

SEVENTH ANNUAL REPORT

2004-05

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED
(Formerly, Southern Online Services Limited)

Board of Directors : **Mr. N.Satish Kumar** : *Managing Director*
Mr. B.H.R.Balaji : *Executive Director*
Mr. K.Radha Krishna : *Director - Finance*
Mr. B. Sreedhara Reddy : *Director - Admn.*
Mr. K.Tejesh Kumar : *Director – International Affairs*
Mr. K.Venkateswara Rao : *Director – International Affairs*
Mr. Anand Swaroop : *Director*
Mr. B.Suresh : *Director*
Mr. Emmanuel H. D’Silva : *Director*
Mr. G.Govardhan Naidu : *Director*
Ms. T.Rohini Reddy : *Director*
Mr. V.Durga Prasad : *Director*

**Compliance Officer &
Company Secretary** : **Mr. D. Krishna Rao**

Auditors : **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
Email: info@sol.net.in

**Registrars & Share
Transfer Agents** : **M/s. Aarathi Consultants Pvt. Ltd.**
1-2-285, Domalguda, Hyderabad-29.
Tel: (040) 27642217/27638111
Fax: (040) 27632184
Email: info@aarthiconsultants.com

Bankers : **Bank of India**
Banjara Hills Branch
Chandra Apts, Road No.7
Hyderabad – 500 034.

NOTICE

NOTICE is hereby given that the Seventh Annual General Meeting of the Members of the Company will be held on Saturday, the 29th day of October, 2005 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 2005 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. B. Sreedhara Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. K. Radha Krishna, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. B. Suresh, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. P. Murali & Co., Chartered Accountants, Hyderabad as Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS:

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

“RESOLVED THAT Mr.G.Govardhan Naidu 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 Ms. T. Rohini Reddy 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 her candidature for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

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

“RESOLVED THAT Mr.K. Venkateswara Rao 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.”

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

“RESOLVED THAT Mr. V. Durga Prasad 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.”

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

“RESOLVED THAT pursuant to Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the “Board” which expression shall be deemed to include a committee of Directors duly authorised in this behalf), to borrow from time to time all such sums of money as they deem requisite for the purpose of the business of the Company notwithstanding that moneys to be borrowed together with moneys already borrowed (apart from temporary loans obtained from the bankers in the ordinary course of business) exceeds the aggregate of the Paid up Capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount which may be borrowed by the Board of Directors shall not exceed Rs.100 Crores (Rupees Hundred Crores only).

“RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to do and execute all such acts, deeds and things as may be necessary for giving effect to the above resolution”.

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

“RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) to the Board of Directors of the Company for creation of the mortgage/charge on the Company’s immovable and movable properties, where so ever situate, present and future, such charge to rank either pari passu with or second, subsequent, subservient and subordinate to all the mortgages/ charges created /to be crested by the Company for all existing and future borrowings and facilities whatsoever in favour of the lender(s).

“RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to do and execute all such acts, deeds and things as may be necessary for giving effect to the above resolution”.

12. 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 Sections 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (as amended from time to time) to the said Act, consent of the Company be and is hereby accorded for an increase in the remuneration of Mr.Venkateswara Rao Kadiyala, Director - International Affairs, from Rs. 10,000/- per month to Rs. 25,000/- per month with effect from 01-11-2005

13. 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 Sections 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (as amended from time to time) to the said Act, consent of the Company be and is hereby accorded for an increase in the remuneration of Mr.K. Tejesh Kumar, Director - International Affairs, from Rs. 10,000/- per month to Rs. 25,000/- per month with effect from 01-11-2005

On behalf of the Board

Place : Hyderabad
Date : 03-10-2005.

N. Satish Kumar
Managing Director

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE THEREAT INSTEAD OF HIMSELF / HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. An instrument appointing proxy to be effective must be lodged at the Registered Office of the Company at least 48 hours before the meeting.
3. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is herewith annexed.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, 28th October, 2005 to Saturday, 29th October, 2005 (both days inclusive).
5. 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.
6. 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.
7. At the ensuing Annual General Meeting, Mr. B. Sreedhara Reddy, Mr. K. Radha Krishna and Mr.B.Suresh retire by rotation and being eligible offer themselves for reappointment. Pursuant to Clause 49 of the Listing Agreement, brief profile of each of these directors is given below:
 - A. Mr. K. Radha Krishna, aged 36 years, is a graduate in Civil Engineering from Nagarjuna University. After his graduation he undertook several construction projects including for Hindustan Cables Ltd., Larsen & Tubro and Telecom Department. He has 6 years of Experience in IT sector and has proven his abilities in various capacities. He has in depth knowledge in IT and finance. He is presently looking after Finance function of the Company and also actively participating in setting up Bio Diesel unit of the Company in Hyderabad.
 - B. Mr. B. Sreedhara Reddy, aged 35 years is a graduate in Civil Engineering from Nagarjuna University and after his graduation he had taken up several construction projects. He has vast experience in IT field and ability of managing the company administration and other affairs. His services are very much useful to enhance the effectiveness of the Board as well as the committees of the Board.
 - C. Mr. B. Suresh, aged 44 years is an arts graduate holds PG Diploma in Computer Applications. He has an overall experience of two decades in IT Field. He is appointed as an Independent Director to Comply with the Corporate Governance requirement of the Stock Exchanges. His services are very much useful to enhance the effectiveness of the Board as well as the committees of the Board.

On behalf of the Board

Place : Hyderabad
Date : 03-10-2005.

N. Satish Kumar
Managing Director

EXPLANATORY STATEMENT

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

Item . 6: Appointment of Mr. G. Govardhan Naidu, as a Director of the Company

Mr. G. Govardhan Naidu was appointed by the Board of Directors as an additional Director with effect from 29.10.2004. Under section 260 of the Companies Act, 1956, Mr. G. Govardhan Naidu holds office only 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. G. Govardhan Naidu as a candidature for the office of Director.

Mr. G. Govardhan Naidu, aged 41 years, is a Mechanical Engineer from JNT University, Hyderabad. He has worked for over a decade in various managerial positions with APSEB and is currently handling for execution and commissioning of a 7.5MW Biomass power plant. His technical and managerial skills will be of immense need to the company and as such the Board is of the opinion that his appointment as director will be in the best interests of the company.

He does not hold directorships in any other companies.

The above information is given as per the Clause 49 of the listing agreement.

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

None of the Directors of the Company except Mr. G. Govardhan Naidu to the extent of his appointment as director is concerned or interested in this resolution.

Item. 7: Appointment of Ms. T. Rohini Reddy, as a Director of the Company

Ms. T. Rohini Reddy, aged 31years was appointed by the Board of Directors as an additional Director with effect from 29-10-2004. Under section 260 of the Companies Act, 1956, Ms. T. Rohini Reddy holds office only 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 Ms.T. Rohini Reddy as a candidature for the office of Director.

Ms. T. Rohini Reddy, is a M.Sc and M.Tech in Bio-Technology. She is currently working as Asst. Professor (Bio-Technology) at CMR College of Engineering & Technology, Hyderabad. She has also been involved in R & D laboratories in the fields of Bio-Technology research. She would be spearheading the company's R&D efforts. The Board is of the opinion that her appointment as director will be in the best interests of the company.

She does not hold directorships in any other companies.

The above information is given as per the Clause 49 of the listing agreement.

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

None of the Directors of the Company except Ms.T. Rohini Reddy, to the extent of her appointment as director is concerned or interested in this resolution.

Item .8 : Appointment of Mr. K. Venkateswara Rao, as a Director of the Company

Mr. K. Venkateswara Rao, aged 33 years, was appointed by the Board of Directors as an additional Director with effect from 29.10.2004. Under section 260 of the Companies Act, 1956, Mr. K. Venkateswara Rao holds office only upto 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. Venkateswara Rao as a candidature for the office of Director.

Mr. K. Venkateswara Rao, has a Masters Degree in Computers from Osmania University. He has over a decade of experience in various technology Companies. Prior to joining the joining, he was the Chief Information Officer for Global IT Inc., a software Development firm providing software development services to fortune 1000 Companies including Motorola, Seagate and Mcdonald's. He is appointed as Director- International affairs for the Company. His technical and managerial skills will be of great importance to the company. Your directors feel it a great privilege to have such a distinguished person on the Board of your Company and it is in the best interests of Company as well as Shareholders.

He does not hold directorships in any other companies.

The above information is given as per the Clause 49 of the listing agreement.

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

None of the Directors of the Company except Mr. K. Venkateshwara Rao to the extent of his appointment as director is concerned or interested in this resolution.

Item. 9 : Appointment of Mr. V. Durga Prasad, as a Director of the Company

Mr. V. Durga Prasad, aged 33 years, was appointed by the Board of Directors as an additional Director with effect from 26.11.2004. Under section 260 of the Companies Act, 1956, Mr. V. Durga Prasad holds office only 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. G. Govardhan Naidu as a candidature for the office of Director.

Mr. V. Durga Prasad, has a Bachelors Degree in Arts from Osmania University, Hyderabad he has over a decade of experience in marketing. He is appointed as Independent Director to Comply with Corporate Governance requirement. His marketing 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 interest of the company.

He does not hold directorships in any other companies.

The above information is given as per the Clause 49 of the listing agreement.

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

None of the Directors of the Company except Mr. V. Durga Prasad to the extent of his appointment as director is concerned or interested in this resolution.

Item. 10 : Borrowal limits :

In view of the expansion programme of the Company which is being carried out in full swing, it is expected that the ceiling already fixed by the members of the Company for borrowing, that is Rs.50 Crores, will not be sufficient and therefore your Directors place before you the proposal to increase the limits of borrowing to Rs. 100 crores.

Pursuant to the provisions of clause (d) of Sub-Section (1) of Section 293 of the Companies Act, 1956, the Board of Directors cannot borrow more than the aggregate amount of the paid-up capital of the Company and its free reserves at any one time except with the consent of the shareholders of the Company in a general meeting.

The Board recommends this resolution for your approval.

None of the Directors of your Company is interested , either directly or indirectly, in the proposed resolution.

Item. 11 : Consent of the members under section 293(1)(a)

In view of the expansion programme of the company and in the light of the Resolution placed vide item # 10 in the Notice for increase of borrowal limits, the Board of Directors of the company has to negotiate with the Financial Institutions/ Banks for borrowings for the Project and in this connection necessary approval of the members of the company is to be accorded for creation of charges/mortgages in favour of the lenders.

As per Section 293 (1) (a) of the Companies Act, 1956 consent of the members in General Meeting is required to enable the Board of Directors to create charge or mortgage of the assets of the company for the borrowings for the project..

The Board recommends this resolution for your approval.

None of the Directors of your Company is interested , either directly or indirectly, in the proposed resolution..

Item. 12 : Increase in remuneration of Mr. K. Venkateswara Rao, Director

It is proposed to increase the remuneration of Mr. Venkateswara Rao Kadiyala, Director – International Affairs, from Rs. 10,000 p.m. to Rs. 25,000 with effect from 01-11-2005 in order to suitably compensate the incumbent for the increased activities.

The proposed increase in remuneration requires the approval of the members in the general meeting. Hence, the above resolution at item # 12 is placed for approval of the members of the company. The Board of Directors recommend the said Resolution for approval of the members.

None of the Directors of the Company except Mr. K Venkateshwara Rao to the extent of his remuneration is concerned or interested in this resolution.

Item. 13 : Increase in remuneration of Mr. K. Tejesh Kumar, Director

It is proposed to increase the remuneration of Mr. K. Tejesh Kumar, Director – International Affairs, from Rs. 10,000 p.m. to Rs. 25,000 with effect from 01-11-2005 in order to suitably compensate the incumbent for the increased activities.

The proposed increase in remuneration requires the approval of the members in the general meeting. Hence, the above resolution at item # 13 is placed for approval of the members of the company.

The Board of Directors recommend the said Resolution for approval of the members.

None of the Directors of the Company except Mr. K. Tejesh Kumar to the extent of his remuneration is concerned or interested in this resolution.

On behalf of the Board

Place : Hyderabad
Date : 03-10-2005.

N. Satish Kumar
Managing Director

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the **Seventh Annual Report** together with the Audited Balance Sheet, Profit & Loss Account and Cash Flow Statement for the financial year ended 31st March, 2005.

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	2004 – 05	2003 - 04
Total Income	400.38	310.44
Operating Profit	114.52	91.44
Less: Depreciation	80.17	76.58
Less: Misc. Expenditure written off	9.39	9.84
Net Profit	21.07	4.64

REVIEW AND PROSPECTS

The total revenue of the Company for the financial year ended 31st March, 2005 is Rs.400.38 Lakhs as compared to the previous year's total revenue of Rs. 310.44 Lakhs. During this financial year the Company has recorded a net profit of Rs. 21.07 Lakhs as against the previous year's net profit of Rs. 4.64 Lakhs. The Company has made improved performance in the ISP business when compared to previous year. As scheduled, your Company has come up with the Rights cum Public Issue and now seized with steps concerning implementation of the Bio Diesel project.

THE COMPANY'S PRODUCTS/SERVICES

The Company provides a wide spectrum of services, which includes basic services like Internet access, E-mail etc. and value added services such as Add on hours. The Company presently provides Internet Services as a Licensed ISP by connecting through Bharti Broadband Backbone, and also has a redundancy through Reliance Infocomm Ltd (RIL). The Company's services include the following:

- Dial up Services through PSTN
- Web Hosting
- Server Co-Location
- VOIP Services

- Leased Line services (Terrestrial and RF links)
- Dedicated Servers
- Networking Solutions

BIO DIESEL PROJECT

Your Directors have taken up the Biodiesel project at Samsthan Narayanpur, Nalgonda Dist. The Company has already acquired all statutory clearances, acquired land, placed firm orders for the plant machinery and the civil works are under progress. Your directors are very much confident and look forward to complete and commercially take off the project at the earliest.

Technology, Plant & Machinery

The Bio Diesel technology is already in use in developed countries like Austria, France, Germany, Italy, and the United States who are among the many countries that have large Bio Diesel programs. The American Society for Testing and Materials (ASTM) has enacted standards that are used worldwide for Bio Diesel standards. ASTM standards would be used in Bio Diesel production in this project.

The technology and the plant and machinery for the project will be provided by the Lurgi, a world leader in Biodiesel industry in association with their Indian Partner, Chemical Construction International Pvt. Ltd. Lurgi and CCI are jointly responsible for the entire design and construction of the 30TPD multi feed stock based commercial scale Bio diesel production plant located at Samsthan Narayanpur Village, Nalgonda District, Andhra Pradesh for production of ASTM standards compliant Bio diesel and Pharma grade Glycerin.

Raw material

For production of bio diesel at installed capacity, the Company would require 10,000 tons per annum of non edible oil. The Company already has the following arrangements for supply of raw material in place:

- The Company has entered into an agreement with Sustainable Transformations Private Limited (SuTRA), Bangalore, which is supported by Indian Institute of Sciences, Bangalore for supply of 400 tons of Pongamia / Jatropha / Neem / Mahuva seeds oil per month. SuTRA, is involved since a decade in promoting biofuel crops and seed crushers across the Country and has already installed more than 50 seed crushing units for Tribal Groups, NGO's and SHG's across the States of Andhra Pradesh and Maharastra and has well connected linkages with growers of seeds for fuel oils, traders of seeds, oil and cake, etc.
- The Department of Environment, Forest, Science & Technology, Government of Andhra Pradesh has plans to plant additional 30 - 60 million pongamia tress on degraded soils and waste lands in next few years.

- As per the market survey of Chemical Construction International Pvt. Ltd., 67,000 tons of various non edible vegetable oils / Fatty Acids / Distilled Fatty Acids / Acid oils etc., which indicates substantial availability of raw material in the State of Andhra Pradesh.
- The Company has been motivating the farmers to go for the plantation of Jatropha and Pongamia and also entered back to back purchase agreements with several farmers to purchase for their entire production to the Company.
- As an alternative arrangement, the Company has already tied up with Sunshine Chemicals (M) SDN BHD, Malaysia, for the supply of vegetable oil for the entire quantity of raw material requirement. In case of shortfall in availability of adequate raw material in India, the Company would import the quantity required.

Buyers' Agreements

The Company has already received letters showing expression of interest (EOI) from the Indian Railways, Vishakapatnam Municipal Corporation, Andhra Pradesh State Lorry Association and some private Companies in the fields of construction, hospitals, etc. Discussions with the Andhra Pradesh State Road Transport Corporation are also in the final stages.

Governmental support

The Company has been interacting with the Government of Andhra Pradesh for promotion of its Bio diesel program. In support of this, the Government of A.P, vide its letter no. 2005/For.II/2003 dated 16.4.2004 has recommended the project to Ministry of Environment and Forests, Government of India, New Delhi for Host Country Approval. Subsequently the Company has obtained Host Country Approval from the Ministry of Environment and Forests, Government of India, New Delhi vide their letter no. F.No.4/10/2003-CCC dated 25th November 2004 by which the Company is able to sell CERs (Carbon Emission Reductions) globally and has got a letter of Intent from a German Company to purchase the same. The Government of Andhra Pradesh vide its aforesaid letter has assured the Company of full support and co-operation towards the bio diesel.

Support from German Government

The Government of the Federal Republic of Germany (BMZ) through its implementing agency, GTZ, vide their Letter Ref. No.GTZND-VS.Bio.PPP-02/05 dated 01.02.2005 has approved a grant of Euro 3,80,000 in support of our biodiesel project.

BENEFITS

Bio Diesel from vegetable oils is safe, biodegradable, and free of sulphur. 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.

The project will utilize mainly tree borne oil seeds and raw vegetable oils as raw materials for production of Biodiesel. Presently, there is no commercial value for Pongamia Pinnata and Jatropha Curcas and are being left to decay. So far, Pongamia and Jatropha tree species in India are not considered for any economic purposes for reasons such as wood is not of commercial quality, biomass is also not suitable for fodder applications oil extraction is not commercialized and left to grow unattended. The project creates a commercial value to the neglected oil bearing seeds and creates opportunities to the tribals and rural people for collection of seeds and supply to the project. The project activity would result in creation of additional financial benefit to the downtrodden tribal/rural small farmers and contributes in removal of social disparities and alleviation of poverty.

Further, substitution of mineral diesel with biodiesel results in reduction of anthropogenic GHG emissions in the transportation sector, since the source of raw materials for biodiesel manufacturing is Pongamia and Jatropha seeds which continuously absorbs CO₂ from the atmosphere. In addition, the project activity encourages plantation of new Pongamia and Jatropha trees in waste land, thus contributing to waste land utilization.

Hence, the project activity results in global environmental benefits by way of mitigation of greenhouse gases.

Economic Benefits

The project creates direct and indirect employment opportunities for several tribal and rural people. The project employs around 100 persons as permanent staff for operation of plant and another 60 persons as temporary.

Biodiesel also has other economic benefits as India largely depends on costly imports to an extent of 70% of its requirement, importing petroleum at this proportion puts pressure on the national exchequer heavily and the Indian economy subjects to heavy fluctuations depending in international oil prices. In this context the proposed project for making Biodiesel that substitutes petro diesel makes economic sense.

The project contributes to the following global and local benefits

Alleviations of poverty and social disparity in rural areas by creating additional opportunities for collection and supply of Pongamia seeds/raw vegetable oils to biodiesel plant.

Creates of direct and indirect employment during construction and operation of the project.

Development of waste land for a forestation activities and thereby improving the ecological balance and increase of forest cover.

Substitution of petro diesel to improve the local air environment and to mitigate CO₂ emissions for global GHG emissions.

Improving national economy by contribution to reduction of oil imports

Establishes a technology for biodiesel manufacturing in India so that more biodiesel manufacturing units may be set up as a consequence to the proposed project.

In view of above, the proposed project contribute to sustainable development to the country

Based on the above facts, the use of biofuels has attracted many European and other countries and evoked interest among planners, policy makers, economists and environmental activists as a viable option to achieve the goal of sustainable development. If the current interest in biofuels gets concretized into projects to tap their enormous potential, the 21st century can be expected to move away from depleting fossil fuels.

DIRECTORS

Mr. B. Sreedhara Reddy, Mr. K. Radha Krishna and Mr. B. Suresh, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. Govardhan Naidu, Ms. T.Rohini Reddy and Mr. Venkateswara Rao were appointed as additional directors on 29-10-2004 and Mr. V. DurgaPrasad was appointed as additional director on 26-11-2004. Their appointment as directors is proposed in the ensuing annual general meeting.

A brief resume / details relating to the Directors to be appointed / reappointed as stipulated under Clause 49 (VI)(A) of the listing agreement executed with the stock exchanges are furnished in the Explanatory Statement of the Notice of the ensuing Annual General Meeting.

It is proposed to increase the remuneration of Mr. K. Venkateswara Rao, Director- International Affairs and Mr. K. Tejesh Kumar, Director- International Affairs and the same are placed for approval of the members vide Item 12 and 13 of the Notice.

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, 2005, 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 2005 and of the profit of the company for the financial year ended 31st March 2005.
- 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, 2005 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 are eligible 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.

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: At present your Company has no activity relating to conservation of energy. Bear minimum power is used to run the computer systems etc.
- (b) (i) Research and Development (R & D): The Company is taking steps for establishment of Research and development activities..
- (ii) Technology Absorption, adaptation and innovation:- Not Applicable
- (c) (i) Foreign exchange earnings : There are no foreign exchange earnings
(ii) Foreign Exchange out go : \$5501 USD for procuring the ISP equipments

STOCK EXCHANGES

The Company's present 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 2005-06. After the Rights cum Public Issue the shares will be listed on

Bombay Stock Exchange Limited apart from the above two Stock Exchanges. In-principle approvals have been received from Bombay Stock Exchange Limited (BSE), The Hyderabad Stock Exchange Limited (HSE) and Bangalore Stock Exchange Limited (BgSE) for listing of the Equity shares vide their letters dated May 26, 2005 May 17, 2005 and May 26, 2005 respectively.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation of the continuous assistance and co-operation extended to your Company by the customers, bankers, Lead Managers and other agencies related to the present Rights cum Public Issue, personnel of APSRTC, Pollution Control Board, Central & State Government Authorities and shareholders. The Directors also sincerely acknowledge the significant contributions made by all the employees for their dedicated services to the Company.

On behalf of the Board

Place : Hyderabad
Date : 03-10-2005

N. Satish Kumar
Managing Director

K. Radha Krishna
Director –Finance

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)

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

The concept of using vegetable oil as a fuel dates back to 1895, when Dr. Rudolf Diesel developed the first diesel engine to run on vegetable oil. Diesel demonstrated his engine at the World Exhibition in Paris in 1900, using peanut oil as fuel. Before World War II, biodiesel was introduced in South Africa to power heavy-duty vehicles.

Biodiesel (mono alkyl esters) is a renewable liquid fuel produced from new or used vegetable oils or animal fats. It is typically made by a chemical process called transesterification, which relies on an alcohol, such as methanol, and a catalyst. It can also be made from Pongamia, Jatropha, cottonseed, peanut, canola (a variety of rapeseed), sunflower oils, waste animal fats, and used cooking oil.

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 motor boats.

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

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.

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 governments as well as raw material for the Bio Fuel Project. *“Even thirty million hectares planted for Bio Diesel can completely replace the current use of fossil fuels”*.

The financial returns (Return on Capital Employed) in this project are healthy, which ensures the financial viability of the project.

iii. Outlook for the Industry

Government and private industry in India have begun laying the foundation for a viable biodiesel industry there. India is actively involved in implementing a national program for the phasing in of BioDiesel-blended fuel oils, primarily with respect to government-run rail and other transportation systems. India currently imports more than 70% of its crude petroleum diesel needs, which are refined in-country. 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.114.52 Lakhs on the total Income of Rs.400.38 lakhs with a net profit of Rs.21.07 lakhs as against the previous year's Operating Profit of Rs. 91.44 lakhs on the total Income of Rs. 310.44 Lakhs with a net profit of Rs. 4.64 lakhs.

In the current financial year the Company has improved the business remarkably with 33% increase of total revenues and 354% increase of net profits.

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.

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 who are independent directors. The Board is comprised of six executive directors and six non-executive directors.

Composition and category of Directors on the Board are as follows:

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
K. Tejesh Kumar	Director – International Affairs	1	Nil
K. Venkateshwara Rao	Director – International Affairs	Nil	Nil
Y. Anand Swaroop	Independent Director	Nil	Nil
B. Suresh	Independent Director	Nil	Nil
Emmanuel H. D'Silva	Independent Director	Nil	Nil
G. Govardhan Naidu	Independent Director	Nil	Nil
T. Rohini Reddy	Independent Director	Nil	Nil
V. Durga Prasad	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 2004-05 the Board of Directors met 9 times on the following dates:

13.04.2004, 30.04.2004, 13.05.2004, 30.07.2004, 06.10.2004, 29.10.2004, 26.11.2004, 10.01.2005, 28.01.2005

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 9th June, 2004

Name of the Director	No. of Board Meetings attended	Whether attended the last AGM
N. Satish Kumar	7	Yes
K.Radha Krishna	9	Yes
B. Sreedhara Reddy	5	Yes
B.H.R. Balaji	6	Yes
K. Tejesh Kumar	2	No
K. Venkateshwara Rao	1	--
Y. Anand Swaroop	4	Yes
B. Suresh	5	No
Emmanuel H. D'Silva	1	No
G. Govardhan Naidu	2	--
T. Rohini Reddy	3	--
V. Durga Prasad	2	--

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	K. Tejesh Kumar*	Member	Non-Executive & Independent Director
4	T. Rohini Reddy**	Member	Non-Executive & Independent Director

* Ceased to be a member and ** Co opted as a member of the Committee w.e.f 29.10.2004

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 accounting and financial policies and practices.
- iii. Review of internal control and internal audit systems.
- iv. 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.

D. Meetings and Attendance

Meetings: The Audit Committee met 3 times during the year under review on the following dates: 30.04.2004, 29.10.2004 and 28.01.2005

Attendance during the year 2004-05:

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. Rohini Reddy	3	2
K. Tejesh Kumar	3	1

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	Y.Anand Swaroop	Member	Non-Executive & Independent Director
3	K. Tejesh Kumar*	Member	Non-Executive & Independent Director
4	V. Durga Prasad**	Member	Non-Executive & Independent Director

* Ceased to be a member and ** Co opted as a member of the Committee w.e.f 29.10.2004

B. Brief description of terms of reference

The Remuneration Committee shall function in accordance with the terms of reference made by the Board 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 29.10.2004 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, 2005 to the Managing / Whole time Director are as under:

Name of the Director	Designation	Salary per annum (Rs.)	Commission
N. Satish Kumar	Managing Director	4,00,140	Nil
K. Radha Krishna	Director Finance	4,00,140	Nil
B. Sreedhara Reddy	Admn. Director	4,00,140	Nil
B H R Balaji	Executive Director	4,00,140	Nil
K. Tejesh Kumar	Director – International Affairs	19,980	Nil
K. Venkateshwara Rao	Director – International Affairs	19,980	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.

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	V. Durga Prasad *	Chairman	Non-Executive & Independent Director
2	T. Rohini Reddy	Member	Non-Executive & Independent Director
3	G.Govardhan Naidu	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 26.11.2004

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 12 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. D. Krishna Rao, Company Secretary of the company is the Compliance Officer.

6. General Body Meetings

Financial Year	Date	Time	Venue	Nature of special resolutions, if any passed
2003 – 04	09.06.2004	11.30 A.M	Dream Valley Resorts, Srinagar, Gandipet, Hyderabad – 500 075.	Special Resolution was passed under Section 81 & 81(1A) of the Companies Act, 1956 to offer, issue and allot 17296600 Equity Shares of Rs. 10/- cash to promoters, members and public etc.
2002 – 03	30.09.2003	11.00 A.M	Dream Valley Resorts, Srinagar, Gandipet, Hyderabad – 500 075.	No special resolution was passed
2001 – 02	30.09.2002	12.00 P.M	Golden Triangle, Nanakram Guda, Lingampally, Hyderabad.	No special resolution was passed

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

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:

9.1 Seventh Annual General Meeting

Date : 29.10.2005
Time : 11.30 A.M
Venue : Dream Valley Resorts, Srinagar,
Gandipet, Hyderabad - 75.

9.2 Financial Calendar 2005-06 (Tentative Schedule)

Annual General Meeting (Next year) : August / September, 2006
Adoption of Quarterly results for the Quarter ending 3rd/4th Week of
- June 30, 2005 : July 2005
- September 30, 2005 : October 2005
- December 31, 2005 : January 2006
- March 31, 2006 : April 2006

9.3 Book Closure Date

28th October, 2005 to 29th October, 2005 (both days inclusive)

9.4 Listing on Stock Exchanges : The Hyderabad Stock Exchange Ltd
The Bangalore Stock Exchange Ltd
After the present Rights cum Public

Issue the shares will also be Listed on the Bombay Stock Exchange Ltd, Mumbai

9.5 Stock Code

(a) Trading Symbol : SOUTHS
(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: info@aarhiconsultants.com

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 31.03.2005

Description	No. of Shares Held	Percentage of Shareholding
Promoters & Relatives	18,17,387	31.86
Resident Indians	33,10,328	58.04
NRIs / FIIs / OCB	4,18,750	7.34
Financial Institutions and Banks	---	---
Corporate Bodies	1,56,932	2.75
Total	57,03,397	100.00

(B) Distribution of Shareholding as on 31.03.2005

<u>Range (Rs)</u>	<u>No. of Shareholders</u>	<u>% of Total Shareholders</u>	<u>Shares Amount</u>	<u>% of Total Shares Amount</u>
Upto 5000	2,337	79.49	4986170.00	8.74
5,001 – 10000	165	5.61	1456830.00	2.56
10,001 – 20000	108	3.67	1756740.00	3.08
20,001 – 30000	102	3.47	2697500.00	4.73
30,001 – 40000	42	1.43	1506550.00	2.64
40,001 – 50000	47	1.60	2272590.00	3.98
50,001 – 100000	72	2.11	5579610.00	9.78
1,00,001 and above	67	1.79	36777980.00	64.48
Total	3134	100.00	57033970.00	100.00

8. 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 62% 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.

9. Address for Correspondence

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

R & T Agent : Aarathi Consultants Pvt. Ltd.
1-2-285, Domalguda, Hyderabad- 500 029.
Tel: (040) 27642217/27638111
Fax: (040) 27632184
Email: info@aarthiconsultants.com

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, 2005, 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

P. Murali Mohana Rao
Partner

Place: Hyderabad
Date : 03.10.2005

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 2005

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	96752
Total Assets	96752

Sources of Funds

Paid-up Capital	77090.47
Reserves & Surplus	9929.317
Secured Loans	4696.4
Unsecured Loans	878.6

Application of Funds

Net Fixed Assets	20321.375
Investments	3430.97
Net Current Assets	65595.124
Miscellaneous Expenditure	7404.055
Accumulated Losses	NIL

IV. Performance of Company (Amount in Rs Thousands)

Turnover	40037.877
Total Expenditure	37761.026
Profit /Loss Before Tax +(-)	2496.325
Profit /Loss After Tax +(-)	2106.851
Earnings per Share in Rs	0 .37
Dividend Rate %	NIL

V. Generic Names of principal products/ services of Company

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

For and on behalf of the Board of Directors

Place : Hyderabad
Date : 03.10.2005

N.SATISH KUMAR
Managing Director

K.RADHA KRISHNA
Director -Finance

D.KRISHNA RAO
Company Secretary