

NETWORK LIMITED

1999
ANNUAL REPORT

Board of Directors	: Suman Ghose Hazra S. Murali Pawan Dalmia Sanjay Jain
Company Secretary	: S. Rajaraman
Auditors	: S. Kapoor & Associates, New Delhi
Bankers	: State Bank of India State Bank of Patiala Hongkong & Shanghai Banking Corporation Ltd. ANZ Grindlays Bank plc. Union Bank of India
Registered Office	: 806-808, Siddhartha 96, Nehru Place, New Delhi-110 019
Corporate Office	: B-72, Sector-2, Noida - 201 301. Distt. Ghaziabad (U.P.)
Registrar and Share Transfer Agent	: Allied Computer Technics Pvt. Ltd. F-18, 3rd Floor, Block-A, Local Shopping Centre, Ring Road, Naraina, New Delhi-110 028.

Notice

**NETWORK
LIMITED**

NOTICE is hereby given that the Tenth Annual General Meeting of Network Limited will be held on Thursday, 23rd September, 1999 at 3.30 p.m. at Air Force Auditorium, Subroto Park, Dhaula Kuan, New Delhi 110010 to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Profit and Loss Account for the period ended 31st March, 1999 and the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Suman Ghose Hazra who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Pawan Dalmia who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint S. Kapoor & Associates as Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

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

"RESOLVED that Mr. S. Murali, Additional Director appointed in terms of Article 81 of the Articles of Association of the Company to hold office till the conclusion of this Annual General Meeting and in respect of whom the company has received a notice under Section 257 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation."

6. To consider and if thought fit to pass, with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that Mr. Sanjay Jain, Additional Director appointed in terms of Article 81 of the Articles of Association of the Company to hold office till the conclusion of this Annual General Meeting and in respect of whom the company has received a notice under Section 257 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company whose

period of office shall be liable to determination by retirement of Directors by rotation."

7. To consider and if thought fit to pass, with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that in accordance with the provisions of Sections 269 read with Schedule XIII and Section 309 and other applicable provisions if any, of the Companies Act, 1956, approval of the company be and is hereby accorded to appoint Mr. Suman Ghose Hazra as Manager of the Company for a period of two years from February 1, 1999 to January 31, 2001 upon such terms and conditions as set out in the draft agreement."

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

"RESOLVED that pursuant to Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, subject to the approval of statutory authorities and in pursuance of appropriate rules, regulations and guidelines issued by SEBI and other regulatory authorities, approval of the company be and is hereby accorded to offer and issue to the Promoter Group and Associate Companies (as per explanatory statement annexed hereto) and to Vireet Investments Private Limited not exceeding 55,75,000 Equity Shares of face value of Rs.10/- each at a premium of Rs.35/- per share which is higher than the price determined in accordance with the applicable SEBI Guidelines and ranking pari-passu with the existing shares of the Company.

RESOLVED FURTHER that the Board be and is hereby authorised to do all such acts, matters and things and take such other steps as it may, in its absolute discretion, deem to be necessary, desirable or expedient for giving effect to aforesaid resolution."

By Order of the Board

S. RAJARAMAN

Dated: 27th August, 1999 COMPANY SECRETARY

Regd. Office :
806-808, Siddhartha
96, Nehru Place
New Delhi 110019

Notice (contd.)**NETWORK
LIMITED****NOTES**

1. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. Proxies in order to be effective must be deposited with the Registered Office of the Company NOT LATER THAN FORTY EIGHT HOURS of the time of the Meeting.
3. An Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business proposed to be transacted at the Meeting is annexed hereto.
4. The Register of Members and the Share Transfer Books of the Company will be closed from 20th September, 1999 to 23rd September, 1999 (both days inclusive).
5. The Members are requested to intimate their queries/requirements for clarifications on the Annual Report so as to reach the Company on or before 10th September, 1999 which will enable the Company to furnish the replies at the Annual General Meeting.
6. The Members are requested to notify their change of address, if any, to the Registered Office of the Company immediately.
7. No tiffin boxes, brief cases etc., are allowed inside the Meeting Hall for security reasons.

EXPLANATORY STATEMENT

Pursuant to Section 173(2) of the Companies Act, 1956 (annexed to the notice dated 27th August, 1999)

ITEM NOS. 5&6

Mr. S. Murali and Mr. Sanjay Jain were appointed as Additional Directors of the Company by the Board of Directors in their meeting held on 30th October, 1998 and 28th May, 1999 respectively. According to the provisions of Article 81 read with Section 260 of the Companies Act, 1956, they hold office as Additional Directors only upto the date of ensuing Annual General Meeting. As required by Section 257 of the Companies Act, 1956, notices have been received from members alongwith deposit of Rupees Five hundred each signifying their intention to propose appointment of Mr. S. Murali and Mr. Sanjay Jain as Directors whose period of office shall be liable to determination by retirement of Directors by rotation. The Board considers it is desirable that the

Company should continue to avail of their services.

The Directors recommend the resolution set out at item nos. 5&6.

Mr. S. Murali and Mr. Sanjay Jain may be deemed to be concerned or interested in their respective resolutions.

ITEM NO.7:

Due to the resignation of Mr. A. Mohan Rao, Whole Time Director, it is necessary for the Company to appoint a Managing Director/Whole Time Director/ Manager. The Board of Directors in their Meeting held on 30th January, 1999 have appointed Mr. Suman Ghose Hazra as Manager of the Company for two years from February 1, 1999 subject to the approval of members in the General Meeting. Mr. Suman Ghose Hazra has vast experience in the area of Finance and the Company will be highly benefited on his appointment as Manager. The Board considers it is desirable that the Company should continue to avail of his services.

The Directors recommend the resolution set out at item no. 7

None of the directors are concerned or interested in this resolution except Mr. Suman Ghose Hazra.

ITEM NO.8**Background**

As the shareholders must be aware that the Company has been engaged in the business of manufacture and sale of office automation based printing systems, transmission and communication systems and medical diagnostic imaging systems. However, the Company has been making losses since the year ended 30.9.1996. The entire tangible networth was wiped out in the Financial Year ended 30.09.1996 and the accumulated losses stood at Rs.30.78 crores as on 31.3.1998. For the financial year ended 31.3.1999, the accumulated losses have increased to Rs.39.23 crores.

Further, Shiv Nadar Investment Private Limited had made an Open Offer to the shareholders of the company to acquire from them upto 30.14% of the issued equity share capital in the year 1998-99. The Offer was made in compliance with the provisions of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997. The Offer was made at a price of Rs.3.80 per fully paid up equity share and Rs.1.90 per partly paid up share. The offer was made with the objective of giving an exit option to

Notice (contd.)**NETWORK
LIMITED**

the shareholders of the Company.

Preferential Allotment

It is proposed that a preferential issue of 55,75,000 Equity Shares at a price of Rs.45/- per Equity Share aggregating to Rs. 25.09 crores be made to the Promoter Group & Associate Companies and also to Vireet Investments Private Limited. The price per share is higher than the price determined in accordance with SEBI Guidelines on Preferential Issue of Shares and has been certified by S. Kapoor and Associates, Statutory Auditors of the Company (copy annexed hereto). These shares would be subject to lock-in period of 3 years from the date of allotment. Assuming that all 55,75,000 equity shares are issued, the post preferential issue of promoter's shareholding would stand at 75.19 % of the expanded capital.

Proposed Allottees

<i>Name of the Allottee</i>	<i>Proposed Preferential allotment (No. of Shares)</i>
Guddu Investment Private Limited	715000
Roshni Investment Private Limited	557500
North West Consultancy Services Private Limited	503000
Vamasundari Investment Private Limited	362000
Shiv Nadar Investment Private Limited	731500
Perfect Audio Visual Systems Private Limited	487000
Vincent Engineering Private Limited	487000
Slocum Investment Private Limited	1033000
Hoatzin Electronics & Properties Private Limited	124000
Vireet Investments Private Limited	575000
Total	5575000

Purpose/Reason for Preferential Allotment

In the light of the fact that the networth of the company has been wiped out, steps are being taken to sell off the assets so as to meet the liabilities to the extent possible. The Open Offer to the shareholders was also a move in the direction of giving an exit option to the existing shareholders. Through this infusion of equity, the outstanding liabilities would be extinguished to the maximum extent and thus help in meeting the promoter's objective of repayment of liabilities.

The equity is being infused through a preferential issue so as to enable the Company to settle its liabilities. These funds would be used to repay the

Banks, Financial Institutions and Debenture holders, to settle and pay the creditors for goods and services and to foreclose the lease agreements by paying back the due amounts.

Post Allotment

Since the proposed investment is being made by the Promoter group and associate companies, no change in the management control may be deemed to have taken place. Also the company is not contemplating any change in the present constitution of the Board of Directors.

PARTICULARS	Pre-Issue		Post Issue	
	No. of Shares	%	No. of Shares	%
PROMOTERS				
Guddu Investment Private Limited	577300	8.96	1292300	10.75
Roshni Investment Private Limited	450000	6.98	1007500	8.38
North West Consultancy Services Private Limited	405900	6.30	908900	7.56
Vamasundari Investment Private Limited	292300	4.54	654300	5.44
Shiv Nadar Investment Private Limited	590600	9.17	1322100	11.00
Perfect Audio Visual Systems Private Limited	393300	6.10	880300	7.33
Vincent Engineering Private Limited	393300	6.10	880300	7.33
Slocum Investment Private Limited	833800	12.94	1866800	15.53
Hoatzin Electronics & Properties Private Limited	100000	1.55	224000	1.87
Sub Total	4036500	62.64	9036500	75.19
PUBLIC	2407507	37.36	2982507	24.81
Total	6444007	100.00	12019007	100.00

In view of the above considerations, your Directors recommend the proposed resolution to be passed as a Special Resolution.

None of the Directors are concerned or interested in this resolution.

By Order of the Board

Place: New Delhi

S.RAJARAMAN

Dated: 27th August, 1999

COMPANY SECRETARY

AUDITORS' CERTIFICATE
(Annexure to Notice dated 27th August, 1999)

TO WHOMSOEVER IT MAY CONCERN

We have reviewed the records of Network Limited having its Registered Office at 806-808, Siddhartha, 96, Nehru Place, New Delhi 110 019 for the proposed issue of equity shares not exceeding 55,75,000 shares of Rs.10/- each at a premium of Rs.35/- per share to the Promoter Group & Associate Companies and to Vireet Investments Private Limited on preferential basis.

The proposed issue is to be placed in the Annual General Meeting being convened on 23rd September, 1999 vide notice dated 27th August, 1999 for the approval of the shareholders.

On the basis of documents and records produced before us and as per the information and explanation given to us, we hereby certify that the issue price of the proposed preferential issue is higher than the rate determined in accordance with the guidelines for preferential issue dated 4th August, 1994 issued by SEBI as detailed in the annexure attached.

For S. Kapoor & Associates
Chartered Accountants

Place: New Delhi
Dated: 28th August, 1999

Sanjay Kapoor, F.C.A.
Prop.

Annexure to certificate dated 28th August, 1999.

Pricing of the Preferential Issue of Network Limited as per SEBI Guidelines dated 4th August, 1994.

The issue price per equity share for preferential issue shall not be less than the higher of the following two:

- | | |
|--|-----------|
| 1. Average of the weekly high and low of the closing prices as quoted on the Mumbai Stock Exchange during 6 months preceding the relevant date i.e. 24th August, 1999. | Rs.7.86 |
| 2. Average of the weekly high and low of the closing prices as quoted on the Mumbai Stock Exchange during 2 weeks preceding the relevant date i.e. 24th August, 1999. | Rs. 7.64 |
| ● Issue Price | Rs. 45.00 |

The shares of Network Limited are listed on the Mumbai, Delhi and Ahmedabad Stock Exchanges. For the purpose of the above, prices have been taken from the Mumbai Stock Exchange since the highest trading volume has been recorded at Mumbai Stock Exchange.

For S. Kapoor & Associates
Chartered Accountants

Place: New Delhi
Dated: 28th August, 1999

Sanjay Kapoor, F.C.A.
Prop.

Directors' Report

**NETWORK
LIMITED**

TO THE MEMBERS

The Directors of your Company hereby present the Tenth Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 1999.

FINANCIAL HIGHLIGHTS

	31st March '99 Current Year Rs. Lacs	31st March '98 Previous Period Rs. Lacs
Total Income	1197	5919
Loss before Depreciation and Taxes	810	1571
Depreciation	35	117
Provision for Taxation	-	(26)
Net Loss	845	1662

In view of the Loss of Rs.8.45 crores incurred during the current year, the directors regret their inability to declare any Dividend.

OPERATIONS REVIEW :

In order to protect the interests of shareholders, the promoters of the Company had made an open offer to acquire shares so that interested shareholders can opt to exit from the Company. Offer price was computed in conformity with the SEBI guidelines under the SEBI (Substantial acquisition of shares and take-over) Regulations, 1997. Accordingly the Promoters as the result of the said offer, acquired 107400 equity shares from the public.

The Board of Directors has recommended for issue of shares on preferential basis to the promoters subject to your approval. The Preferential issue of shares is intended to restructure the liabilities.

The Company intends to dispose of the assets in order to settle its liabilities in addition to funding by Promoters.

Negotiation with Banks, Financial Institutions and other creditors for settlement of liabilities are in various stages of progress.

PUBLIC DEPOSIT :

As on 31st March '99, there were unclaimed deposits of Rs.0.44 lacs.

DIRECTORS :

Mr.A.Mohan Rao expressed his desire to be relieved as Director. The Board of Directors acceded to his request and relieved him with effect from 30th October, 1998.

Mr. S. Murali and Mr. Sanjay Jain were appointed as Additional Directors in accordance with Section 260 of the Companies Act, 1956, and Article 81 of the Articles of Association of the Company to hold office till the conclusion of the forthcoming Annual General Meeting.

The Company has received notices under Section 257 of the Companies Act, 1956 from members signifying their intention to propose the appointment of Mr. S. Murali and Mr. Sanjay Jain as Directors of the Company.

Your Directors while welcoming Mr. S. Murali and Mr. Sanjay Jain on the Board, place on record their sincere appreciation for the guidance and support provided by the outgoing Director during his tenure.

Mr. Suman Ghose Hazra and Mr. Pawan Dalmia retire by rotation at the forthcoming Annual General Meeting and, being eligible, offers themselves for re-appointment.

AUDITORS

M/s. S. Kapoor & Associates, Chartered Accountants retire at the conclusion of the forthcoming Annual General Meeting and are proposed to be appointed as Auditors till the conclusion of the next Annual General Meeting.

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

During the year, there was no manufacturing

Directors' Report (contd.)**NETWORK
LIMITED**

activity and information pursuant to Section 217(1)(e) of the Companies Act, 1956 is not applicable.

PARTICULARS OF EMPLOYEES :

A statement giving particulars of employees under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of the Employees) Rules, 1975 with respect to terms required therein is given in the Annexure and forms part of this report.

YEAR 2000 COMPLIANCE :

Your Company has technically evaluated the effect of Y2K problem and has determined that :

- a) Only the Financial Accounting Process of the company will be affected due to Y2K problem and the process of Y2K compliance for the

same is likely to be completed by 30th September, 1999 with an estimated cost of Rs.1 lac.

- b) The Company has made standby arrangements to face any contingencies.

ACKNOWLEDGEMENT

The Board wishes to thank Consortium of Banks and Financial Institutions for their continued help and cooperation. The Board wishes to place on record their deep appreciation for the services rendered by the officers and the staff of the Company at all levels and for their dedication and loyalty.

FOR AND ON BEHALF OF THE BOARD

Place : New Delhi SUMAN GHOSE HAZRA
Dated : 28th May, 1999 Director

Annexure to Directors' Report**PARTICULARS OF EMPLOYEES FORMING PART OF DIRECTORS' REPORT IN TERMS OF SECTION 217 (2A) OF THE COMPANIES ACT, 1956**

S.NO.	NAME OF EMPLOYEE	AGE (YRS)	DESIGNATION/ NATURE OF DUTIES	GROSS REMUN. (RS.)	QUALIFICATION	EXP. DATE OF (YRS) EMPLY.	LAST EMPLOYMENT HELD
(A)	EMPLOYED FOR THE FULL FINANCIAL YEAR			NIL			
(B)	EMPLOYED FOR PART OF THE FINANCIAL YEAR :						
1.	BHATTACHARYA M.	41	MANAGER	195993	B.A.	16	05.11.90 MOHAN EXPORTS
2.	DASGUPTA A.	50	EXECUTIVE DIRECTOR	1010295	B.TECH.PGDBA	28	05.03.82 MAHINDRA & MAHINDRA LTD
3.	KURICHH NANDLAL	58	MANAGER ADMN & EXCISE	336881	M.COM.L.L.B.	36	04.04.83 DCM LIMITED
4.	NAITHANI S.	31	SENIOR ASSOCIATE MARKETING MGR	360578	B.COM PGDA&PR	10	01.11.95 HCL LTD.

NOTE :

- Remuneration has been calculated in accordance with relevant provisions of the Companies Act, 1956.
- None of the above employee is related to any of the Director of the Company.

Auditors' Report**NETWORK
LIMITED****TO THE MEMBERS OF NETWORK
LIMITED**

1. We report that we have audited the attached Balance Sheet of Network Limited as at 31st March, 1999 and the relative Profit & Loss Account for the year ended on that date, both of which have been signed by us under reference to this report.
2. In our opinion, and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with the accounting policies and notes thereon and attached thereto, give in the prescribed manner the information required by the Companies Act, 1956 and also give respectively subject to matters stated in paragraphs 2.1 to 2.2 below and the relevant notes referred to therein, with consequential effect on Company's loss for the year and the net assets, a true and fair view of the state of the Company's affairs as at 31st March, 1999 and its loss for the year ended on that date.
 - 2.1 Note 3 on Schedule 23, regarding Company's ability to continue its operations on a going concern basis.
 - 2.2 Note 5 and 6 on Schedule 23 regarding non provision of interest.
3. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for our audit. In our opinion, proper books of account have been maintained and mandatory accounting standards, to the extent applicable, have been complied by the Company as required by law so far as appears from our examination of the books and the above mentioned accounts are in agreement therewith.
4. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 dated 7th September, 1988 issued by the Central Government and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that :-
 - i. (a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.
 - (b) The fixed assets of the Company have been physically verified by the Management during the year and obsolete, damaged and non-useable items found have been written off. In this regard refer Note 7 on Schedule-23.
 - ii. The fixed assets of the Company have not been revalued during the year.
 - iii. The stocks of finished goods and raw materials of the Company at all its locations other than at bonded warehouse have been physically verified by the Management during the year.
 - iv. In our opinion the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - v. The discrepancies noticed between the physical stocks and the book stocks which were not material, have been properly dealt within the books of account.
 - vi. In our opinion, read with Note 9 on Schedule 23 regarding non-inclusion of customs duty payable in respect of uncleared goods, the valuation of stocks of finished goods and raw materials has been fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the earlier year.
 - vii. In our opinion read with Note 5 on Schedule 23 regarding non-provision of interest and terms and conditions of unsecured loans taken by the Company during the year from the Companies listed in the register maintained under Section 301 of the Companies Act, 1956 and outstanding as on March 31, 1999 are not prima facie prejudicial to the interests of the Company. The Company has not taken any loan, secured or unsecured from

Auditors' Report (contd...)**NETWORK
LIMITED**

companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.

- viii. In our opinion the rate of interest and other terms and conditions of unsecured loans granted by the Company to companies listed in the Register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company. The Company has not granted any loan secured or unsecured to Companies, under the same management as defined under sub-section (1B) of section 370 of the Companies Act, 1956, other than an interest free advance to a fully owned subsidiary Company and outstanding as on March 31, 1999.
- ix. The parties (including employees) to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts stipulated and are also regular in payment of interest, where stipulated.
- x. In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and nature of its business, for purchase of stores, raw materials including components, plant and machinery, equipment and similar assets and for the sale of goods.
- xi. In our opinion, purchases of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year Rs.50,000 or more in value in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials, or services or prices at which transactions for similar goods or services have been made with other parties.
- xii. The Company has a system of determining unserviceable or damaged raw materials and finished goods on the basis of technical evaluation and on such basis, in our opinion, adequate amounts have been written off such stocks in the accounts.
- xiii. The Company has not accepted any public deposits during the year.
- xiv. As the value of realisable scrap generated during the year is not considered to be significant, no detailed quantitative records have been maintained therefor. Proper records have, however been maintained in respect of sales and disposal of such stocks. The Company has no by-products.
- xv. In our opinion, the Company's present internal audit system is commensurate with its size and nature of its business.
- xvi. The Central Government has not prescribed the maintenance of cost records by the Company under section 209(1)(d) of the Companies Act, 1956 for any of its products.
- xvii. The Company has generally been regular in depositing during the year, Provident Fund and Employees State Insurance dues with the appropriate authorities.
- xviii. At the last date of the financial year there were no amounts outstanding in respect of undisputed income tax, wealth tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.
- xix. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices, we have not come across any personal expenses other than those payable under contractual obligations or in accordance with generally accepted business practices which have been charged to the Profit and Loss Account, nor have we been informed of any such case by the management.
- xx. Based on our reading of clause (o) of Section 3(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 together with the related legislation referred to therein and on consideration of the features of the products in