13.04.2004 who was earlier appointed as Additional Director on 15.10.2003. The Board takes this opportunity to thank him for his valuable contribution during the tenure of his directorship.

Change in the name of the Company :

The name of the company has been changed from **Southern Online Services Limited to Southern Online Bio Technologies Limited** with effect from 31st March, 2004 vide Lr. No RAP/TA.VI/Sec. 21/30463 dt. 31-03-2004 issued by the Registrar of Companies of A.P.

Subsidiary Company :

Consequent on the necessary approvals accorded by the Members, in the Extra Ordinary General Meeting held on 25th March, 2004, your Company acquired 3,43,097 Equity Shares of Rs. 10/- each in M/s Southern Biofe Bio Fuels Private Limited (M/s SBBF) and also that the Board of Directors of your Company have made preferential allotment of the equal number of shares on 13th April, 2004 to the vendors of the above referred shares of the said Company (M/s SBBF) . As such, the said Company has become a wholly owned subsidiary of your Company w.e.f 13th April, 2004. Hence, the details of the Subsidiary Company as required under Section 212 of the Companies Act, 1956 will be furnished from the financial year 2004-05.

Directors' Responsibility Statement :

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

- i) In the preparation of the annual accounts for the year ended 31st March, 2004, the applicable accounting standards have been followed and there are no material departures.
- ii) We have selected appropriate accounting policies and applied them consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March 2004 and of the profit of the company for the financial year ended 31st March 2004.
- iii) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) We have prepared the annual accounts for the financial year ended 31st March, 2004 on a going concern basis.

Auditors :

M/s. P. Murali & Co., Chartered Accountants, Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Corporate Governance :

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Corporate Governance and Management Discussion and Analysis together with a certificate from the Company's Auditors confirming compliance is set out in the Annexure forming part of this report.

Fixed Deposits :

The Company has not invited/accepted any fixed deposits from the public in terms of Section 58A of the Companies Act, 1956.

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

Employee Particulars :

None of the employees is in receipt of remuneration exceeding the limit and whose particulars are required to be given as prescribed under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

Additional information as required U/S 217(1)(e) of the Companies Act, 1956

(a) CONSERVATION OF ENERGY :

The Company is monitoring the consumption of energy and is identifying measures for conservation of energy.

- (b) (i) Technology Absorption, adaptation and innovation:-No technology either indigenous or Foreign is involved.
- (ii) Research and Development (R & D): No research and Development has been carried out.
- (c) (i) Foreign exchange earnings: Rs.90,660/- on sale of equipment
- (ii) Foreign Exchange outgo: Rs. 4.32 Lakhs towards bandwidth charges and Membership fee

Stock Exchanges :

The Company's Equity shares are listed in the Hyderabad Stock Exchange Ltd and the Bangalore Stock Exchange Ltd. The Company has paid the Listing Fees to the Stock Exchanges for the Financial Year 2004-05.

Acknowledgements

Your Directors place on record their appreciation of the continuous assistance and co-operation extended to your Company by the customers, bankers, Central & State Governments. Your Directors also sincerely acknowledge the significant contributions made by all the employees for their dedicated services to the Company. Your Directors also wish to acknowledge the continued support and confidence reposed in the management by the Shareholders.

On behalf of the Board

N.SATISH KUMAR
Managing Director

K.RADHA KRISHNA
Director - Finance

Place : Hyderabad
Date : 13-05-2004

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

ANNEXURE TO THE DIRECTORS' REPORT

The Management Discussion and Analysis Report:

A. ISP DIVISION

i. Industry Structure and Development:

The ISPs in the country have made heavy investment to the extent of Rs. 6600 crores in the infrastructure and have expended resources in taking the Internet to homes and cyber cafes across the Country. In addition, the ISPs have also been offering training to the customers on the Internet and bringing in the latest Internet Technology from around the World. The ISPs have committed resources and time in keeping with the positive outlook of the Government towards 'Liberalized Telecom Policy' on 'Internet' and 'Convergence'.

The Capital Cities (New Delhi and Other State Capital) accounts for 79% of Internet Connections of the Country.

More than 86% of top Corporate Houses have endorsed that Internet and E-Commerce is an integral part of their corporate strategic framework.

Over 76 % of the Internet Users use E-mail Services

Over 61% of the Users Access Internet from school, colleges, place of work and Cyber Cafes while 27% access Internet from homes.

Among the career conscious and education driven middle class, Internet is seen as critical to success in professional life.

There are approx 59 million telephone connections (including Mobile) and 8.5 million PC base in India.

There are approx. 47 million Cable T V Connections out of 92 million TV Sets in the Country.

(Source : DoT, NASSCOM & Telescope Survey)

Internet Industry in India	
ISP Licenses Issued	590 +
ISP Licenses Surrendered	200 Approx.
Existing ISP Licenses	390 Approx.
Operational ISPs	189
ITSP Licenses Issued	116
Cities/Towns Covered	380 Approx.
Cyber Cafes / Public Access Kiosks	12300 Approx.
Internet Subscribers	4.1 Million
Clearance given for Commissioning ISP Gateways	55
Total Estimated Investment made by ISPs	Rs. 6600 crores
Estimated Investment made on Eqpt. by ISPs	Rs. 2750 crores
Fresh Investment required during Tenth Five Year Plan	Rs. 19400 crores
Estimated Employment Provided (Direct/Indirect) by Internet Industry	1.1 lac

Growth Rate

During the first three years of VSNL monopoly, the Internet subscriber base grew very slowly. By the end of March 1998, it had barely reached 140,000 subscribers. The end of VSNL's monopoly changed things dramatically wherein, the entry of private

players, unlimited and open competition, and the lowering of tariffs, among other factors, led to the phenomenal surge in the subscriber base growth.

However, from April 2001 onwards, the growth rate started declining on all India basis. In the month of

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

March 2001, the subscriber base was 30 lakhs where as in the month of December 2003, it was 40.10 lakhs.

While the Government has been propelling India towards the 'Information Age' and 'Convergence' by announcing enabling Policies toward development and progress with an ultimate goal of "Internet for All". However, the implementation of some of these policies have been beset with various operational, procedural & regulatory issues and supporting legal framework, which is inhibiting the reach and benefit of Internet to the masses in the Country. It is, therefore, imperative to identify and initiate effective steps to trigger a faster growth.

ii. Opportunities and Threats

The Government has initiated various proactive measures in the proliferation of the Internet Services in the Country. A number of countries have permitted VOIP as a technology option since 1995 to the classical PSTN as well as Internet Telephony so as to provide a cheaper alternative to classical PSTN calls. However, In India, the ISPs were allowed to offer Internet Telephony Services with effect from April 1, 2002. With the choice availability of Toll Quality (PSTN) and Non-Toll Quality options, Internet Telephony has thrown open Long Distance Telephony to those sections of Society, which could not afford the same earlier. Further, Internet Telephony is proving to be a key driver for local entrepreneurs to set up Community Information Centers / Cyber-kiosks / Internet Dhabas, etc even in small towns and villages. In fact it has made distance learning, Tele-medicine and e-governance etc a reality in Indian context.

However, internet telephony grey market, which is estimated to be about 90% of the total internet Telephony market in India, is effecting the Internet Industry.

iii. Outlook for the Industry

It has been widely recognized that the diffusion of the Internet and its associated applications (e.g., e-governance, electronic commerce, e-banking, e-learning etc.) can fuel the growth of a nation's economy. Internet significantly facilitates the process of development of the nations and its citizens in all respects, be it economic, social, or cultural.

However, it must be noted that for sustaining such applications and Internet as a whole there must be a critical mass of Internet users. It is therefore very important to encourage the Internet growth and usage. To achieve this goal we should recognise that one of the most significant factors influencing the growth of Internet is the cost to consumers for Internet access and improvement in quality of service.

B. BIO FUELS DIVISION

i. Industry Structure and Development

Bio Diesel was introduced in South Africa before World War II to power heavy-duty vehicles. Recent environmental and domestic economic concerns have prompted resurgence in the use of Bio Diesel throughout the world. In 1991, the European Community (EC) proposed a 90% tax deduction for the use of biofuels, including Bio Diesel. Bio Diesel plants are now being built by several companies in Europe; each of these plants will produce up to 5.7 million liters (1.5 million gallons) of fuels per year. In the United States also, Bio Diesel is being commercialized. Several U.S. demonstration programs use Bio Diesel to fuel vehicles, including buses, trucks, construction/maintenance equipment, and motorboats.

Significant progress towards establishing a firm foundation for a Bio Diesel industry in India has already been made. The ministry of Agriculture, and affiliated researchers, have determined that there are several native species of nonedible oil bearing trees which can yield substantial and inexpensive oil feed stocks for making Bio Diesel. Several discussions have taken place at the federal government level with the Ministry of Rural Development, Ministry of Environment and Forests, Ministry of Finance.

ii. Opportunities and Threats

India being a net importer of petroleum constituting 64% or 90 million tons worth \$ 6.5 billion, substituting fossil fuel with Bio Diesel makes strategic and economic sense. The country has vast areas of land classified as 'wastelands' (estimated variously between 50 and 100 million hectares) where pongamia and jatropa can easily be grown either as energy plantations or as field hedges. "Even thirty million hectares planted for Bio Diesel can completely replace the current use of fossil fuels".

iii. Outlook for the Industry

The Government of India has been encouraging the use of renewable energy as an alternative source of energy. Several financial incentives are under discussion as part of the national Bio Fuel policy. Various quasi-government organisations, like the Indian Institute of Petroleum, Indian Institute of Technology, New Delhi, Indian Institute of Sciences, Indian Oil Corporation, Indian Railways, and others have come forward to support to alternative fuel generation programs. The World Bank, the International Finance Corporation, the Asian Development Bank, and the Global Environmental Facility are among the multilateral organisations with interest in renewable energy.

Internal Control System and their Adequacy

The Company has adequate internal control systems and procedures in all operational areas and at all levels – equipments procurement, finance, administration marketing and personnel departments. The Company also has internal Audit system commensurate with its size and nature of business. The internal audit function will be done by a firm of Chartered Accountants. The Audit Committee reviews the internal audit reports and the adequacy of internal controls from time to time.

Discussion on Financial Performance with respect to Operational Performance

During the year under review the Company has achieved an operating Profit of Rs. 90.88 Lakhs on

the total Income of Rs. 309.94 lakhs with a net profit of Rs. 4.46 lakhs as against the previous year's Operating Profit of Rs. 89.91 lakhs on the total Income of Rs. 306.57 Lakhs with a net profit of Rs. 4.22 lakhs.

Though the company recorded a comfortable Operating Profits during this financial year and previous financial year, the net profits have come down considerably due to sizable amount of provision for Depreciation. The company is engaged in the business of provision of Internet Services, the machinery and equipment employed by the company which include computer peripherals, servers, modems, routers, etc. are subject to higher rates of depreciation.

Human Resource Development and Industrial Relations

The Company believes that the quality of its employees is the key to its success in the long run and is committed to provide necessary human resource development and training opportunities to equip them with skill, which enables them to adapt to contemporary technological advancements.

Industrial relations during the year are cordial and the Company is committed to maintain the same in future.

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

ANNEXURE TO THE DIRECTORS' REPORT REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy on Corporate Governance

SBT has been committed to the highest standard of Corporate Governance practices in the entire gamut of its business philosophy. The guiding forces of Corporate Governance at Southern Online are its core values – Quality operations, Customer satisfaction, Shareholders' value, Belief in people. The Company believes that a strong Corporate Governance policy is indispensable to healthy growth of business and resilient and vibrant capital markets, besides being an important instrument of investor protection. In this direction, Southern Online endeavors in true spirit, to adopt the best global practices in Corporate Governance.

2. Board of Directors

A. Composition

The Board of Directors of the Company consists of fifty percent of non-executive Directors. The Board is composed of four executive Directors and four non-executive Directors. All four non-executive Directors of the Company are independent Directors.

Composition and category of Directors on the Board for the year 2003-04 are given below:

Name of the Director	Category	Number of Directorships in other Companies	Number of Board Committee memberships held in other Companies
N. Satish Kumar	Promoter & Managing Director	1	Nil
K.Radha Krishna	Promoter & Director Finance	1	Nil
B. Sreedhara Reddy	Promoter & Admn. Director	1	Nil
B.H.R. Balaji	Promoter & Executive Director	1	Nil
Y. Anand Swaroop	Independent Director	Nil	Nil
B. Suresh	Independent Director	Nil	Nil
K. Tejesh Kumar*	Independent Director	Nil	Nil
Emmanuel H. D'Silva*	Independent Director	Nil	Nil
T. Brahmananda Reddy**	Independent Director	Nil	Nil

B. Pecuniary relationship or transactions of the Non-Executive Directors vis-à-vis the Company.

None of the Non-Executive Directors has any pecuniary relationship or transactions with the Company.

C. Meetings and Attendance

During the Financial Year 2003-04 the Board of Directors met 7 times on the following dates:

22.05.2003, 31.07.2003, 29.08.2003, 15.10.2003, 31.10.2003, 30.01.2004 and 13.02.2004.

The time gap between any two Board Meetings did not exceed four months.

Attendance of Directors at Board Meetings and at the last Annual General Meeting (AGM) held on 30th September, 2003.

* Mr.K. Tejesh Kumar and Emmanuel H.D'Silva were inducted as Additional Director's w.e.f. 15-10-2003 and 13-04-2004 respectively.

** Mr. T. Brahmananda Reddy ceased to be a director of the company with effect from 13th April, 2004.

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

Name of the Director	No. of Board Meetings attended	Whether attended the last AGM held on 30 th September, 2003
N. Satish Kumar	7	Yes
K.Radha Krishna	7	Yes
B. Sreedhar Reddy	5	Yes
B.H.R. Balaji	6	Yes
Y. Anand Swaroop	5	Yes
B. Suresh	5	Yes
K. Tejesh Kumar*	1	N.A.
Emmanuel H. D'Silva *	--	N.A.
T. Brahmananda Reddy*	2	N.A.

* Not directors as on the date of the last AGM.

D. Board's Procedure

Agenda papers along with explanatory statements were circulated to the Directors in advance for each of these meetings. All relevant information as per Clause 49 of the Listing Agreement was placed before the Board from time to time.

3. Audit Committee

Adhering to the principles envisaged in Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956 the Audit Committee was constituted as under:

A. Composition

The Company has constituted an Audit Committee comprising of the following three Non-Executive Independent Directors.

S.No	Name of the Director	Designation	Nature of Directorship
1	Y.Anand Swaroop	Chairman	Non-Executive & Independent Director
2	B.Suresh	Member	Non-Executive & Independent Director
3	T.Brahmananda Reddy*	Member	Non-Executive & Independent Director
4	K.Tejesh Kumar**	Member	Non-Executive & Independent Director

* Ceased to be a member and ** Co-opted as a member of the committee w.e.f 13.04.2004

B. Brief description of terms of reference

The Audit Committee of the Board of Directors reviews, acts and reports to the Board of Directors with respect to:

- i. Review of the Company's financial reporting process and its financial statements.
- ii. Review of the Company's financial reporting process and its financial statements.
- iii. Review of accounting and financial policies and practices.
- iv. Review of internal control and internal audit systems.
- v. Review of risk management policies and practices

C. Functions

The Audit Committee reviews the unaudited quarterly, half-yearly and yearly financial results with the Management before the same are submitted to the Board for its consideration and approval.

The Chairman of the Audit Committee is always present at the Annual General Meeting to give clarifications, if any, required by the members thereat.

All the members including the Chairman have adequate financial and accounting knowledge.

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

D. Meetings and Attendance

Meetings: The Audit Committee met 3 times during the year under review on the following dates: 30.06.2003, 31.10.2003 and 30.01.2004

Attendance during the year 2003-04:

Name	Number of meetings held during the year	Number of meetings attended during the year
Y.Anand Swaroop	3	3
B.Suresh	3	3
T. Brahmananda Reddy	3	2

* Mr.K.Radha Krishna attended one Committee meeting before the appointment of Mr. Brahmananda Reddy as a committee member.

4. Remuneration Committee

The Company has constituted Remuneration Committee to decide, fix the remuneration payable to the Managing / Whole time Directors of the Company.

However, the remuneration of the Managing / Whole time Director is subject to approval of the Board, and of the Company in the General Meeting and such approvals as may be necessary. The remuneration structure of Managing / Whole time Director comprises of salary only.

A. Composition

The Remuneration Committee consists of the following Directors:

S.No	Name of the Director	Designation	Nature of Directorship
1	B.Suresh	Chairman	Non-Executive & Independent Director
2	Mr.Y.Anand Swaroop	Member	Non-Executive & Independent Director
3	K. Tejesh Kumar	Member	Non-Executive & Independent Director

B. Brief description of terms of reference of Directors, which are given as follows:

1. To fix the remuneration packages of Executive Directors i.e., Managing Director, Whole time Directors, etc.,
2. To decide on the elements of remuneration package of all the Directors i.e., salary, benefits, bonuses, stock options, pension etc."

The Non-executive Directors are paid sitting fees for attending the Board & Committee meetings. The Remuneration Committee met once on 31.10.2003 and all the members of the committee were present at the meeting.

The details of the salary and commission paid / payable for the Financial Year ended 31st March, 2004 to the Managing / Whole time Director are as under:

Name of the Director	Designation	Salary per annum (Rs.)	Commission
N. Satish Kumar	Managing Director	3,35,988	Nil
K. Radha Krishna	Director Finance	3,35,988	Nil
B. Sreedhara Reddy	Admn. Director	3,35,988	Nil
B H R Balaji	Executive Director	3,35,988	Nil

The Company does not have any stock option scheme to the Whole-time Directors. The appointments are made in accordance with the terms and conditions specified in the respective resolutions passed by the members in the General Meetings, which do not provide for severance fees.

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

5. Investors' Grievance Committee

A. Composition

Your Company has constituted an Investors' Grievance Committee consisting of the following Directors:

S.No.	Name of the Director	Designation	Nature of Directorship
1	K. Tejesh Kumar*	Chairman	Non-Executive & Independent Director
2	Y.Anand Swaroop	Member	Non-Executive & Independent Director
3	B.Suresh	Member	Non-Executive & Independent Director

* Appointed as a member of the Committee w.e.f 15.10.2004

B. Powers

The Committee has been delegated with the following powers:

- to redress shareholder and investor complaints relating to transfer of shares, Dematerialization of Shares, non-receipt of balance sheet, non-receipt of declared dividend etc.
- to approve, transfer, transmission, and issue of duplicate / fresh share certificate(s)
- consolidate and sub-division of share certificates etc.
- to redress, approve and dispose off any, other complaints, transactions and requests etc.,

received from any shareholder of the company and investor in general.

The Board has delegated the power to process the transfer and transmission of shares to the Registrar and Share Transfer Agents, who process share transfers within a week of lodgment in the case of shares held in physical form.

During the period under review 16 complaints / requests were received from the shareholders, all of them have been resolved and there are no pending Share Transfers / Complaints as on date of this report. Mr. R. Harsha Vardhan Reddy, Asst. Company Secretary of the company is the Compliance Officer.

6. General Body Meetings

The details of last three Annual General Meetings are as follows:

Financial Year	Date	Time	Venue	Nature of special resolutions, if any passed
2002 - 2003	30.09.2003	11.00 A.M	Dream Valley Resorts, Srinagar, Gandipet, Hyderabad – 500 075.	No special resolution was passed
2001 - 2002	30.09.2002	12.00 P.M	Golden Triangle, NanakramGuda, Lingampally, Hyderabad.	No special resolution was passed
2000 - 2001	27.09.2001	11.30 A.M	Golden Triangle, Nanakram Guda, Lingampally, Hyderabad.	No special resolution was passed

The following special resolutions were passed through postal ballot in the Extra Ordinary General Meeting held on 25th March, 2004 at 11.00 A.M. at Dream Valley Resorts, Srinagar, Gandipet, Hyderabad-500 075:

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

The details of Special Resolutions passed, the percentage of votes cast in favour of resolution to the total votes polled on postal ballot are given below:

S.No.	Nature of Business approved by special resolution through Postal Ballot	% of votes cast in favour of the resolution to the total no. of members voted	% to total No. of shares polled by members voted
1.	to alter Articles of Association for increasing Authorized Capital	97.56%	99.954%
2.	Further Issue of shares to persons other than the existing members of the company under section 81 (1A) of the Companies Act, 1956.	97.56%	99.954%
3.	for amending Main Object clause of Memorandum of Association of the company under section 17 (1) of the Companies Act, 1956	100%	100%
4.	for changing the name of the company from 'Southern Online Services Limited' to "Southern Online Bio Technologies Limited"	100%	100%
5.	to appoint new Registrars & Share Transfer Agents, M/s. Aarthi Consultants Private Limited in place of M/s. Sindhu Corporate Services Private Limited	100%	100%
6.	Preferential Allotment of shares under section 81 (1A) of the Companies Act, 1956	97.56%	99.954%

The Company has complied with the provisions of postal ballot under the Companies Act, 1956 as and when required.

7. Disclosures

- a) The Company has not entered into any transaction of material nature with related parties i.e., Directors, Management, their relatives conflicting with the Company's interest.
- b) There were no instances of non-compliance of any matter relating to the capital markets during the year under review. Hence, there have been no penalties or strictures imposed by SEBI / Stock Exchange or any other statutory authorities on matters related to capital market.

8. Means of Communication

The Financial Results and shareholding pattern are submitted to the Stock Exchanges on quarterly basis and the financial results have

been published in prominent daily newspapers, viz. Business Standards and Andhra Bhoomi. These financial statements, press releases are also posted on the Company's website, at www.sol.net.in.

The annual audited accounts of the Company are likewise communicated in the prescribed proforma to the stock exchanges as also published in the newspapers mentioned above. As the financial performance of the Company is well published, individual communication of half yearly results are not sent to the shareholders.

The Management Discussion and Analysis Report forms part of the annual report which is posted to the shareholders of the Company.

9. General Shareholder Information:

The following information would be useful to the shareholders:

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

9.1 Sixth Annual General Meeting

Date : 09.06.2004
Time : 11.30 A.M
Venue : Dream Valley Resorts, Srinagar,
Gandipet, Hyderabad - 75.

9.2 Financial Calendar 2004-05 (Tentative Schedule)

Annual General Meeting : August / September,
(Next year) 2005

Adoption of Quarterly results for the
Quarter ending 3rd/4th Week of

- June 30, 2004 : July 2004
- September 30, 2004 : October 2004
- December 31, 2004 : January 2005
- March 31, 2005 : April 2005

9.3 Book Closure Date

7th June, 2004 to 9th June, 2004
(both days inclusive)

9.4 Listing on Stock Exchanges :

The Hyderabad Stock Exchange Ltd
The Bangalore Stock Exchange Ltd

9.5 Stock Code

- (a) Trading Symbol : SOUTH\$
- (b) Demat ISIN number
in NSDL & CDSL : INE 371B01015
- (c) Scrip ID : 6339

Electronic Connectivity

National Securities Depository Limited
Trade World, Kamala Mills Compound
Senapati Bapat Marg, Lower Parel
Mumbai – 400 013
Central Depository Services (India) Limited
Phiroze Jeejeebhoy Towers, 28th Floor
Dalal Street, Mumbai – 400 023

9.6 Demat Registrars and Share Transfer Agents

Aarhi Consultants Pvt. Ltd.
1-2-285, Domalguda, Hyderabad- 500 029.
Tel: (040) 27642217/27638111
Fax: (040) 27632184
Email: hyd2_aarcons@sancharnet.in

9.7 Share Transfer System

SEBI has vide its circular dated 27-12-2002, directed that all work relating to share registry, both physical and demat should be maintained at a single point. Accordingly, the Share Transfers, both physical and demat form, are done by the Registrar and Share Transfer Agents i.e., M/s. Aarhi Consultants Private Limited, Domalguda, Hyderabad. The requests received for transfer of shares in physical form are generally completed within the stipulated time.

9.8 (A) Pattern of Shareholding as on 31.03.2004

Description	No. of Shares held	Percentage of Shareholding
Promoters & Relatives	18,21,087	33.97
Resident Indians	29,86,946	55.72
NRIs	4,13,750	7.72
FII/OCB	10,000	0.19
Financial Institutions and Banks	—	—
Domestic Companies	1,28,517	2.40
Total	53,60,300	100.00

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

(B) Distribution of Shareholding as on 31.03.2004

Range (Rs)	No. of Shareholders	% of Total Shareholders	No. of Shares	% of Total Shareholding
Upto 5000	2,543	80.78	498407	9.30
5001 – 10000	178	5.65	157878	2.95
1001 – 20000	124	3.94	200816	3.75
2001 – 30000	101	3.21	263515	4.92
3001 – 40000	38	1.21	136000	2.54
4001 – 50000	42	1.33	202004	3.76
5001 – 100000	66	2.10	512516	9.56
More than 100000	56	1.78	3389169	63.22
Total	3148	100.00	5360300	100.00

10. Dematerialisation of Shares and Liquidity

Trading in Company's shares is permitted only in dematerialised form for all investors. The ISIN allotted to the Company's scrip is INE 371B01015. Investors are therefore advised to open a demat account with a Depository participant of their choice to trade in dematerialized form. Over 64% of the Company's shares are now held in electronic form. The list of depository participants is available with the National Depository Limited (NSDL) at www.nsdl.co.in.

The Company has not issued any GDRs/ADRs/Warrants or any convertible instruments.

11. Address for Correspondence

Registered office : Flat No. A3, 3rd Floor, Office Block, Samrat Complex, Saifabad, Hyderabad-500 004.

R & T Agent : M/s. Aarathi Consultants Pvt. Ltd.
1-2-285, Domalguda, Hyderabad- 500 029.
Tel: (040) 27642217/27638111
Fax: (040) 27632184
Email: hyd2_aarcons@sancharnet.in

On behalf of the Board

Place : Hyderabad
Date : 13-05-2004

N.SATISH KUMAR
Managing Director

K.RADHA KRISHNA
Director - Finance

AUDITORS' CERTIFICATE

To,

The Members
Southern Online Bio Technologies Ltd
Hyderabad.

We have examined the compliance of conditions of Corporate Governance by M/s. Southern Online Bio Technologies Ltd for the year ended March 31, 2004, as stipulated in Clause 49 of the Listing Agreement of the Company with Stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to 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 opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us and on the basis of our examination described above, we certify that the company has complied with the conditions of corporate Governance as stipulated in the above mentioned Listing agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per 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.

for **P. Murali & Co.,**
Chartered Accountants

Place: Hyderabad
Date : 13.05.2004

P. Murali Mohana Rao
Partner

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

AUDITORS' REPORT

To,
The Members,
SOUTHERN ONLINE BIO TECHNOLOGIES LTD.
(Formerly known as Southern Online Services Ltd.)
Hyderabad.

We have audited the attached Balance Sheet of SOUTHERN ONLINE BIO TECHNOLOGIES LTD. (Formerly known as Southern Online Services Ltd.) as at 31st March, 2004 and also the Profit & Loss Account for the year ended on that date and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 we enclose in the Annexure a Statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to above, we report that :

- (i) 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.
- (ii) 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.

- (iii) The Balance Sheet and Profit & loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account .
- (iv) In our opinion, Please refer to the Notes to Accounts SNo.3 the deferred Income Tax Liability had not been provided by the Company in the earlier year as per the AS-22. The Company has provided the same during the year towards the Transitional Cumulative Provision amounting to Rs. 75,33,170/-. The Balance Sheet and Profit & Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of Companies Act, 1956.
- (v) On the basis of written representations received from the directors, as on 31st March, 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2004 from being appointed as director in terms of clause (g) of sub-section(1) of section 274 of the Companies Act, 1956.
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said 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.
 - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2004.
And
 - (ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date.
And
 - (iii) In the case of the Cash Flow statement, of the cash flow for the year ended on that date.

FOR **P. MURALI & CO.,**
Chartered Accountants

Place : Hyderabad
Date : 30-04-2004

P. MURALI MOHANA RAO
Partner

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

ANNEXURE TO THE AUDITORS' REPORT

- (I) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies between the book records and the physical inventory have been noticed on such verification.
- (c) The company have not disposed off substantial part of the Fixed Assets during the year .
- (II) (a) The Management has conducted physical verification in respect of inventory at reasonable intervals.
- (b) In our opinion, the procedures of the physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and as explained to us, no material discrepancies were noticed on physical verification of stocks as compared to book records.
- (III) (a) The company has not either granted or taken any loans, secured or unsecured to companies, firms or other parties covered in the register maintained U/S 301 of the Companies Act, 1956.
- (b) As the company has not either granted or taken any loans covered in the register maintained under section 301 of the Companies Act, hence, the applicability of the clause regarding interest and other terms and conditions for secured and unsecured Loans and the prima facie prejudicial to the interest of the company does not arise.
- (c) On the basis of our checking and according to the information and explanations given to us, during the course of our audit no loans or advances in the nature of loans have been given by the company hence, the applicability of the clause regarding regular payment of principal amount and interest does not arise.
- (d) The applicability of the clause –regarding the taking of the reasonable steps by the company for the recovery of overdue amount more than one lac does not arise as no loan have been given by the company as mentioned above.
- (iv) In our opinion and according to the information and explanations given to us, there are generally adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and for sale of goods. There is no continuing failure by the company to correct any major weaknesses in internal control.
- (v) (a) In our opinion and according to the information and explanation given to us, there are no such transactions which has been made by the company, exceeding the value of Five Lacs Rupees in respect of any party and in the financial year, hence the entry in the register under section 301 of the Act is not applicable.
- (b) According to the information and explanations given to us, as no such transactions have been made by the company, the applicability of the clause of charging the reasonable price having regard to the prevailing market prices at the relevant time does not arise.
- (VI) The Company has not accepted any deposit from the Public and hence the applicability of the clause of directives issued by the Reserve Bank of India and provisions of section 58 A and 58 AA of the Companies Act, 1956 and the rules framed there under does not arise.
- (VII) In our opinion, the company is having internal audit system commensurate with its size and nature of its business.
- (VIII) In respect of this company, the Central Government has not prescribed maintenance of cost records under Clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956.

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

- (IX) (a) The company is regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax and any other statutory dues with the appropriate authorities and at the last of the financial year there were no amount outstanding which were due for more than six months from the date they became payable.
- (IX) (b) According to the information and explanations given to us, as there are no dues of Sales Tax/income tax/wealth tax/cess which have not been deposited on account of any dispute.
- (X) The company has been registered for a period of not less than five years, and its accumulated losses at the end of the financial year are less than fifty percent of its net worth and the company has not incurred cash losses in this Financial year and in the financial year immediately preceding such financial year also.
- (XI) According to information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.
- (XII) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, Debentures and other securities and hence the applicability of the clause regarding the maintenance of adequate documents in respect of loans does not arise.
- (XIII) This clause is not applicable to this company as the company is not covered by the provisions of special Statute applicable to Chit Fund in respect of Nidhi/Mutual Benefit fund/Societies
- (XIV) According to the information and explanations given to us, the company is not dealing or trading in Shares, Securities Debentures and other Investments and hence the applicability of the clause regarding the maintenance of the proper records and contracts and the timely entries therein in respect of Shares Securities and Debentures does not arise.
- (xv) According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions, and hence applicability of this clause regarding the terms and conditions which are prejudicial to the interest of the company does not arise.
- (XVI) According to the information and explanations given to us, the Term Loans were applied by the company for the purpose for which the loans were obtained.
- (XVII) According to the information and explanations given to us, the funds raised by the company on short-term basis have not been used for long term investment and vice versa during the year under audit.
- (XVIII) According to the information and explanations given to us, the company has not made any Preferential Allotment of Shares to parties and Companies covered in the Register maintained under section 301 of the Companies Act, 1956 and hence the applicability of the clause regarding the price at which shares have been issued is prejudicial to the interest of the company does not arise.
- (XIX) According to the information and explanations given to us, the company does not have any debentures and hence the applicability of the clause regarding the creation of the securities in respect of the debentures issued does not arise.
- (XX) According to the information and explanations given to us, the company has not raised money by public issues during the year and hence the applicability of the clause regarding the disclosure by the management on the end use of the money raised by Public issue is not applicable.
- (XXI) According to the information and explanations given to us, no fraud has been noticed or reported during the year under audit.

FOR P. MURALI & CO.,
Chartered Accountants

Place : Hyderabad
Date : 30-04-2004

P. MURALI MOHANA RAO
Partner

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

Balance Sheet as at 31st March, 2004

Description	Schedule No.	As at 31.03.2004 (Rs.)	As at 31.03.2003 (Rs.)
I. SOURCES OF FUNDS :			
1. Shareholders' Funds :			
a. Share Capital	1	53,603,000	53,603,000
b. Reserves and Surplus	2	5,856,823	11,515,293
2. Loan Funds :			
a. Secured Loans	3	7,612,259	9,192,124
b. Unsecured Loans	4	1,321,607	1,278,798
3. Deferred Income Tax Liability Provision		6,122,414	
TOTAL :		74,516,103	75,589,215
II. APPLICATION OF FUNDS :			
1. Fixed Assets :			
a. Gross Block	5	47,767,780	48,049,187
b. Less : Depreciation		29,518,219	22,814,263
c. Net Block		18,249,561	25,234,924
2. Current Assets, Loans and Advances :			
Less : Current Liabilities & Provisions :	6	58,569,705	49,624,686
Net Current Assets	7	5,155,171	3,106,693
3. Miscellaneous Expenditure			
(to the extent not written off or adjusted)	8	2,852,008	3,836,298
TOTAL :		74,516,103	75,589,215
Notes forming part of Accounts	13		

AS PER OUR REPORT OF EVEN DATE
for **P.MURALI & CO.**,
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

P. MURALI MOHANA RAO
Partner

N.SATISH KUMAR
Managing Director

B.H.R.BALAJI
Executive Director

Place : Hyderabad
Date : 30.04.2004

K.RADHA KRISHNA
Director-Finance

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

Profit and Loss Account for the year ended 31st March, 2004.

Description	Schedule No.	Year ended 31.03.2004 (Rs.)	Year ended 31.03.2003 (Rs.)
I. INCOME			
Internet and related Services.		30,994,141	29,931,795
Sale of Computer Hardware.		-	724,730
Other Income		49,825	53,344
TOTAL :		31,043,966	30,709,869
II. EXPENDITURE			
Purchases		-	500,000
Personnel Cost	9	3,792,905	3,331,574
Operating & Administrative Expenses:	10	14,969,844	10,859,251
Financial Expenses	11	1,609,546	1,705,661
Marketing Expenses	12	1,527,485	5,322,612
Sub Total		21,899,780	21,719,098
Operating Profit		9,144,186	8,990,771
Depreciation		7,657,314	7,549,434
Miscellaneous expenditure written off		984,290	984,292
Profit Before Tax		502,582	457,045
Provision for Tax		38,636	35,000
Profit After tax		463,946	422,045
Deferred Income Tax Assets for current year		1,410,756	—
Profit after deferred tax assets provision		1,874,700	—
Add : Profit Brought forwarded		1,515,293	1,093,248
Transitional Cumulative Provision for Deferred Income Tax Liability Provision		(7,533,170)	—
Profit Transferred to Balance Sheet		(4,143,177)	1,515,293
Earnings Per Share		0.35	0.08

AS PER OUR REPORT OF EVEN DATE
for P.MURALI & CO.,
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

P. MURALI MOHANA RAO
Partner

N.SATISH KUMAR
Managing Director

B.H.R.BALAJI
Executive Director

Place : Hyderabad
Date : 30.04.2004

K.RADHA KRISHNA
Director-Finance

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

Schedules forming part of the Balance Sheet

1. Share Capital :

Description	As at 31.03.2004 (Rs.)	As at 31.03.2003 (Rs.)
Authorised :		
120,00,000 Equity Shares of Rs.10/- each.	120,000,000	60,000,000
Issued, Subscribed & Paid-up :		
53,60,300 Equity Shares of Rs.10/- each fully paid up	53,603,000	53,603,000
TOTAL :	53,603,000	53,603,000

2. Reserves & Surplus :

General Reserve	10,000,000	10,000,000
Profit after tax	463,946	422,045
Deferred Income Tax Assets		
Provision for Current year	1,410,756	-
Profit brought forward	1,515,293	1,093,248
Transitional Cumulative		
Provision for Deferred	7,533,170	-
Income Tax Liability		
TOTAL :	5,856,823	11,515,293

3. Secured Loans :

Term Loan from Central Bank Of India ,Koti, Hyderabad. (Secured by hypothication of EDP Equipment and equitable mortgage of Land & Building of Directors.)	5,244,467	5,625,580
Bank Overdraft from Central Bank of India, Koti, Hyderabad against Debtors	2,367,792	3,566,544
TOTAL :	7,612,259	9,192,124

4. Un Secured Loans :

a) Loans from Directors.	755,299	705,298
b) Loans from Others.		
Refundable Deposits from Dealers	566,308	573,500
TOTAL :	1,321,607	1,278,798

5. DEPRECIATION STATEMENT

S. No.	ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01.04.2003	Additions during the year	Deletions during the year	As at 31.03.2004 year	Upto 31.03.2003	For the year	Deletions during the year	Upto 31.03.2004	As at 31.03.2004	As at 31.03.2003
1	EDP Equipment	45,707,415	1,618,280	1,935,777	45,389,918	22,355,258	7,526,086	953,358	28,927,986	16,305,204	23,195,429
2	Office Equipment	1,170,186	36,090	-	1,206,276	213,394	57,067	-	270,461	935,815	956,792
3	Furniture & Fixtures	1,171,586	-	-	1,171,586	245,611	74,161	-	319,772	851,814	925,975
	TOTAL :	48,049,187	1,654,370	1,935,777	47,767,780	22,814,263	7,657,314	953,358	29,518,219	18,092,833	25,078,196
	Previous Year	47,916,125	374,662	241,600	48,049,187	15,349,701	7,549,434	84,872	22,814,263	25,078,196	32,566,424

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

6. Current Assets, Loans & Advances :

Description	As at 31.03.2004 (Rs.)	As at 31.03.2003 (Rs.)
A. Current Assets:		
a) Sundry Debtors (Un Secured considered Good)		
Debts outstanding for a period exceeding six months	7,317,678	36,090,657
Other Debts	46,310,379	8,201,813
b) Pre-paid Expenses	1,913,950	1,042,292
c) Tax Deducted at Source.	164,463	88,745
d) Cash and Bank Balances		
Cash on Hand	82,289	332,892
Balances with Scheduled Banks	76,517	76,866
e) Deposits	1,928,539	2,664,433
f) Stock of CD's.	91,953	185,052
B. Loans and Advances:		
a) Advances for Capital Goods	230,500	542,682
b) Advances to Staff	317,983	399,254
c) Other Advances	135,454	-
TOTAL :	58,569,705	49,624,686
7. Current Liabilities & Provisions :		
Sundry Creditors for Capital Goods	354,280	75,501
Sundry Creditors for Expenses	1,688,346	308,598
Outstanding Liabilities	3,112,545	2,307,594
Chit Payable	-	415,000
TOTAL :	5,155,171	3,106,693
8. Miscellaneous Expenditure :		
(to the extent not written off or adjusted)		
a) Preliminary Expenses	45,470	90,942
Less: Written Off During the year	45,470	45,472
b) Deferred Revenue Expenses.	3,790,828	4,729,648
Add: Additions During the year		
Less: Written Off During the year	938,820	938,820
TOTAL :	2,852,008	3,836,298

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

Schedules forming part of the Profit and Loss Account

Description	Year ended 31.03.2004 (Rs.)	Year ended 31.03.2003 (Rs.)
9. Personnel Cost :		
Salaries	3,638,675	3,226,099
Staff Welfare	154,230	105,475
TOTAL :	3,792,905	3,331,574
10. Operating & Administrative Expenses :		
AGM & Board Meeting Expenses	86,367	56,261
Audit Fee	43,200	77,600
Electrical Charges	387,599	401,476
Floppys and CDs	96,875	80,000
General Expenses	203,180	163,974
Insurance	44,975	64,537
Lease Line Rentals	9,773,583	7,520,248
Membership, Books & Periodicals	130,843	116,947
Repairs & Other Maintenance	691,808	102,916
Consultancy Charges	109,350	42,000
Printing & Stationery	99,517	92,160
Postage & Telegrams	8,630	6,967
Rent , Rates & Taxes	679,885	554,579
Secretarial Expenses	101,292	51,760
Security Service	111,900	112,230
Telephone, Mobile & Pager Expenses	781,164	1,035,437
Travelling & Conveyance Expenses	452,917	214,971
Loss on Chits	-	83,460
Loss on Sale of Fixed Assets	831,759	81,728
Cable laying Charges	335,000	
TOTAL :	14,969,844	10,859,251
11. Financial Expenses :		
Bank Charges	117,555	122,345
Interest on Term Loan	874,004	1,091,442
Interest on Over Draft.	525,922	491,874
Interest on Unsecured Loans	92,065	
TOTAL :	1,609,546	1,705,661
12. Marketing Expenses :		
Advertisement	154,560	152,160
Comissions & Discounts	1,055,962	839,623
Business Promotion	148,093	52,107
Bad Debts	156,666	4,278,722
Donations	12,204	
TOTAL :	1,527,485	5,322,612

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

SCHEDULE NO. - 13

I. 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 specially referred to otherwise are consistent and consonance with generally accepted Accounting Principles followed by the Company.

2. Revenue Reorganization:

- a) Dial Up Services: Internet Access is provided to the customers for a specified Number of Hours either based upon the advances received or , billed to the customers, which is to be utilized within a specified period. The Company recognizes revenue based on the bills raised on customer at the time of facilitating the Internet access.
- b) Leased Line Services: Leased Line Services are provided to the customers for a specified period of time. The Company recognizes revenue in the year of raising the Invoices on the customers.
- c) Web hosting and Co-location Services: These services are provided to the customers for a specified period of time. The company recognizes revenue in the year of raising invoices on the customers.
- d) FTP Services: These services are provided to the customers for a specified period of time. The Company recognizes revenue in the year of raising invoices on the customers.

3. Fixed Assets:

Fixed assets are stated at the cost of acquisition less accumulated depreciation, direct costs are capitalized 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. Depreciation:

Depreciation on Fixed Assets has been provided on Straight Line Method as per the rates mentioned in Schedule XIV of the Companies Act, 1956.

5. Taxation :

The current charge for income tax is calculated in accordance with the relevant tax regulations applicable to the Company. Deferred tax asset and liability is recognized for future tax consequences attributable to the timing differences that result between the profit offered for income tax and the profit as per the financial statements. Deferred tax asset & liability are measured as per the tax rates/laws that have been enacted or substantively enacted by the Balance Sheet date.

6. Earning Per Share:

The earning considered in ascertaining the companies earning per share comprise net profit after tax. The number of shares used in computing basic earning per share is the weighed average number of shares outstanding during the year.

7. Gratuity :

The company has not made any provision for gratuity to its employees. Gratuity payable will be accounted as and when payments are made and as such the liability has not been ascertained.

8. Miscellaneous Expenditure:

- a) Preliminary Expenses: Expenditure (to the extent not written off or adjusted) incurred in connection with formation of the Company has been amortized over a period of 5 years.
- b) Public Issue Expenses: Expenditure incurred in connection with the Public Issue of Rs.1.34 Lakhs has been amortized over a period of 5 years.
- c) Deferred Revenue Expenses: Processing Fee incurred in connection with obtaining Gateway facilities has been amortized over a period of 10 years.
- d) Technical - Know – How: Expenditure incurred in connection with Technical know-how has been amortized over a period of 10 years.
- e) Software Expenditure: Expenditure incurred in connection with RBS billing software and data entry software has been amortized over a period of 10 years.

9. Contingent Liabilities:

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

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

II. NOTES ON ACCOUNTS:

1. Managerial Remuneration:

A. Managerial Remuneration paid to Directors :

Name	Designation	2003-04 Rs.	2002-03 Rs.
N. Satish Kumar	Managing Director.	3,35,988	2,54,664
B.H.R.Balaji	Executive Director	3,35,988	2,54,664
K.Radha Krishna	Director-Finance	3,35,988	2,54,664
B.Sreedhara Reddy	Director-Admn.	3,35,988	2,54,664
		13,43,952	10,18,656

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

2. Auditors Remuneration :

	2003-04 Rs.	2002-03 Rs.
For Statutory Audit	20,000	20,000
For Tax Audit	16,000	16,000
For Other Services	4,000	4,000
	40,000	40,000

3. In accordance with Accounting Standard 22 (AS 22) issued by the ICAI, the Company has provided during the year towards Transitional Cumulative Provision for deferred tax Liability amounting to Rs. 75,33,170/- as the same had not been provided earlier year. The deferred tax Assets provision for the current year amounts to Rs.14,10,756/- towards deferred tax Asset.

4. During the year, the company has not raised any funds by way of public Issue of shares.

5. No confirmations were obtained from debtors/creditors as to the balances receivable from/payable to them as at year end.

6. There are no dues to SSI Units outstanding for more than 30 days.

7. Contingent Liabilities not provided for:

	2003-04 Rs.	2002-03 Rs.
Counter Guarantee given to Bankers in respect of guarantees issued by the Bankers in favour of the President of India, acting through the Telegraph Authority.	20,00,000	20,00,000
	20,00,000	20,00,000

8. Preliminary Expenses include Registration Charges for increasing the Authorised Share Capital.

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

9. Deferred Revenue Expenses includes Public Issue Expenses, Technical know how and Billing Software Expenditure.
10. Balances appearing under different accounts of Debtors, Creditors, Loans and Advances are subject to confirmation from the parties.
11. Previous year figures have been regrouped / reclassified / rearranged wherever necessary for better comparison with current year figures.
12. The Company is engaged in the Business of providing Internet service and other related Services. The rendering of such services is not capable of being expressed in any generic unit and hence it is not possible to give the quantitative details of sales and information as required under paragraphs 3, 4C and 4 D of Part II of Schedule - VI to the Companies Act, 1956.
13. Previous years figures have been regrouped wherever necessary.
14. The figures have been rounded off to the nearest rupee.

Signature to Schedule No. 1 to 13

AS PER OUR REPORT OF EVEN DATE
for P.MURALI & CO.,
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

P. MURALI MOHANA RAO
Partner

N.SATISH KUMAR
Managing Director

B.H.R.BALAJI
Executive Director

Place : Hyderabad
Date : 30.04.2004

K.RADHA KRISHNA
Director-Finance

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31-03-2004

PARTICULARS	Year Ended 31-03-2004 (Rs.)
A. CASH FLOW FROM OPERATING ACTIVITIES:	
Net profit/(Loss) before tax & extraordinary items	502,582
Adjustments for:	
PRIOR PERIOD ADJUSTMENT	
Depreciation	7,657,314
Written off Expense	984,290
Interest	1,609,546
loss on Sale of assets	831,759
Operating Profit before working capital charges	11,585,491
Trade and other receivables	(9,601,253)
Inventories	93,099
Trade payables	1,568,756
Cash generated from operations	3,646,093
Interest paid	1,404,431
Cash flow before extraordinary items	2,241,662
NET CASH FLOW FROM OPERATING ACTIVITIES	
B. CASH FLOW FROM INVESTING ACTIVITIES:	
Purchase of Fixed Assets	(1,191,528)
INVESTMENTS	
NET CASH USED IN INVESTING ACTIVITIES	(1,191,528)
C. CASH FLOW FROM FINANCING ACTIVITIES:	
creditrors for capital goods	278,779
Paid towards Secured Loan	(1,579,865)
NET CASH USED IN FINANCING ACTIVITIES	(1,301,086)
Net increase in cash and cash equivalents	(250,954)
Cash and Cash equivalents as at (Opening Balance)	409,758
Cash and Cash equivalents as at (Closing Balance)	158,806

FOR AND ON BEHALF OF THE BOARD

Place : Hyderabad
Date : 30.04.2004.

N.SATISH KUMAR
Managing Director

B.H.R.BALAJI
Executive Director

K.RADHA KRISHNA
Director-Finance

Auditors' Certificate

We have examined the attached Cash Flow Statement of Southern Online Bio Technologies Limited (Formerly Known as Southern Online Services Limited) for the year ended 31st March 2004. The Statement has been prepared in accordance with the requirements of Clause 32 of listing agreement with Stock Exchanges.

for **P.MURALI & CO.,**
Chartered Accountants.

PLACE : Hyderabad
DATE : 30-04-2004

P. MURALI MOHANA RAO
PARTNER

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration Number	30463
State Code Number	01
Balance Sheet Date	31 st March 2004

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

Public Issue	NIL
Right Issue	NIL
Bonus issue	NIL
Private Placement	NIL

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

Total Liabilities	74516
Total Assets	74516

Sources of Funds

Paid-up Capital	53603
Reserves & Surplus	5857
Secured Loans	7612
Unsecured Loans	1322

Application of Funds

Net Fixed Assets	18250
Investments	NIL
Net Current Assets	53415
Miscellaneous Expenditure	984
Accumulated Losses	NIL

IV. Performance of Company (Amount in Rs Thousands)

Turnover	31044
Total Expenditure	30541
Profit /Loss Before Tax +(-)	503
Profit /Loss After Tax +(-)	464
Earnings per Share in Rs	0.35
Dividend Rate %	NIL

V. Generic Names of principal products/ services of Company

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

For and on behalf of the Board of Directors

Place : Hyderabad

N.SATISH KUMAR

B.H.R. BALAJI

K.RADHA KRISHNA

Date : 13.05.2004

Managing Director

Executive Director

Director-Finance

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

3A, 3rd Floor, Samrat Complex, Office Block, Saifabad, Hyderabad - 500 004.

PROXY FORM

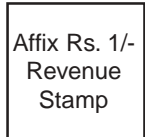
Folio No. DPID No. * Client ID No. *

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 **Sixth Annual General Meeting** of the Company to be held on Wednesday, the 9th June, 2004 at 11.30 am at Dream Valley Resorts, Srinagar, Gandipet, Hyderabad-500 075 or at any adjournment thereof.

Signed this day of 2004

Address
.....



Signed

* Applicable for investors holding shares in electronic form.

- Note : a) A Member entitled to attend and vote at the meeting is entitled to appoint a proxy and vote instead of himself.
b) Proxy need not be a member
c) The proxy form duly completed should be deposited at the registered office of the company not less than 48 hours before the time fixed for holding the meeting.

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

3A, 3rd Floor, Samrat Complex, Office Block, Saifabad, Hyderabad - 500 004.

ATTENDANCE SLIP

Folio No. DP ID No. * Client ID No. *

No. of Shares held

I hereby record my presence at the **Sixth Annual General Meeting** of the Company to be held on Wednesday, the 9th June, 2004 at 11.30 AM at Dream Valley Resorts, Srinagar, Gandipet, Hyderabad – 500 075.

Name of the Shareholder :

Name of the Proxy :

Signature of member/proxy :

- NOTE : 1) To be signed at the time of handing over this slip.
2) Members are requested to register their names at least 15 minutes prior to the commencement of the meeting.