



9th
Annual Report
2006 - 07



shrinking
distances

We
get
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Faster.

SOUTHERN ONLINE BIO TECHNOLOGIES LTD

(Formerly known as SOUTHERN ONLINE Services LTD)



widening
horizons

Smart Solutions and Eco Friendly



SBT Biodiesel Plant Visit by Mrs. Karin Kortmann, Parliamentary State Secretary,
Federal Republic of Germany and German Delegation



Storage Tanks at SBT Biodiesel Plant

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.Telesh Kumar : Director – Intl. Affairs
Mr. K.Venkateswara Rao : Director – Intl. Affairs
Mr. Y.Anand Swaroop : Director
Ms. T.Rohini Reddy : Director
Mr. V.Durga Prasad : Director
Mr. C.Raveendra Kumar : Director
Mr. B.Rajesh : Director
Mr. Dipen K. Sheth : Director

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

Regd. Office : 3A, 3rd Floor, Samrat Complex,
Saifabad, Hyderabad-04
Tel: (040) 2324 1999 Fax: (040) 2324 1444
Website: www.sol.net.in
Email: info@sol.net.in

Biodiesel Plant Location : Survey No. 6 & 7,
Samsthan Narayanpur (Village & Mandal),
Nalgonda Dist. A.P.

Auditors : P. Murali & Co.,
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad – 500 082

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

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

NOTICE

NOTICE is hereby given that the Ninth Annual General Meeting of the Members of the Company will be held on **Thursday, the 1st day of November, 2007** at 11.00 A.M. at Dream Valley, 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 2007 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.H.R.Balaji, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr.B.Sreedhara Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Ms.T.Rohini Reddy, who retires by rotation and being eligible, offers herself for re-appointment.
5. To appoint a Director in place of Mr.V.Durga Prasad, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s.P.Murali & Co., Chartered Accountants, Hyderabad as Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS:

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

“RESOLVED that Mr. Dipen K. Sheth, 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 a 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.”

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 Section 81(1A) and all other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and enabling provisions of the Memorandum and Articles of Association of the Company and the applicable provisions of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (hereinafter referred to as the 'DIP Guidelines') and the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 (hereinafter referred to as the 'Takeover Code') and the Listing Agreement entered into by the Company with the Stock Exchanges where the shares of the Company are listed and subject to any approval, consent, permission and/or sanction of the appropriate authorities (hereinafter collectively referred to as “the appropriate authorities”) and subject to such conditions as may be prescribed by any of them while granting any such approval, consent, permission and/or sanction (hereinafter referred to as “the requisite approvals”), and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as “the Board”), the Board be and is hereby authorized to create, offer, issue and allot, from time to time in one or more tranches, equity shares/warrants entitling to apply for equity shares (hereinafter referred to as the “Securities”) to be subscribed by the promoter(s) of the Company / others under a preferential issue through offer letter and/or circular and/or information memorandum and/or such other documents/writings, in such a manner and on such terms and conditions as may be determined by the Board in its absolute discretion, provided that the price of the equity shares/warrants so issued shall not be less than Rs.30/- per share including a premium of Rs.20/- per equity shares of Rs.10/- each being the price not less than the price computed with respect to the Relevant Date that is October 2nd, 2007 as prescribed under the Guidelines for Preferential Issues contained in Chapter XIII Clause 13.1.1.1 of the DIP

Guidelines and the aggregate number of the Securities so issued shall not exceed 4956000 equity shares and 2800000 warrants.

RESOLVED FURTHER that the proposed allottee shall not seek conversion of the warrants into equity shares in excess of 5% of the total issued equity share capital of the Company in a financial year and the total shareholding of the Promoter(s) inclusive of the proposed allottee shall at all time remain below 55% of the total issued equity share capital of the Company unless they choose to make an open offer in terms of the Takeover Code.

RESOLVED FURTHER that the equity shares allotted by conversion of Securities in terms of this resolution shall rank *pari passu* in all respects with the then existing equity shares of the Company.’

RESOLVED FURTHER that for the purpose of giving effect to the above, the Board be and is hereby authorized on behalf of the Company to take all actions and do all such deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient to the issue or allotment of the aforesaid Securities and listing thereof with the Stock Exchanges as appropriate and to resolve and settle all questions and difficulties that may arise in the proposed issue, offer and allotment of any of the said Securities, utilization of the issue proceeds and to do all acts, deeds and things in connection therewith and incidental thereto as the Board in its absolute discretion deem fit, without being required to seek any further consent or approval of the Members or otherwise and that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER that the Board be and is hereby authorized to delegate all or any of the powers herein conferred to a committee comprising of two directors to give effect to the aforesaid resolution.”

On behalf of the Board

Place : Hyderabad
Date : 05.10.2007

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 / Register of Beneficiaries and Share Transfer Books of the Company will remain closed from Tuesday, 30th October, 2007 to Thursday, 1st November, 2007 (both days inclusive).
5. Members who hold shares in dematerialised form are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting.
6. 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.
7. Members holding shares in dematerialisation form are requested to notify/send any change in their address to the concerned depository participant (s).
8. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
9. Section 109A of the Companies Act, 1956 extends the nomination facility to individual shareholders of the company. Therefore, the shareholders willing to avail this facility may make nomination in form 2B.
10. 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.

11. At the ensuing Annual General Meeting, Mr. B.H.R.Balaji, Mr.B. Sreedhara Reddy, Ms. T. Rohini Reddy and Mr. V. Durga Prasad retire by rotation and being eligible offered themselves for reappointment. Pursuant to Clause 49 of the Listing Agreement, brief profile of each of these directors is given below:

A. Mr. B.H.R.Balaji who aged about 35 years, is a graduate in Electronics & Telecommunication Engineering. Prior to promoting Southern online, Mr. Balaji worked in Choice Solutions Private Ltd., Sagarsoft (India) Ltd, Worldwide and with Worldwide Web Institute as Technical Consultant. Mr. Balaji has vast knowledge and experience in administration and support of Internet/Intranet for corporate networks, Enterprise solutions and other Products. He also has development experience on web-based application. He has more than a decade experience in the IT field. His professional knowledge and expertise would be of immense useful to the efficient functioning of the technical department. He is on the Board of the Company since November, 1998.

From 2002 - 03 onwards he also involved in promoting and establishing Biodiesel production unit of the company near Hyderabad in association with other promoter directors. He is currently looking after the ISP operations. He is also a director of Southern Biofe Biofuels Pvt Ltd, a wholly owned subsidiary of your Company.

B. Mr. B. Sreedhara Reddy, aged 38 years is a graduate in Civil Engineering from Nagarjuna University and after his graduation he had taken up several construction projects. He has more than 9 years of 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.

From 2002 - 03 onwards he also involved in promoting and establishing Biodiesel production unit of the company near Hyderabad in association with other promoter directors. Currently he has been extending his services in the areas of civil and engineering works of the biodiesel factory. He is also a director of Southern Biofe Biofuels Pvt Ltd, a wholly owned subsidiary of your Company.

C. Ms. T. Rohini Reddy is a M.Sc and M.Tech in Biotechnology. 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 Biotechnology research. She would be spearheading the company's R&D efforts. In view

of her rich experience and knowledge in the area of Biotechnology, the Board is of the opinion that her appointment as director will be in the best interests of the company.

D. 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.

Place : Hyderabad
Date : 05.10.2007

On behalf of the Board
N. Satish Kumar
Managing Director

EXPLANATORY STATEMENT

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

Item 7 : Appointment of Mr. Dipen K. Sheth, as a Director of the Company

Mr. Dipen K. Sheth was appointed by the Board of Directors as an additional Director with effect from 05.10.2007. Under section 260 of the Companies Act, 1956, Mr. Dipen K. Sheth 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. Dipen K. Sheth as a candidature for the office of Director.

Mr. Dipen K. Sheth, aged 40 years, having qualification of B.Tech and PGDM, is currently working as Head of Research for Wealth Management Advisory Services Ltd. He has over 16 years experience in Indian industry and business. Worked across diverse industries, functions and roles spanning Production, Quality Assurance, Financial Analysis, Investments, Public Relations, Management Consulting, IT Consulting, Software Development and Retail Business Development.

He is also a director of M/s.Veer Sawai Holdings Pvt Ltd.. The above information is given as per the Clause 49 of the listing agreement.

The Board of Directors accordingly recommends the passing of this resolution as a Special Resolution as set out at the accompanying Notice.

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

Item 8: Issue of Shares and Convertible Warrants to Promoter(s)/Others on Preferential Basis

Your Board of Directors of the Company at its Meeting held on 5th October 2007 resolved to issue an offer for subscription and allot upto 4956000 shares to promoter(s)/ others and 2800000 convertible warrants (“the warrants”) to the promoter(s) particulars of whom is/are given hereinafter. The warrant will carry an option to the holder of each warrant to apply for and be allotted one equity share of face value Rs.10 each in the capital of the Company at an aggregate price being not less than the price with respect to the Relevant Date that is 2nd October, 2007 as prescribed under the Guidelines for Preferential Issues contained in Chapter XIII of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

Since the shares and warrants are proposed to be issued on private placement basis and not on rights basis to all the existing shareholders of the Company, consent of the shareholders by a special resolution is necessary in terms of Section 81(1A) of the Companies Act, 1956. Moreover since the Company's shares are listed on the Stock Exchanges, the provision of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (“DIP Guidelines”) in so far as they relate to Preferential Issues are also applicable to this issue.

The details of the issue and other particulars as required in terms of the Preferential Issue Guidelines are given as under:

1. Object of the issue through Preferential allotment :

The purpose of the issue of the shares and warrants to promoters/others is to part finance the setting up a Bio Diesel Refinery-II of the Company and/or to add more facilities to the existing bio diesel refinery of the company and/or to enhance the long term working capital requirement of the company.

In the first phase the company is raising Rs. 23.27 Crores (Rupees twenty three crores and twenty seven lacs approximately). The proceeds of the issue i.e Rs 23.27 Crores (Rupees twenty three crores and twenty seven lakhs approximately) will be utilised for part finance the setting up a Bio Diesel Refinery-II of the Company and/or to add more facilities to the existing bio diesel refinery of the company and/or to enhance the long term working capital requirement of the company.

2. Relevant date and Pricing of Equity

Shares and Warrants:

Each equity share of the face value of Rs.10 including the equity shares arising out of the exercise of option attached with warrants shall be issued at a price not less than Rs. 30/- per equity share (including a premium of Rs.20/- per equity share). Such price is not less than the price computed with respect to the relevant date that is 2nd October 2007 as prescribed under the Guidelines for Preferential Issues contained in Chapter XIII of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

The ‘relevant date’ mentioned in the Resolution is the date which is 30 days prior to the date of the Annual General Meeting. In terms of Clause 13.1.1.1 of the said Guidelines the price at which the shares being issued and warrants issued on preferential basis can be converted shall be not less than the higher of the following:

- (i) The average of weekly high and low of the closing prices of the related shares quoted on the Stock Exchange during the six months preceding the relevant date; or
- (ii) The average of weekly high and low of the closing prices of the related shares on the Stock Exchange during the two weeks preceding the relevant date.

‘Stock Exchange’ for the purpose of this clause means the ‘Bombay Stock Exchange’ i.e. the recognized stock exchange in which the shares are listed and in which highest trading volume in respect of the shares of the Company has been recorded during the six months preceding the relevant date.

3. Intention of the promoters or their associates and relatives, directors/key managerial persons to subscribe to the offer.

Out of the total issue of 4956000 Shares and 2800000 warrants convertible into equal number of equity shares on preferential basis, the promoters of the company are being allotted 200000 shares and 2800000 warrants convertible into equal number of equity shares.

4. Terms of Shares and Convertible Warrants:

The Board may allot shares at a price not being less than Rs. 30/- per share and warrants at a price not being less than Rs 30/- per warrant which will entitle the holder to subscribe to one equity share of the face value of Rs.10/- against each warrant. An amount, as may be decided by the Board of Directors, not being less than 10% of the issue price shall be payable on the date of allotment of the warrants. The warrants would be allotted on the following terms:

- a. The allotment of shares and warrants will be completed within 15 days from the date of this General Meeting or within 15 days of the receipt of the last of the applicable regulatory approval, if any, whichever is later.
- b. The holder of warrants will have an option to apply for and be allotted 1 (one) equity share of the Company per warrant, any time after the date of allotment but on or before the expiry of 18 months from the date of allotment in one or more tranches. In this connection, either the Company or the warrant holder will give an advance notice of at least ten days, calling upon the other party to exercise/avail the aforesaid option specifying the number of warrants. The warrant holder will be liable to make the payment of balance sum per warrant for such number of warrants with 10 days of the service of the notice.
- c. Upon receipt of the payment as above, the Board shall allot one equity share per warrant by appropriating Rs.10/- towards equity share capital and the balance amount paid against each warrant, towards the securities premium.
- d. If the entitlement against the warrants to apply for the equity share is not exercised within

the period specified in the notice referred hereinabove, the entitlement of the warrant holder to apply for equity shares of the Company along with the rights attached thereto shall expire and any amount paid on such warrants shall stand forfeited.

- e. The warrant holder shall also be entitled to any future bonus/rights issue(s) of equity shares or other securities convertible into equity shares by the Company, in the same proportion and manner as any other shareholders of the Company for the time being.
- f. The warrant by itself do not give to the holder thereof any rights of the shareholders of the Company.
- g. The equity shares issued as above shall rank pari passu in all respects with the then existing equity shares of the Company.

5. Identity of the proposed allottees and percentage of the post preferential issue capital that may be held by them :

The proposed allottees have expressed their intention to subscribe to the shares and warrants and has agreed to comply with the relevant provisions of the SEBI DIP Guidelines. In accordance with the Takeover Code, some of the proposed allottees who form part of the promoter/promoter group has further agreed (a) to exercise their option to convert the warrants into Equity Shares only after dilution of his holding consequent to the issue of equity shares by conversion of the securities issued in terms of the resolution (b) not to seek conversion of the warrants into equity shares in excess of 5% of the total issued equity share capital of the Company in a financial year and (c) to maintain the total holding of the Promoters below 55% of the post issue equity share capital of the Company unless the promoters choose to make an open offer in terms of the takeover code. Upon allotment of the equity shares and upon conversion of the warrants in full, the shareholding of the proposed allottees would be as detailed hereunder in the increased capital in case there is no further issue of capital prior to such conversion as shown in the table below.

Particulars of Proposed Allottees

Name of the Applicant	Address	No. of Shares proposed to be issued (not exceeding)	No. of Warrants proposed to be issued (not exceeding)	Percentage of post issue shareholding on the basis of conversion of the entire warrants including the existing holdings and without taking into account any further issue of capital prior to conversion
Promoters				
Nanubala Satish Kumar	503, Sri Krishna Sai Apts, Yousufguda, Hyderabad - 38	70,000	1,325,000	9.66
Kethu Radha Krishna	5-9-22/26, Hill Fort, Adarsh Nagar, Hyderabad - 63	10,000	25,000	1.67
Badveli Sheedhara Reddy	Flat No. 201, Sri Krishna Sai Apts, Yousufguda Check Post, Yousufguda, Hyderabad - 500038	10,000	25,000	1.67
Bandi Hare Ram Balaji	308, Sri Krishna Apts, Road No.4, Banjara Hills, Hyderabad - 34	10,000	25,000	1.67
Kodali Tejesh Kumar	201, 2nd Floor, Rama Krishna Krupa Residency S R Nagar, Hyderabad - 63	50,000	700,000	5.13
Kadiyala Venkateshwara Rao	Plot NO. 59, Sri Hayagreeva Sadan 102, Road No.-2, Jubilee Hills, Hyderabad -33	50,000	700,000	5.13
Others				
Yaramaka Venkata Krishna Reddy	1B, Prasanth Kuteer, Adj MSR residence, Saraswathi Nagar, Dargamitta, NELLORE- 524003	200,000	--	0.65
Yadagiri Anand Swaroop	#7-1-636/38, Model Colony, S.R. Nagar, Hyderabad- 500038	100,000	--	0.35
Yarlagadda Sandhya Rani	54-13/5-6/A, Srinivas Nagar, Bank Colony - 3, Vijayawada - 8	216,000	--	0.71
Chitoori Ramachandra Prabhu	300, Jalavayu Vihar, Kukatpally, Hyderabad - 500 872	140,000	--	0.46
Saride Krishna Murthy	49-35-10, Akkayyapalem, NGGOs Colony, Vishakapatnam - 530016	100,000	--	0.33
Rashmi Saraf	C-301, Queen Corner-3, Queens Road, Bangalore-1	50,000	--	0.16
Girdhari Lal Sultania / Urmila Sultania	2, Red Cross Place, Kol-700 001	25,000	--	0.08
Raipur Agrotech Pvt Ltd	2, Red Cross Place, Kol-700 001	25,000	--	0.08

Integra Energy Management Ltd	White House, 5th Floor, 119 Park Street, Kolkata - 16	50,000	-	0.16
Himatlal Shah	36G, Girish Mukherjee Road, Flat 3&5, Kolkata 700025	25,000	-	0.08
M. P. Re-cycling Company Pvt Ltd	43 Ramwadi (1st Floor), Kalbadevi Road, Mumbai 400002.	700,000	-	2.29
Kamal Khera	Flat 2C/2D Woodhouse Apartments, behind Electric House, 29 Nathalal Parikh Marg, Colaba, Mumbai 400039.	70,000	-	0.23
Poonam Khera	Flat 2C/2D Woodhouse Apartments, behind Electric House, 29 Nathalal Parikh Marg, Colaba, Mumbai 400039.	30,000	-	0.10
Ramesh S Shah	201 Commerce House, 140 N. M. Road, Fort, Mumbai 400023.	200,000	-	0.65
Pavan R Shah	201 Commerce House, 140 N. M. Road, Fort, Mumbai 400023.	200,000	-	0.65
Sumermal H Shah	201 Commerce House, 140 N. M. Road, Fort, Mumbai 400023.	200,000	-	0.65
Minal D Shah	201 Commerce House, 140 N. M. Road, Fort, Mumbai 400023.	100,000	-	0.33
Ruchita G Aggarwal	4 Shankaracharya Marg, next to IP College, Civil Lines, New Delhi 110054	100,000	-	0.33
Deepak R Shah	201 Commerce House, 140 N. M. Road, Fort, Mumbai 400023.	100,000	-	0.33
Rahul R Shah	201 Commerce House, 140 N. M. Road, Fort, Mumbai 400023.	100,000	-	0.33
Sevantilal Anoopchand Shah	5/B Sarat Bose Road, 3rd floor, Kolkata 700020	200,000	-	0.79
Utsav N Parekh	2/3 Sarat Bose Road, Sagun, Kolkata 700020	200,000	-	0.72
Pranav Premnarayen	501, Indraprastha, 5th floor, Premnaryan chowk, Linking Road, Santacruz (West) Mumbai - 400054	100000	-	0.33
Puja Premnarayen	501, Indraprastha, 5th floor, Premnaryan chowk, Linking Road, Santacruz (West) Mumbai - 400054	100,000	-	0.33

Pinnacle Trades and Investments Ltd	Vaibhav, 4 Lee Road, 5th Floor, Kolkata 700020	7,25,000	-	2.37
Vincent Commercial Company Ltd	Vaibhav, 4 Lee Road, 5th Floor, Kolkata 700020	7,00,000	-	2.29
Total		49,56,000	28,00,000	15.79

6. Shareholding Pattern before and after the Preferential Issue:

The shareholding pattern giving present position as also considering full allotment of equity shares and equity shares arising out of warrants as above is given below:

S.No.	Category	POST PREFERENTIAL ISSUE		PRE PREFERENTIAL ISSUE	
		No. of Shares held as on 28.09.2007	%	No. of Shares held after the Issue	%
A	Promoters' Holding				
1.	Promoters				
	-Indian Promoters	46,35,889	20.32	76,35,889	24.98
	-Foreign Promoters	—	—	—	—
2.	Persons acting in concert / Promoters Associates	—	—	—	—
	Sub-Total	46,35,889	20.32	76,35,889	24.98
B.	Non – promoters Holding				
3	Institutional Investors, Mutual Funds and UTI	—	—	—	—
b	Banks, Financial Institutions, Insurance Co., (Central Govt. institutions Non-government institutions)	—	—	—	—
c	Foreign Institutional Investors	—	—	—	—
	Sub – Total	—	—	—	—
4.	Others				
a	Private corporate Bodies	44,26,327	19.4	66,26,327	21.67
b	Indian Public	1,15,71,218	50.71	1,41,27,218	46.21
c	NRI's / OCB's / Foreign Nationals	17,37,846	7.61	17,37,846	5.68
d	Any others				
i.	Trusts	1,400	0.011	1400	0.005
ii.	Clearing Members	4,44,635	1.95	4,44,635	1.45
	Sub – Total	1,81,81,426	79.68	2,29,37,426	75.02
	Grand Total	2,28,17,315	100.00	3,05,73,315	100.00

Note: Any equity shares that may remain unsubscribed by any promoter(s), for any reason whatsoever, the same will be subscribed by any other entity owned and controlled by the Promoters and/or their associates/affiliates.

7. Proposed Time Limit within which the allotment shall be completed :

The Allotment of equity shares and warrants shall be completed within 15 days from the date of passing of the resolution by the shareholders at the AGM (i.e. on or before 16th November 2007) provided that where the allotment is pending on account of pendency of any approval from any regulatory authority or the central government, the allotment shall be completed by the company within 15 days of the receipt of the last of the applicable regulatory approval.

8. Holding of shares in the Demat Form, non disposal of shares by the proposed allottees and Lock-in period of shares:

- a. The entire shareholding of the proposed allottees in the company, if any, is held by him in dematerialized form.
- b. The entire pre preferential allotment shareholding of such allottees shall be under lock-in from the relevant date upto a period of six months from the date of preferential allotment.
- c. The shareholders who have sold their shares during the six months period prior to the relevant date shall not be eligible for allotment of shares on preferential basis.
- d. The equity shares and warrants allotted to the proposed allottees shall be subject to 'lock-in' for a period of one year/three year from the date of their allotment as per Clause 13.3.1 of the DIP Guidelines.

- e. The lock-in period in respect of the shares acquired by exercise of warrants, shall be reduced to the extent the convertible warrants have already been locked in.

9. Auditor's Certificate : A copy of the Statutory Auditor's Certificate to the effect that the issue of the subject warrant is being made in accordance with the requirements contained in the DIP Guidelines will be laid before the Meeting for inspection by shareholders.

10. SEBI Takeover Code : The provision of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, are not attracted and so the proposed allottees are not required to make an open offer and comply with formalities related to an open offer for this preferential allotment.

The provisions of the Companies Act, 1956 require the Company to seek the approval of the Members through special resolution for issue of shares or convertible securities on preferential basis.

The Board of Directors accordingly recommends the passing of this resolution as a Special Resolution as set out at the accompanying Notice.

Mr. N.Satish Kumar, Mr.K.Radha Krishna, Mr.B.Sreedhara Reddy, Mr.B.H.R Balaji, Mr.K.Telesh Kumar and Mr.K.Venkateswara Rao of the Company may be deemed to be interested in the said resolution.

On behalf of the Board

Place : Hyderabad
Date : 05.10.2007

N. Satish Kumar
Managing Director

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Ninth Annual Report together with the Audited Balance Sheet, Profit & Loss Account and Cash Flow Statement for the financial year ended 31st March, 2007.

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	2006 – 07	2005 – 06
Total Income	687.04	528.47
Operating Profit	158.29	149.47
Less: Depreciation	113.81	96.13
Less: Misc. Expenditure written off	3.69	3.80
Less: Provision for Tax	10.91	14.00
Net Profit	29.19	27.31

Review and Prospects

The total revenue of the Company for the financial year ended 31st March, 2007 is Rs.687.04 Lakhs as compared to the previous year's total revenue of Rs. 528.47 Lakhs. During this financial year the Company has recorded a net profit of Rs. 29.25 Lakhs as against the previous year's net profit of Rs. 27.31 Lakhs. The Company has improved performance in the ISP business when compared to previous year.

The ISP Division of the Company has achieved a significant turnover of Rs.190.21 lakhs for the Quarter ended June' 2007 when compared with previous financial year corresponding period turnover of Rs.157.93 lakhs.

Awards to the Company

■ Frost & Sullivan Award

"2007 Frost & Sullivan award for Entrepreneurship is presented at New Delhi recently to Southern Online Bio Technologies Limited," the country's first commercial Biodiesel plant, recognizing its proactive efforts in manufacturing high quality biodiesel.

The Frost & Sullivan Award for Entrepreneurial Company is presented each year to the company that has demonstrated superior entrepreneurial ability in its industry during the research period. This Award signifies the company's identification of a unique and

revolutionary product solution with significant market potential. Additionally, the Award certifies that the company's marketing strategy is sound and poised for success.

Entrepreneurial ability is assessed using primary research with top manufacturers and end users in the industry. Frost & Sullivan's analyst teams performed extensive interviews with the company to evaluate its business, products, and marketing plan. In addition, primary research with leading manufacturers is performed to benchmark the Southern Online's strategy for growth against established player's strategies. Frost & Sullivan also considered certain elements such as strategic alliances, expected time to market, and the senior management team. Primary research with end users is also conducted to evaluate and compare the value of the Southern Online's product solution.

■ Innovative Network Award from Bharti Airtel Ltd Award

The ISP Division of the SBT has been awarded with "INNOVATIVE NETWORK AWARD" by Bharti Airtel Ltd recently.

The award has been given to SBT for its continuous endeavors to adopt the new generation networks to serve the market demands with seam less integration by providing value added services and for adopting the MPLS technology as the transport platform by using



Layer - 1, 2 & 3 Protocols. While declaring the award, Bharti Airtel also considered the vision of SBT because of which the benefits of the technology spread across 40+ upcountry locations by using minimum deployment costs and having complete control on the network. The network architecture of SBT has become role model for other ISPs across the country.

The Company's Products / Services

The Company has been providing 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,. The Company's services include the following:

- Dial up Services through PSTN
- Server Co-Location
- Leased Line services (Terrestrial and RF links)
- Networking Solutions
- Web Hosting
- VOIP Services
- Dedicated Servers

BIODIESEL PROJECT

Your Company's Biodiesel Unit has been established at Samsthan Narayanpur Village & Mandal, Nalgonda District with 40,000 liters per day capacity with an investment of Rs.25.72 crores and the your Company has commenced the sale of Biodiesel from 12.07.2007.

The Company has been supplying biodiesel to various well reputed customers like IDEA Cellular, L&T, Airtel, Kirloskar Oil Engines, Toyota Kirloskar, TNT Express couriers, Giatech, Southern Rocks & Minerals Pvt. Ltd Coke (Hindustan Coca-Cola Beverages Pvt. Ltd), etc.,

APSRTC (Andhra Pradesh State Road Transport Corporation) has called tenders in the month of April, 2007 for the supply of 1,15,68,000 liters of biodiesel per annum. The Company has participated in the tenders and stood as L1 in the tender.

Indian Railways also called for tenders to supply 1,40,000 liters of Biodiesel per day recently, and the company is participating in the tender.

Milestones

Some of the important milestones of the Company are :

Year	Event
2004	<ul style="list-style-type: none">■ Agreement Entered with International Crops Research Institute for the Semi-arid Tropics (ICRISAT) for technical assistance for plantation of Jatropha & Pongamia.■ Approval Received from Ministry of Environment and Forests, Government of India for the sale of Carbon Emission Reductions (CER).
2005	<ul style="list-style-type: none">■ Foundation Stone laid for the establishment of Biodiesel unit by His Excellency Heimo Richter, The Ambassador of Federal Republic of Germany.■ Grant of 380,000 Euros from German Technical cooperation (GTZ), an agency owned by Government of Federal Republic of Germany.■ Agreement entered with a company based at Bangalore for the supply of 400 tons of Pongamia, Jatropha etc.■ Andhra Pradesh State Road Transport Corporation (APSRTC) has successfully completed trial runs using 20% Bio Diesel blend in 1 bus, which was inaugurated by the Hon'ble Chief Minister, Dr.Y.S.Rajasheker Reddy on June 5, 2005 the World Environment day.

Year	Event
2006	<ul style="list-style-type: none"> ■ Biodiesel Plant Visit by Mrs. Karin Kortmann, Parliamentary State Secretary and Delegation from the Government of the Federal Republic of Germany. ■ APSRTC has commenced the trial runs on 3 Busses, which has been inaugurated by the Hon'ble Minister for Environment, Mr.Satrucharla Vijaya Rama Raju on June 5, 2006 – World Environment Day. ■ Successful trail runs on Biodiesel by Hindustan Coca Cola Beverages Pvt. Ltd, Hindustan Motors, Southern Rocks & Minerals Pvt. Ltd. ■ Signing of Agreement for supply of Raw Material with a party in Karnataka ■ Signing of Agreement with Hyderabad based company for supply of Raw Material ■ Signing of Agreement for supply of raw material and selling of Biodiesel with a company based at Hyderabad.
2007	<ul style="list-style-type: none"> ■ Participated in the tenders called by APSRTC for the supply of biodiesel ■ Biodiesel Plant Visit by Mr.Jochen Borchert, Member of Parliament, Federal Republic of Germany and other German Delegation. ■ Received the award from Forest and Sullivan for Biodiesel division. ■ Received the award from Bharati Airtel for ISP division. ■ Commencement of sales operations of Biodiesel in the month of July, 2007. ■ Participating in the tenders called by Indian Railways for the supply of biodiesel

FUTURE PLANS

Company has plans to upgrade the current Biodiesel unit from 12500 TPY to 25000 TPY, over a period of 3 years.

Plant at Vizag

Having experience in setting up the Biodiesel unit, now SBT is proposing to set up a unit of 250 Tons per day capacity at Vizag as Domestic / EOU / SEZ to have presence in the Global market also. The project cost of the proposed Biodiesel plant is Rs. 75.00 Cr.

The equity of the project shall be placed partially by way of Preferential allotment / QIB / FCCB / GDR / ADR.

The Company has already finalized the terms with the technology provider for the proposed plant, entering MoU with him and for the proposed unit technology provider is ready to arrange 3 years buy back agreement for the end products - Biodiesel and Glycerin from a company in abroad and at the same time the proposed technology provider is ready to arrange a raw material (i.e. Oil) supply agreement for 3 years from a company in abroad.

The proposed Technology provider has assured to complete the entire plant with in 12 months including trial runs from the date of signing the agreement.

The raw material required for the project shall be mainly imported and also shall be sourced from the domestic market to the extent available.

Directors

Pursuant to Article 48 of the Articles of Association of the Company, Mr.B.H.R.Balaji, Mr.B.Sreedhara Reddy, Ms. T.Rohini Reddy and Mr. V.Durga Prasad, Directors, whose period of office determined by retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Mr.B. Suresh resigned as Director w.e.f. 05.10.2007. The Board takes this opportunity to thank him for his valuable contribution during the tenure of his directorship.

Mr. Dipen K. Sheth is appointed as additional director on 05.10.2007. His appointment as director is proposed in the ensuing annual general meeting.

Corporate Governance

Your Directors are happy to report that your Company is compliant with the Corporate Governance requirements 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 Statutory Auditor's confirming compliance is set out in the Annexure forming part of this report.

Extension of AGM

The Company has taken extension of time for 90 days till 29th December 2007 to convene its 9th Annual General Meeting for the Financial Year 2006–07 from the Office of the Registrar of Companies, Ministry of Corporate Affairs, Government of India, Hyderabad.

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, 2007, 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 2007 and of the profit of the company for the financial year ended 31st March 2007.
- 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, 2007 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.

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:

Company's ISP operations and administration require electrical energy for power supply to computer systems, in air conditioning, and lighting, which are not energy intensive. Whereas the Biodiesel plant requires huge electrical energy for operations of the Biodiesel production unit. During the current financial year the Company has undertaken significant measures to reduce the energy consumption by using energy-efficient machines and equipment. The Company also undertakes evaluation of latest technology and invests in making its infrastructure more energy efficient.

(b) Research and Development and Technology Absorption:

Your company will continue to focus and invest in its R & D activities in the production of biodiesel and other products. Your company also leverages its excellence in technology for providing World Class ISP services to its customers in the state of Andhra Pradesh. The continual exposure to new technologies has helped to maintain high motivation levels in employees and to provide quality services. Your company continues to give due importance to research and development to provide high quality of ISP services and better products from biodiesel division.

- (c) (i) Foreign exchange earnings :
There are no foreign exchange earnings

(ii) Foreign Exchange out go : Total Rs.50,46,654/-

Particulars	Rs.
Purchase of Equipments	32,12,003/-
Purchase of Materials	14,62,988/-
Traveling	1,22,677/-
Others	2,48,986/-
TOTAL	50,46,654/-

Stock Exchanges

The Company's present Equity shares are listed in the Hyderabad Stock Exchange Ltd, Bombay Stock Exchange Limited and The Bangalore Stock Exchange Ltd. The Company has paid the Listing Fees to the Stock Exchanges for the Financial Year 2007-08.

Acknowledgements

Your Directors place on record their appreciation of the continuous assistance and co-operation extended to your Company by the customers, bankers, personnel of APSRTC, Pollution Control Board, Engine manufacturers like Kirlosker, Research, Designs and Standard Organization (RDSO) of Indian Railways, Central & State Government 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

N. Satish Kumar
Managing Director

K. Radha Krishna
Director –Finance

Place : Hyderabad
Date : 05.10.2007

THE MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Pursuant to Clause 49 of the Listing Agreement, a report on Management Discussion and Analysis Report is given below:

A. ISP Division

i. Industry Structure and Development:

In India there were 37 million Internet users in September'06 and as per the Internet and Mobile Association of India (IMAI) it will grow to 52 million by 2008. Indians also undertake over a billion searches each month.

The Internet is a high intensity medium, unlike traditional advertising undertaken by many businesses. The growth of web users to a number more than a billion people, and the emergence of the internet as a mainstream, almost ubiquitous presence in everyday life.

Globally, the web is estimated to have some 100 billion pages. An Indian advertiser, on average, pays Rs 16.20 (36 US cents) per click. The highest cost per click paid by an advertiser in India was Rs 266! The IMAI found that the top sectors among 292 Internet advertisers in India were automobiles, banking and financial services with dating and matrimonial ads in the third place. Education, general online, jobs, media, NGOs, property, retail and e-commerce, technology and travel came next in the order of preference. In few years from now, Internet can ultimately replace Traditional Media.

The Internet has done very well from day one; the advantage it has is its multi-dimensional character, which no other media has; they are all uni-dimensional, in the sense that they satisfy either the information or entertainment needs of people. The Internet, however, can do much more; it can be used as a transactional medium - you can buy online; do your bank transactions; communicate using tools like email, VoIP and messengers. And of course, it satisfies your information and learning needs - so the Internet is actually media plus. It would be wrong to classify it as a media property; it's not just a media property; it's much more than that.

Internet is the biggest revolution in human lifetimes; it substitutes for shopping; it substitutes for bank; it substitutes for newspaper and much more. With its ability

to take on digital sound and video - video on demand, pay-per-view films - and the ability to project them on large screens, it may also replace cinema halls one day!

The Internet will virtually take over a part of human lives; for today's youngsters it already has! Gone are the days of visiting libraries for research, since students get access to everything right on their desktops. In fact if we look back into our lives we would realize that how much we are able to do on the Internet today, from banking to shopping to communicating with friends, all of it. We can't even imagine today what all it will substitute in human lives in the years to come...if it hasn't already.

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 affecting the Internet Industry.

Further with effect from 01.01.2006, the Ministry of Communications & IT, Dept. of Telecommunications, Govt. of India, started imposing a Annual Licence Fee of 6% on the adjusted gross revenue in addition to rupee one per annum as is prevailing so far.

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. BIODIESEL 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 (methyl 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 esterification, 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

The policy on Biodiesel is under consideration of the Government of India and has to announce the same encouraging the production and usage of Biodiesel. Several financial incentives such as reimbursement of stamp duty, exemptions in sales and income taxes, rebates on power, subsidy on cleaner production measures, quality certification etc. are available. Also the locality of the project has added advantage of easy availability of part of raw material.

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

iii. Outlook for the Industry

Government and private industry in India have begun laying the foundation for a viable biodiesel industry. 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.

The importance and benefits of Biodiesel has already been appraised by His Excellency, The President of India, The Hon'ble Prime Minister of India, The Hon'ble Chief Minister of AP and many more dignitaries, accredited

Institutions, reputed agencies and others in several occasions.

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.158.88 Lakhs on the total Income of Rs.687.04 lakhs with a net profit of Rs.29.25

lakhs as against the previous year's Operating Profit of Rs. 141.24 lakhs on the total Income of Rs. 528.47 Lakhs with a net profit of Rs. 27.31 lakhs.

In the current financial year the Company has improved the business remarkably with 30% increase of total revenues and 7.12% 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

- a. The Company has 12 Directors with an Executive Chairman, of 12 Directors, 6 (i.e.50%) are Non-Executive and Independent Directors. The composition of the Board is in conformity with clause 49 of the Listing Agreements entered into with the Stock Exchanges and meets the stipulated requirements.
- b. None of the Directors on the Board is a Member of more than 10 committees or Chairman of more than 5 companies across all the Companies in which he is a Director. The Directors have made necessary disclosures regarding Committee positions in other public companies as on March 31, 2007.
- c. The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships / Memberships held by them in other companies is given below. Other Directorships do not include alternate directorships, directorships of private limited companies, section 25 companies and of companies incorporated outside India. Chairmanship / Membership of Board Committees include only Audit and Shareholders / Investors Grievance Committees.

Composition and category of Directors on the Board for the year 2007-08 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
K. Tejesh Kumar	Director – International Affairs	2	NIL
K. Venkateshwara Rao	Director – International Affairs	1	NIL
Y. Anand Swaroop	Independent Director	NIL	NIL
B. Suresh*	Independent Director	NIL	NIL
T. Rohini Reddy	Independent Director	NIL	NIL
V. Durga Prasad	Independent Director	NIL	NIL
C. Raveendra Kumar	Independent Director	NIL	NIL
B. Rajesh	Independent Director	NIL	NIL
Dipen K. Sheth**	Independent Director	1	NIL

* Ceases to be a Director w.e.f 05.10.2007. ** Appointed as Additional Director w.e.f. 05.10.2007.

- a. 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.
- b. During the Financial Year 2006-07 the Board of Directors met 8 times on the following dates: 15.04.2006, 27.06.2006, 27.07.2006, 29.09.2006, 30.10.2006, 01.12.2006, 30.01.2007, 08.03.2007.
- c. The time gap between any two Board Meetings did not exceed three months.
Attendance of Directors at Board Meetings and at the last Annual General Meeting (AGM) held on 29th December, 2006

Name of the Director	No. of Board Meetings attended	Whether attended the last AGM
N. Satish Kumar	8	Yes
K.Radha Krishna	8	Yes
B. Sreedhara Reddy	6	Yes
B.H.R. Balaji	5	Yes
K. Tejesh Kumar	5	Yes
K. Venkateshwara Rao	5	No
Y. Anand Swaroop	5	No
B. Suresh	4	No
T. Rohini Reddy	6	No
V. Durga Prasad	4	No
C. Raveendra Kumar	3	No
B. Rajesh	3	No

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. Code of Conduct

The Company has formulated and implemented a Code of Conduct for Board Members and Senior Management of the Company. Requisite annual affirmations of compliance with the respective Codes have been made by the Directors and Senior Management of the Company.

Certificate of Code of Conduct for the year 2006-07

SBT is committed for conducting its business in accordance with the applicable laws, rules and regulations and with highest standards of business ethics. The Company has adopted a "Code of Ethics and Business Conduct" which is applicable to all director, officers and employees.

I hereby certify that all the Board Members and Senior Management have affirmed the compliance with the Code of Ethics and Business Conduct, under a certificate of Code of Conduct for the year 2006-07.

Hyderabad
05.10. 2007

N. Satish Kumar
Managing Director

4. *Audit Committee*

- I). The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreements with the Stock Exchanges read with Section 292A of the Companies Act, 1956.
- II) The terms of reference of the Audit Committee include a review of;
 - a. Overview of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
 - b. Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
 - c. Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
 - d. Reviewing the financial statements and draft audit report including quarterly / half yearly financial information.
 - e. Reviewing with management the annual financial statements before submission to the Board, focusing on:
 - i Any changes in accounting policies and practices;
 - ii Qualification in draft audit report;
 - iii Significant adjustments arising out of audit;
 - iv The going concern concept;
 - v Compliance with accounting standards;
 - vi Compliance with stock exchange and legal requirements concerning financial statements;
 - vii Any related party transactions
 - f. Reviewing the company's financial and risk management's policies.
 - g. Disclosure of contingent liabilities.
 - h. Reviewing with management, external and internal auditors, the adequacy of internal control systems.
 - i. Reviewing the adequacy of internal audit function, including the audit character, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
 - j. Discussion with internal auditors of any significant findings and follow-up thereon.
 - k. Reviewing the findings of any internal investigations by the internal auditors into the matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
 - l. Looking into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
 - m. Reviewing compliances as regards the Company's Whistle Blower Policy.
- III) The previous Annual General Meeting of the Company was held on 29th December 2006 and Mr. Y. Anand Swaroop, Chairman of the Audit Committee, not attended previous AGM.
- IV) The composition of the Audit Committee and the attendance of each member of the Audit Committee are given below:

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. Rohini Reddy	Member	Non-Executive & Independent Director
4	V. Durga Prasad**	Member	Non-Executive & Independent Director

* Ceases to be a Member of the Committee w.e.f 05.10.2007. ** Appointed as Member of the Committee w.e.f. 05.10.2007.

V) Four Audit Committee meetings were held during the year. The dates on which the said meetings were held are as follows: June 27, 2006, July 27, 2006, October 30, 2006 and January 30, 2007

The necessary quorum was present at all the meetings.

Attendance during the year 2006-07:

Name	Number of meetings held during the year	Number of meetings attended during the year
Y.Anand Swaroop	4	4
B.Suresh	4	3
T. Rohini Reddy	4	4

Subsidiary Company

Southern Biofe Biofuels Pvt. Ltd (SBBF)

SBBF is a wholly owned subsidiary of the Company. SBBF was incorporated on 08/05/2002 with an authorized share capital of Rs.34,40,000/-. SBBF initially focused on the establishment and production of biodiesel, the activity of which has been taken over by Southern Online Bio Technologies Ltd. The Company has no operations in the last financial year.

The Audit committee of the Company also reviews the financial statements of the subsidiary Company. The minutes of the Board Meetings of subsidiary company are placed at the Board Meetings of SBT Ltd and reviewed in detail. The Directors Report, Auditors' Report, Balance Sheet as at 31.03.2007 and Notes forming part of the Accounts has been given elsewhere in this report.

CEO/CFO Certification

The Board has recognized Managing Director of the Company as CEO and the Director - Finance as the CFO for the limited purpose of Compliance under the Listing Agreement. The CEO and CFO have certified, in terms of revised in detail clause 49 of the listing agreement, to the Board as under :

I, N. Satish Kumar, Managing Director of M/s. Southern Online Bio Technologies Ltd. certify :

1. That we have reviewed the financial statements and the cash flow statement for the year ended 31 March 2007 and to the best of our knowledge and belief;

- a. These statements do not contain any materially untrue statement nor omit any material fact nor contain statements that might be misleading, and
 - b. These statements present a true and fair view of the company's affair and are in compliance with the existing accounting standards, applicable laws and regulations.
2. That there are, to the best of our knowledge and belief, no transactions entered into by the company during the year, which are fraudulent, illegal or violative of the company's code of conduct;
 3. That we accept responsibility for establishing and maintaining internal controls, we have evaluated the effectiveness of the internal control systems of the company and we have disclosed to the auditors and the audit committee, deficiencies in the design or the operation of internal controls, if any, of which we are aware and the steps that we have taken or purpose to take and rectify the identified deficiencies and;
 4. That we have informed the auditors and the audit committee of:
 - a. Significant changes in the internal control during the year;
 - b. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - c. Instances of significant fraud of which we have become aware and the involvement of an employee having a significant role in the company's internal control system.

Place : Hyderabad
Date : 05.10.2007

N. Satish Kumar
Managing Director

5. *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	V. Durga Prasad*	Chairman	Non-Executive & Independent Director
2	Y. Anand Swaroop	Member	Non-Executive & Independent Director
3	Dipen K. Sheth**	Member	Non-Executive & Independent Director

*V. Durga Prasad appointed as Chairman of the Committee in place of Mr.B.Suresh w.e.f. 05.10.2007 and ** appointed as Member of the Committee w.e.f 05.10.2007.

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 30.10.2006 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, 2007 to the Managing / Whole time Director are as under:

Name of the Director	Designation	Salary per annum (Rs.)	Commission
N. Satish Kumar	Managing Director	7,89,834	NIL
K. Radha Krishna	Director Finance	7,15,668	NIL
B. Sreedhara Reddy	Admn. Director	7,15,668	NIL
B H R Balaji	Executive Director	7,15,668	NIL
K. Tejesh Kumar	Director – Intl. Affairs	3,00,000	NIL
K. Venkateshwara Rao	Director – Intl. Affairs	3,00,000	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.

6. 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	Y. Anand Swaroop	Member	Non-Executive & Independent Director

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 225 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.

7. General Body Meetings

The details of last three Annual General Meetings and an Extraordinary General Meeting are as follows:

Financial Year	Date	Time	Venue	Special Resolutions passed
8 th AGM 2005 - 06	29.12.2006	11.30 AM	Dream Valley, Srinagar, Gandipet, Hyderabad – 500 075	1. Re-appointment of Managing Director 2. Further Issue of Shares under Section 81 & 81(1A) of the Companies Act, 1956. 3. Increase of share capital u/s 94(1)(a) of the Companies Act, 1956.
7 th AGM 2004 - 05	29.10.2005	11.30 AM	- do -	NIL
EGM	14.07.2005	3.00 PM	- do -	NIL
6 th AGM 2003 - 04	09.06.2004	11.30 AM	- do -	Further Issue of Shares under Section 81 & 81(1A) of the Companies Act, 1956

There were no matters required to be dealt/ passed by the Company through postal ballot, as required under the provisions of Section 192A of the Companies Act, 1956.

Auditors' Certificate on Corporate Governance as required by revised Clause 49 of the Listing Agreement is given as an annexure to the Director's Report.

8. *Disclosures*

★ 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.

★ **Details of non-compliance**

There has been no non-compliance of any legal requirements nor have been any strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last 3 years.

★ **Whistle Blower policy**

We have established a mechanism for employees to report concerns about unethical behavior, fraud or violation of code of conduct of the Company. The mechanism provided direct access to the Chairman of the Audit Committee for exceptional cases. All employees can also directly meet the Audit Committee members of the Company. The Whistle Blower Policy has been posted on the Intranet of the Company.

★ **Compliance with non-mandatory requirements of clause 49 of the listing agreement**

The Company has complied with the non – mandatory requirements to relating to

remuneration committee and Whistle Blower policy to the extent detailed above and has not complied with other non-mandatory requirements.

★ **Utilization of Rights cum Public Issue proceeds**

The Company has raised Rs 17.10 crores through the Rights cum Public issue for setting up new Biodiesel unit at Samsthan Narayanpur, Nalgonda District, Andhra Pradesh with a capacity of 30 tons per annum in the F.Y. 2005 - 06. The Company has deployed the entire amount of money raised through the public issue for the purpose it has been raised Biodiesel unit at Samsthan Narayanpur, Nalgonda District, Andhra Pradesh with a capacity of 40 tons per annum in the F.Y. 2005 - 06. The Company has deployed the entire amount of money raised through the public issue for the purpose it has been raised.

★ **Management Discussion and Analysis**

This is given as a separate section in the Annual Report.

9. *Means of Communication*

The quarterly, half-yearly and yearly financial results will be sent to the Stock Exchanges immediately after the Board approves the same and these results will also be 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. 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.

10. General Shareholder Information:

The following information would be useful to the share holders:

a) Ninth Annual General Meeting

Date and Time : Thursday, 01.11.2007, at 11.00 A.M
Venue : Dream Valley, Srinagar, Gandipet, Hyderabad - 75.

b) Financial Calendar 2007-08 (Tentative Schedule)

For the Quarter ended 30th June, 2007, the Company has already declared the Unaudited Financial Results on July 27, 2007.

Adoption of Quarterly results for the Quarter ending

- 30th September, 2007 : 3rd/4th Week of October, 2007
 - 31st December, 2007 : 3rd/4th Week of January, 2008
 - 31st March, 2008 : on or before June, 2008
- Annual General Meeting
(Next year) : on or before September, 2008

c) Book Closure Date

30th October, 2007 to 1st November, 2007 (both days inclusive)

- d) Listing on Stock Exchanges : Bombay Stock Exchange Ltd
Hyderabad Stock Exchange Ltd
Bangalore Stock Exchange Ltd

e) Stock Code

- ⊛ Stock Code / Symbol : BSE : 532669
HSE : SOUTH\$
- ⊛ (b) Demat ISIN number : INE 371B01015
in NSDL & CDSL

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



b) Stock Market Data

The monthly high / low prices of shares of the Company from April, 2006 to March, 2007 at Bombay Stock Exchange Ltd. :

Scrip Code: 532669

Company Name : SOUTHBIOTEC

Date	High (Rs.)	Low (Rs.)	No. of Shares
April 2006	13.50	10.15	1351078
May 2006	14.89	10.94	2169629
June 2006	12.00	8.50	863273
July 2006	11.17	8.75	635413
August 2006	16.47	9.20	2341078
September 2006	16.91	12.85	2630051
October 2006	15.45	13.00	771340
November 2006	14.07	11.40	1069045
December 2006	12.70	10.27	814061
January 2007	14.38	11.40	1552562
February 2007	16.00	11.80	2119153
March 2007	14.20	10.25	1837263

g) Registrars and Transfer Agents

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

h) 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.

11. (A) Shareholding pattern as on 31.03.2007

Category Code	Category of Share holders	No. of Share holders	Total No. of Shares	No. of Shares in dematerialised form	Total shareholding as a % of Total No. of shares	
					As a % of (A+B) ¹	As a % of (A+B+C)
(A)	Shareholding of Promoter and Promoter Group					
1	Indian					
(a)	Individuals/ Hindu Undivided Family	19	4809090	4798680	21.08	21.08
(b)	Central Government/ State Government(s)	0	0	0	0.00	0.00
(c)	Bodies Corporate	0	0	0	0.00	0.00
(d)	Financial Institutions/ Banks	0	0	0	0.00	0.00
(e)	Any Others(Specify)				0.00	0.00
(e-i)	Mutual Funds	0	0	0	0.00	0.00
(e-ii)	Trusts	0	0	0	0.00	0.00
	Sub Total(A)(1)	19	4809090	4798680	21.08	21.08
2	Foreign					
a	Individuals (Non-Residents Individuals/Foreign Individuals)	0	0	0	0.00	0.00
b	Bodies Corporate	0	0	0	0.00	0.00
c	Institutions	0	0	0	0.00	0.00
d	Any Others(Specify)				0.00	0.00
d-i	Overseas Corporate Bodies	0	0	0.00	0.00	0.00
d-ii	Sub Total(A)(2)	0	0	0	0.00	0.00
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	19	4809090	4798680	21.08	21.08

(B)	Public shareholding					
1	Institutions					
(a)	Mutual Funds/ UTI	0	0	0	0.00	0.00
(b)	Financial Institutions / Banks	0	0	0	0.00	0.00
(c)	Central Government / State Government(s)	0	0	0	0.00	0.00
(d)	Venture Capital Funds	0	0	0	0.00	0.00
(e)	Insurance Companies	0	0	0	0.00	0.00
(f)	Foreign Institutional Investors	0	0	0	0.00	0.00
(g)	Foreign Venture Capital Investors	0	0	0	0.00	0.00
(h)	Any Other (specify)				0.00	0.00
	Sub-Total (B)(1)	0	0	0	0.00	0.00
B 2	Non-institutions					
(a)	Bodies Corporate	244	3368870	3321824	14.76	14.76
(b)	Individuals					
	Individuals-i ,Individual shareholders holding nominal share capital up to Rs 1 lakh	8915	7390710	6860701	32.39	32.39
ii.	Individual share holders holding nominal share capital in excess of Rs. 1 lakh.	165	5243333	5145533	22.98	22.98
(c)	Any Other (specify)					
(c-i)	Non Resident Individuals	80	1858144	1732444	8.14	8.14
(c-ii)	Overseas Corporate Bodies	1	10000	0	0.04	0.04
(c-iii)	Trusts	1	1400	1400	0.01	0.01
(c-iv)	Clearing Members	24	135768	135768	0.60	0.60
	Sub-Total (B)(2)	9430	18008225	17197670	78.92	78.92
(B)	Total Public Share holding (B) = (B)(1)+(B)(2)	9430	18008225	17197670	78.92	78.92
	TOTAL {(A)+(B)}	9449	22817315	21996350	100.00	100.00
(C)	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0.00	0.00
	GRAND TOTAL {(A)+(B)+(C)}	9449	22817315	21996350	100.00	100.00

(B) Distribution of Shareholding as on 31.03.2007

Range (Rs) Shareholders	No. of Shareholders	% of Total	Shares Amount	% of Total Shares Amount
Upto 5000	6543	69.00	21459040	9.40
5,001 – 10000	1233	13.00	11088550	4.86
10,001 – 20000	607	6.00	10015860	4.39
20,001 – 30000	313	3.00	8325840	3.65
30,001 – 40000	138	1.00	4986380	2.19
40,001 – 50000	167	2.00	8053680	3.53
50,001 – 100000	220	2.00	16710490	7.32
1,00,001 and above	228	2.00	147533310	64.66
Total	9449	100.00	228173150	100.00

12. 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 96% of the Company's shares up to November end are now held in electronic form. Shares of the Company are actively traded in Bombay Stock Exchange, and hence have good liquidity. The list of depository participants is available with the National Depository Limited (NSDL) at www.nsdl.co.in.

Particulars	No. of Shares	% Share Capital
NSDL	16298539	71.43
CDSL	5697811	24.97
PHYSICAL	820965	3.60
Total	22817315	100.00

Consequent to the Rights cum Public Issue of the Company, 27,70,968 equity shares (12.14% of the total equity) of the Promoters are locked in for a period of 3 years. The Company has not issued any GDRs/ADRs/Warrants or any convertible instruments.

13. Biodiesel Plant Location : Survey No. 6 & 7, Samsthan Narayanpur (Village & Mandal), Nalgonda Dist, A.P.

14. Address for

Correspondence

Registered office

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

R & T Agent

: Aarthi Consultants Pvt. Ltd., 1-2-285, Domalguda, Hyderabad- 500 029.
Tel: (040) 27642217/27638111, Fax: (040) 27632184
Email: info@arthiconsultants.com

On behalf of the Board

Place : Hyderabad

Date : 05.10.2007

N. Satish Kumar

Managing Director

K. Radha Krishna

Director –Finance



Auditors' Certificate on Compliance of Corporate Governance

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, 2007, 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 : 05.10.2007

P. Murali Mohana Rao
Partner



AUDITORS' REPORT

To
The Members,
SOUTHERN ONLINE BIO TECHNOLOGIES LTD

We have audited the attached Balance Sheet of SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED as at 31st March, 2007 and also the Profit & Loss Account for the period ended on the date annexed thereto and the cash flow statement for the period 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 statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis of our opinion.

As required by the Companies (Auditor's Report) order 2003 and as amended by the Companies (Auditor's Report)(Amendment) Order 2004, issued by the Central Government of India in terms of the 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 & Profit & Loss Account dealt with by this report are in agreement with the books of account ;
- (iv) In our opinion, the Balance Sheet & 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, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2007 from being appointed 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
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
 - (b) In the case of the Profit & Loss Account, of the Profit for the period ended on that date;
And
 - (c) In the case of the Cash Flow, of the cash flows for the period ended on that date ;

For P.Murali & Co.,
Chartered Accountants

Place : Hyderabad
Date : 24.05.2007

P.Murali Mohana Rao
Partner

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 has not disposed off substantial part of the Fixed Assets during the year.

- II. The Company has no Inventory. Hence this clause is not applicable.
- III. (a) The Company has not granted 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 granted any loans, the clause of whether the rate of interest & other terms and conditions on which loans have been granted to parties listed in the register maintained under section 301 is prejudicial to the interest of company, is not applicable.
- (c) As no loans are granted by company, the clause of receipt of interest & principal amount from parties, is not applicable to the company.
- (d) No loans have been granted to Companies, Firms & other parties listed in the register U/s.301 of the Companies Act, 1956, hence overdue amount of more than rupees one lac does not arise and the clause is not applicable.
- (e) The Company has not taken any loans, secured or unsecured from Companies, Firms or other Parties covered in the register maintained U/s.301 of the Companies Act, 1956.
- (f) As the Company has not taken any loans, the clause of whether the rate of interest & other terms and conditions on which loans have been taken from parties listed in the Register maintained under section 301 is prejudicial to the interest of company, is not applicable.
- (g) As no loans are taken by the company, the clause of repayment of interest & principal amount to parties, is not applicable to the company.
- IV. In our opinion and according to the information and explanations given to us, there are generally adequate internal control systems commensurate with the size of the company and the nature of its business with regard to purchase of fixed assets and for sale of goods and services. 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, since no contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been made by the company in respect of any party in the financial year, the entry in the register U/s.301 of the Companies Act, 1956 does not arise.
- (b) According to the information and explanations given to us, as no such contracts or arrangements 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 deposits from the public and hence the applicability of the clause of directives issued by the Reserve Bank of India and provisions of section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under does not arise. As per information and explanations given to us the order from the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal has not been received by the Company.
- VII. In our opinion, the company is having internal audit system, commensurate with its size and nature of its business.
- VII. In our opinion, the company is having internal audit system, commensurate with its size and nature of its business.
- VIII. In respect of the 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.
- IX. a) The Company is regular in depositing statutory dues including PF, ESI, Income Tax, Cess and any other statutory dues with the appropriate authorities and at the last of the financial year there were no amounts outstanding which were due for more than 6 months from the date they became payable.
- b) According to the information and

- explanations given to us, no undisputed amounts are payable in respect of PF,ESI,Income Tax,Cess and any other statutory dues as at the end of the period, for a period more than six months from the date they became payable.
- X. The Company has been registered for a period of not less than 5 years, and the company has no accumulated losses at the end of the financial year and the company has not incurred cash losses in this financial year and in the immediately preceding financial year.
- XI. According to information and explanations given to us, the Company has not defaulted in repayment of dues to financial Institutions or banks.
- XII. According to the information and planations given to us, the Company has not granted ny loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the applicability of the clause regarding 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 provisions of clause 4(xiv) of the Companies (Auditor's Report) Order 2003, are not applicable to the Company.
- XV. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks or Financial Institutions, and hence the applicability of this clause regarding 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, no funds are raised by the Company on short-term basis.
- Hence the clause of short term funds being used for long-term investment does not arise.
- 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 and whether the same 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 security or charge in respect of debentures issued does not arise.
- XX. According to information and explanations given to us, the company has not raised money by way of public issues during the year, hence the clause regarding the disclosure by the management on the end use of money raised by Public Issue is not applicable.
- XXI. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year under audit.

For P.Murali & Co.,
Chartered Accountants

P.Murali Mohana Rao
Partner

Place : Hyderabad

Date : 24.05.2007



BALANCE SHEET AS AT MARCH 31, 2007

Description	Schedule No.	As at 31.03.2007 (Rs.)	As at 31.03.2006 (Rs.)
I. Sources Of Funds			
1. Shareholders' Funds			
a. Share Capital	1	228,173,150	228,173,150
b. Reserves & Surplus	2	14,041,450	10,929,911
2. Loan Funds			
a. Secured Loans	3	77,269,917	4,629,921
b. Unsecured Loans	4	510,074	824,405
3. Deferred Income Tax Liability Provision		3,512,438	3,698,892
TOTAL		323,507,029	248,256,279
II. Application Of Funds			
1. Fixed Assets	5		
a. Gross Block		249,955,633	108,835,471
b. Less : Depreciation		58,450,803	47,143,943
c. Net Block		191,504,830	61,691,528
2. Investments	6	3,430,970	3,430,970
3. Current Assets, Loans and Advances	7	115,103,971	191,248,393
Less : Current Liabilities & Provisions	8	8,906,014	14,274,754
Net Current Assets		106,197,957	176,973,639
4. Miscellaneous Expenditure (to the extent not written off or adjusted)	9	22,373,272	6,160,142
T O T A L		323,507,029	248,256,279
Notes forming part of Accounts	15		

As per our Report of Even Date

For and on behalf of the board

for P.Murali & Co
Chartered Accountants

P.Murali Mohana Rao
Partner

N.Satish Kumar
Managing Director

K.Radha Krishna
Director Finance

Place : Hyderabad.
Date : 24.05.2007

B.H.R.Balaji
Executive Director

D.Krishna Rao
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007

Description	Schedule No.	Year ended 31.03.2007 (Rs.)	Year ended 31.03.2006 (Rs.)
I. Income			
Internet and related Services.		68,704,331	52,847,097
TOTAL		68,704,331	52,847,097
II. Expenditure			
Operating Expenses	10	41,065,895	27,641,818
Administrative Expenses	11	4,082,530	4,057,443
Personnel Cost	12	5,751,133	5,118,670
Financial Expenses	13	1,101,392	831,263
Marketing Expenses	14	815,916	1,074,419
Sub Total		52,816,866	38,723,613
Operating Profit		15,887,465	14,123,484
Depreciation		11,380,500	9,612,923
Miscellaneous expenditure written off		369,476	379,952
Profit Before Tax		4,137,489	4,130,608
Provision for Tax		1,091,434	1,172,678
Provision for Fringe Benefit Tax		120,970	227,322
Profit After tax		2,925,085	2,730,608
Deferred Income Tax Assets for current year		186,454	457,879
Prior Period Expenses		-	2,187,895
Profit after deferred tax assets provision		3,111,539	1,000,592
Add : Profit Brought forwarded		1,149,381	148,789
Profit Transferred to Balance Sheet		4,260,921	1,149,381
Earnings Per Share		0.13	0.12

As per our Report of Even Date

For and on behalf of the Board

for P.Murali & Co
Chartered Accountants

P.Murali Mohana Rao
Partner

N.Satish Kumar
Managing Director

K.Radha Krishna
Director Finance

Place : Hyderabad.
Date : 24.05.2007

B.H.R.Balaji
Executive Director

D.Krishna Rao
Company Secretary



SCHEDULES FORMING PART OF THE BALANCE SHEET

Description	As at 31.03.2007 (Rs.)	As at 31.03.2006 (Rs.)
1. Share Capital :		
Authorised :		
750,00,000 Equity Shares of Rs.10/- each.	<u>750,000,000</u>	<u>250,000,000</u>
Previous:		
250,00,000 Equity Shares of Rs.10/- each.		
Issued, Subscribed & Paid-up :		
2,28,17,315 Equity Shares of Rs.10/- each fully paid up	228,173,150	228,173,150
Previous:		
2,28,17,315 Equity Shares of Rs.10/- each fully paid up		
TOTAL :	<u>228,173,150</u>	<u>228,173,150</u>
2. Reserves & Surplus :		
Profit Brought Forward	10,929,911	9,929,317
PROFIT FOR THE YEAR (After Income Tax Provision and Deferred Income Tax)	3,111,539	1,000,594
TOTAL :	<u>14,041,450</u>	<u>10,929,911</u>
3. Secured Loans :		
Bank of India - Over Draft (Against Secured by Book Debts of the Company)	3,546,885	1,705,698
Bank of India, Loan for Flats (Secured Hypothication of Flats of the Company)	4,974,941	---
Bank of India - Working Capital (Secured by Raw Material / Finished Goods of the Company)	32,024,181	---
Bank of India - Term Loan (Secured by Total Plant & Machinery)	35,953,645	--
Bank of Inida - Bolero Vehicle Loan (Hypothication of Vehicle of the Company)	488,022	--
ICICI Bank (Hypothication of Flats of the Company)	-	2,743,200
Bank of India (Hypothication of Vehicles of the Company)	282,243	181,023
T O T A L :	<u>77,269,917</u>	<u>4,629,921</u>
4. Un Secured Loans :		
a) Loans from Directors	510,074	590,840
b) Loans from Others		
Refundable Deposits from Dealers	-	233,565
T O T A L :	<u>510,074</u>	<u>824,405</u>

5. DEPRECIATION STATEMENT

S No.	Asset	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01.04.2006	Additions durint the year	Deductions during the year	As at 31.03.2007	Upto 31.03.2006	For the period	Deductions during the year	Upto 31.03.2007	As at 31.03.2007	As at 31.03.2006
1	EDP Equipment	58,865,469	9,643,989	-	68,509,458	45,620,676	10,093,369	-	55,714,045	12,795,413	13,244,793
2	Office Equipment	1,340,581	145,664	-	1,486,245	388,237	64,628	-	452,865	1,033,380	952,344
3	Furniture & Fixtures	1,217,216	229,915	-	1,447,131	468,298	88,630	-	556,928	890,203	748,918
4	Cable Laying	8,543,932	2,533,500	-	11,077,432	631,548	947,158	-	1,578,706	9,498,726	7,912,384
5	Flats	5,847,273	-	-	5,847,273	12,576	95,311	-	107,887	5,739,386	5,834,697
6	Vehicles	792,869	694,018	792,869	694,018	22,607	91,404	73,639	40,372	653,646	770,262
7	CWIP	32,228,131	128,665,945	-	160,894,076	-	-	-	-	160,894,076	32,228,131
	T O T A L	108,835,471	141,913,031	792,869	249,955,633	47,143,942	11,380,500	73,639	58,450,803	191,504,830	61,691,529
	Previous Year	57,779,636	51,055,834	-	108,835,471	37,531,020	9,612,923	-	47,143,943	29,463,395	61,691,529

Description	As at 31.03.2007 (Rs.)	As at 31.03.2006 (Rs.)
6. Investments :		
Investments	3,430,970	3,430,970
(343097 No of Equity Shares each Rs.10/- Invested in M/s. Southern Biofe Biofuels Pvt. Ltd)		
T O T A L :	3,430,970	3,430,970
7. Current Assets, Loans & Advances :		
A. Current Assets:		
a) Sundry Debtors		
(Un Secured considered Good)		
Debts outstanding for a period exceeding six months	37,207,219	40,698,803
Other Debts	7,508,409	7,427,389
	44,715,628	48,126,192
b) Pre-paid Expenses	3,514,387	1,523,027
c) Tax Deducted at Source.	1,122,513	1,039,678
d) Cash and Bank Balances		
Cash on Hand	390,980	360,210
Balances with Scheduled Banks	255,364	333,941
	646,344	694,151
e) Deposits	8,262,592	63,762,840
f) Inventories	21,385,526	-
B. Loans and Advances:		
a) Advances for Capital Goods	34,640,405	69,545,715
b) Advances	816,576	6,556,789
	34,640,405	69,545,715
T O T A L :	115,103,971	1,91,248,393
8. Current Liabilities & Provisions :		
Sundry Creditors for Capital Goods	2,216,259	3,341,353
Sundry Creditors for Expenses (No dues to the SSI Units outstanding for more than 30 days)	2,657,328	5,299,895
Outstanding Liabilities	4,032,427	5,633,505
	8,906,014	14,274,754
T O T A L :	8,906,014	14,274,754
9. Miscellaneous Expenditure :		
(to the extent not written off or adjusted)		
a) Preliminary Expenses	21,209,632	4,627,026
Less: Written Off During the year	-	-
	21,209,632	4,627,026
b) Deferred Revenue Expenses	1,533,116	1,913,068
Less: Written Off During the year	369,476	379,952
	1,163,640	1,533,116
T O T A L :	22,373,272	6,160,142

Description	YEAR ENDED 31.03.2007 (Rs.)	YEAR ENDED 31.03.2006 (Rs.)
10. Operating Expenses :		
Bandwidth	39,148,196	26,053,888
Lease Line Charges	40,845	192,461
Cable Rent	47,000	165,280
Cable Laying Expenses	158,790	343,885
Repairs and Maintenance	571,029	886,304
Licencing Fee	1,100,035	-
T O T A L :	41,065,895	27,641,818
11. Administrative Expenses :		
Audit Fee	45,000	45,000
AGM Board Meeting Expenses	121,104	43,430
Electrical Charges	651,025	571,142
General Expenses	157,073	153,189
Insurance	149,417	192,163
Membership, Books & Periodicals	130,909	117,673
Consultancy Charges	137,324	77,467
Printing & Stationery	125,492	94,234
Postage & Telegrams	44,460	49,911
Rent , Rates & Taxes	886,502	903,526
Secretarial Expenses	134,348	103,415
Security Service	-	20,179
Telephone, Mobile & Pager Expenses	764,745	665,159
Travelling & Conveyance Expenses	465,901	508,968
Loss on Sale of Fixed Assets	269,230	-
Loss on Chits	-	511,988
T O T A L :	4,082,530	4,057,443

12. Personnel Cost :

Description	YEAR ENDED 31.03.2007 (Rs.)	YEAR ENDED 31.03.2006 (Rs.)
Salaries	5,489,874	4,849,029
Staff Welfare	261,260	269,641
T O T A L :	5,751,133	5,118,670
13. Financial Expenses :		
Bank Charges	74,781	107,531
Interest on Term Loan	227,906	433,908
Interest on Over Draft	578,024	289,824
Interest on Secured Loans	220,681	-
T O T A L :	1,101,392	831,263
14. Marketing Expenses :		
Collection Expenses	270,109	265,936
Comissions & Discounts	484,703	656,298
Business Promotion	46,488	144,185
Donations	14,616	8,000
T O T A L :	815,916	1,074,419



CASH FLOW STATEMENT FOR THE YEAR ENDED 31-03-2007

PARTICULARS	Year Ended 31.03.2007 (Rs in Lacs)	Year Ended 31.03.2006 (Rs in Lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net profit /(Loss) before tax & extraordinary items	41.37	41.31
Adjustments for:		
Prior Period Adjustments	-	(21.88)
Depreciation	113.81	96.13
Written off Expense	3.69	3.80
Interest	11.01	8.31
Operating Profit before working capital charges	169.88	127.67
Trade and other receivables	625.77	(648.30)
Inventories	(213.86)	
Trade payables	(65.81)	69.83
Cash generated from operations	515.99	(450.79)
Interest paid	(11.01)	8.31
Cash flow before extraordinary items - (A)	504.98	(459.10)
NET CASH FLOW FROM OPERATING ACTIVITIES		
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(1,419.13)	(510.56)
Proceeds of Fixed Assets	7.19	-
Investments		
Net cash used in investing activities - (B)	(1,411.94)	(510.56)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
creditors for capital goods	349.05	(688.45)
Paid towards Secured Loan	726.40	(0.66)
increase in Share Application amount	-	1,711.39
increase in misc expenses	(165.83)	(46.27)
Repayment of unsecured Loans	(3.14)	(0.54)
Net Cash used in Financing activities -(C)	906.48	975.47
Net increase in cash and cash equivalents - (A+B+C)	(0.48)	5.80
Cash and Cash equivalents as at (Opening Balance)	6.94	1.14
Cash and Cash equivalents as at (Closing Balance)	6.46	6.94

For and on behalf of the Board

Place : Hyderabad. N.Satish Kumar K.Radha Krishna B.H.R.Balaji D.Krishna Rao
Date : 24.05.2007 Managing Director Director Finance Executive Director Company Secretary

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 2007. The Statement has been prepared by the in accordance with the requirements of Clause 32 of listing agreement with Stock Exchanges and is based on and in agreement.

Place : Hyderabad.
Date : 24.05.2007

for. P.Murali & Co.
Chartered Accountants

P. Murali Mohana Rao
Partner

Balance Sheet Abstract and Company's General Business Profile

I.	Registration Details	
	Registration Number	01-030463
	State Code Number	01
	Balance Sheet Date	31 st March 2007
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	323507
	Total Assets	323507
	Sources of Funds	
	Paid-up Capital	228173
	Reserves & Surplus	14041
	Secured Loans	77269
	Unsecured Loans	510
	Deferred Income Tax Liability	3512
	Application of Funds	
	Net Fixed Assets	191504
	Investments	3430
	Net Current Assets	106197
	Miscellaneous Expenditure	22373
	Accumulated Losses	NIL
IV.	Performance of Company (Amount in Rs Thousands)	
	Turnover	68704
	Total Expenditure	64566
	Profit /Loss Before Tax +(-)	4137
	Profit /Loss After Tax +(-)	2925
	Earnings per Share in Rs	0.13
	Dividend Rate %	NIL
V.	Generic Names of principal products/ services of Company	
	Item Code No. (ITC Code)	NIL
	Product Description	
	ISP Services & Biodiesel	

For and on behalf of the Board

N.Satish Kumar
Managing Director

K.Radha Krishna
Director Finance

Place : Hyderabad.
Date : 24.05.2007

B.H.R.Balaji
Executive Director

D.Krishna Rao
Company Secretary

**Southern Online Bio Technologies Ltd and its subsidiary
Southern Biofe Biofuels Pvt. Ltd.**

3A, 3rd Floor, Samrat Complex, Saifabad, Hyderabad-04

Southern Biofe Biofuels Pvt. Ltd.

DIRECTORS' REPORT

Dear Members,

Your Directors have great pleasure to present the Fifth Annual Report of the company together with the Audited Accounts for the year ended 31st March, 2007.

Capital Structure

The authorised Share Capital of the Company is Rs.34,40,000/- (3,44,000 Equity Shares of Rs.10/-) and Issued and Paid up Capital is Rs. 34,30,970/- (3,43,097 Equity Shares of Rs.10/- each).

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Out Go

- (a) Conservation of Energy:-The Company is taking necessary measures for conservation of energy.
- (b) Research and Development (R & D):- NIL
- (c) Technology Absorption, adaptation and innovation:- on technology either indigenous or foreign is involved.
- (d) Foreign exchange earnings and out go:- NIL

Particulars of Employees

In pursuance of the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, the Directors are to report that no employee was in receipt of remuneration of Rs.24,00,000/- or more per annum or Rs.2,00,000/- or more per month where employed for a part of the year.

Auditors:

M/s. P. MURALI & CO., Chartered Accountants, retiring auditors of the Company being eligible offer themselves for appointment as auditors of the Company M/s. P.MURALI & CO., Chartered Accountants have furnished a certificate of their eligibility u/s 224(1B) of the Companies Act, 1956. The members are requested to reappoint the auditors and authorize the Board of Directors of the Company to fix their remuneration.

Directors Responsibility Statement

- i) that in the preparation of the Annual Accounts, the applicable accounting standards had been

followed along with proper explanation relating to material departures;

- ii) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and/ of the profit or loss of the company for that period;
- iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the Directors had prepared the annual accounts on a going concern basis.

Secretarial Compliance Certificate

The Company has obtained a Secretarial Compliance Certificate in pursuance of Section 383A of the Companies Act, 1956.

Deposits

The company has not accepted any deposits during the year.

Personnel

The relations between the management and staff were very cordial throughout this year. Your Directors take this opportunity to record their appreciation for the Co-Operation and loyal services rendered by the employees.

Your Directors are confident that during the years to come the company has got very good prospects.

On behalf of the Board

N. Satish Kumar
Director

K. Radha Krishna
Director

Place : Hyderabad
Date : 01.09.2007

Southern Biofe Biofuels Pvt. Ltd.

AUDITORS' REPORT

To,
The Members,
Southern Biofe Biofuels Private Ltd.

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 also includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis of our opinion.

Since the company is a private limited company with a paid up capital and reserves not more than rupees fifty lakhs and does not have loan outstanding exceeding rupees twenty five lakhs from any bank or financial institution and does not have a turnover exceeding rupees five crores at any point of time during the financial year, requirement by the companies (Auditors Report) order 2003 and as amended by the Companies (Auditor's Report) (Amendment) Order 2004, issued by the Central Government of India in terms of the sub-section(4A_ of section 227 of the Companies Act, 1956 are not applicable to the Company.

Further, 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 opinio0n, 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 dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet 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 representation received from the Directors, as on 31 st March, 2007 from being appointed 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;
- (a) In the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 2007;

For P. Murali & co.,
Chartered Accountants

P. Murali Mohana Rao
Partner

Place: Hyderabad

Date : 24.05.2007

Southern Biofe Biofuels Pvt. Ltd.

SOUTHERN BIOFE BIOFUELS PRIVATE LIMITED
BALANCE SHEET AS AT 31.03.2007

PARTICULARS	Schedule No's	Year Ended 31.03.2007 (Rs.)	Year Ended 31.03.2006 (Rs.)
I Sources of Funds :			
1 Share Holders Funds			
a Share Capital	1	3430970	3,430,970
2 Loan Funds			
a Unsecured Loans		1436775	1,436,775
TOTAL		4,867,745	4,867,745
II Application of Funds :			
1 Fixed Assets			
a Gross Block		178900	178900
b Less : Depreciation			
c Net block		178,900	178,900
d Pre-operative expenditure		4625278	4,615,940
2 Current Assets Loans & Advances			
Current Assets , Loans & Advances		120316	124,042
Less: Current Liabilities and provisions		92274	86662
Net Current Assets		28042	37380
3 Miscellaneous Expenditure (To the extend not written off or adjusted)		35,525	35,525
TOTAL		4,867,745	4,867,745
NOTES ON ACCOUNTS	2	-	-

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
Director

K.Radha Krishna
Director

Place : Hyderabad,
Date : 24.05.2007

SOUTHERN BIOFE BIOFUELS PRIVATE LIMITED

Schedule - 1

SHARE CAPITAL

PARTICULARS	Year Ended 31.03.2007 Rupees	Year Ended 31.03.2006 Rupees
Authorised Share Capital (3,44,000 Equity Shares of Rs.10/- each)	3,440,000	3,440,000
Issued,Subscribed and Paid-up Share Caapital (3,43,097 Equity Shares of Rs. 10/- each)	3,430,970	3,430,970
TOTAL	3,430,970	3,430,970

SCHEDULE – 2

NOTES FORMING PART OF THE ACCOUNTS

A. Significant Accounting Policies

a) General

- (1) The accounts are prepared on the historical basis and on the accounting principles of a going concern.
- (2) Accounting policies not specifically referred to otherwise are consistant and in consonance with generally accepted accounting principles.

b) Revenue Recognition

The Company follows the Mercantile system of Accounting and recognizes income and expenditure on accrual basis.

c) Gratuity

No provision for gratuity has been made as no employee has put in qualifying period of service for entitlement of this benefit.

d) Fixed Assets

Fixed assets are stated at cost. Cost comprises the purchase price and other a attributable expenses.

B. Notes On Accounts

1. Remuneration To Auditors as Audit Fee is Rs.5,612/- . (Previous Year Rs.5,612/-)
2. Particulars of employees in accordance with sub-section (2A) of section 217 of the Companies Act, 1956 read with Companies (particulars of Employees) Rule 1975.
3. There are no dues to SSI Units outstanding for more than 30 days.
4. As the company has not started its commercial operation and there is no timing difference of depreciation/loss, the provision for deferred tax liability does not arise as per Accounting Standard 22 (AS 22) issued by ICAI and hence deferred tax liability has not been provided.

Southern Biofe Biofuels Pvt. Ltd.

5. The figures have been regrouped wherever necessary. The figures have been rounded off to the nearest rupee.

SIGNATURES TO SCHEDULES 1 TO 2

As Per our Report of even date

For and on behalf of the Board

For P.Murali & Co.,
Chartered Accountants

P. Murali Mohana Rao
Partner

N. Satish Kumar
Director

K.Radha Krishna
Director

Place : Hyderabad,
Date : 24.05.2007

Southern Biofe Biofuels Pvt. Ltd.

Statement pursuant to Section 212 of the Companies Act, 1956 related to subsidiary company

Name of the Subsidiary Company : Southern Biofe Biofuels Pvt. Ltd.

S. No.	Particulars	
1.	Financial Year	31.03.2007
2.	Shares of the subsidiary held by the Company on 31.03.2007	
A	Number and Face Value	3,43,097 of Rs. 10/- each
B	Extent of holding	100%
3	The net aggregate of profit/(loss) of the subsidiary for the above financial year so far as they concern the members of the Company and is not dealt within the accounts of the Company	
A	For the financial year ended on 31.03.2007	NIL
B	For the previous financial year since it became a subsidiary	NIL
4	The net aggregate of profit/(loss) of the subsidiary for the above financial year so far as they concern the members of the Company and is dealt within the accounts of the Company	
A	For the financial year ended on 31.03.2007	NIL
B	For the previous financial year since it became a subsidiary	NIL
5	Change in the holding company's interest in the subsidiary between the end of the financial year of the subsidiary and the end of the holding company's financial year	Not applicable as financial year coincides with that of the holding company
6	Material changes which have occurred between the end of the afore said financial year of the subsidiary and the end of the holding company's financial year in respect;	
	a. the subsidiary fixed assets	
	b. its investments	
	c. money lent by the subsidiary company	
	d. the money borrowed by it for any purpose other than that meeting current liabilities of	
		As the financial year of both holding and subsidiary company companies coincide, there are no particulars to furnish



SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

Regd. Off: 3A, 3rd Floor, Samrat Complex, Saifabad, Hyderabad -500 004

PROXY FORM

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

I/We.....of..... in the district of being a member/members of the above named company, hereby appoint Mr./Ms..... in the district of as my/our proxy to attend and vote for me/us on my/our behalf at the **Ninth Annual General Meeting** of the Company to be held on Thursday, 1st day of November, 2007 at 11.00 AM at Dream Valley, Srinagar, Gandipet, Hyderabad – 500 075 and at any adjournment thereof.

Signed this..... day of _____ 2007.

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.

.....cut here.....

SOUTHERN ONLINE BIO TECHNOLOGIES LIMITED

Regd. Off: 3A, 3rd Floor, Samrat Complex, 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 **Ninth Annual General Meeting** of the Company to be held on Thursday, 1st day of November, 2007 at 11.00 AM at Dream Valley, 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.



SBT Biodiesel Plant

