

# 20TH Annual Report 2008-2009

# NETWORK LIMITED

<b>Board of Directors</b>	:	Ashok Sawhney Avinash Chander Sharma Pankaj Shrimali Vijay Kalra G S Goyal
<b>Manager</b>	:	Aman Sawhney
<b>Company Secretary</b>	:	Ajay Mittal
<b>Auditors</b>	:	S. Kapoor & Associates Chartered Accountants
<b>Bankers</b>	:	State Bank of Mysore HDFC Bank Vijaya Bank Axis Bank
<b>Registered Office</b>	:	W-41, Okhla Industrial Area, Phase-II, New Delhi - 110 020 Tele : 011-40564883 Fax : 011-26389770
<b>Registrar and Share Transfer Agent</b>	:	Alankit Assignments Ltd. Alankit House, 2E/21 Jhandewalan Extension New Delhi - 110 055 Tel : 011-4254 1955 Fax : 011-4254 0064

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## NOTICE

**NETWORK  
LIMITED**

**NOTICE** is hereby given that the Twentieth Annual General Meeting of the Company will be held on Tuesday, 15th day of September, 2009 at 4.00 P.M. at Sri Sathya Sai International Centre, Pragati Vihar, Lodhi Road (Opposite Sai Baba Temple), New Delhi – 110 003 to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 30th June, 2009 and Profit and Loss Account for the Year ended on that date together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Vijay kalra, who retires by rotation and being eligible, offers himself, for re-appointment.
3. To appoint Auditors and to fix their remuneration. M/s. S. Kapoor & Associates, Chartered Accountants, the retiring Auditors, being eligible, offer themselves for re-appointment.

**SPECIAL BUSINESS**

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

**"RESOLVED THAT** Mr. G S Goyal, who was appointed as an Additional Director of the Company pursuant to section 260 of the Companies Act, 1956 and Article 81 of the Articles of Association of the Company and who holds office up to the date of ensuing Annual General Meeting and in respect of whom the company has received a notice under section 257 of the Companies Act, 1956 in writing, proposing his candidature for the office of director, be and is hereby appointed as Director of the Company liable to retire by rotation."

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

**"RESOLVED THAT** pursuant to the provisions of Section 269 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act, as amended, and subject to such other approval as may be necessary, consent of the Company be and is hereby accorded to the re-appointment of Mr. Aman Sawhney as "Manager" of the Company in terms of Section 2(24) of the Companies Act, 1956 without any remuneration for a period of three years with effect from 21<sup>st</sup> August, 2009.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

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

**"RESOLVED THAT** pursuant to the provisions of section 17 and all other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals as may be necessary, Clause III C of the Memorandum of Association (MOA) of the Company regarding 'Other

Objects' be and is hereby altered by insertion of the following newly proposed clauses as serially numbered immediately after existing clause 22 of Clause III C:-

23. To carry on the business of investment in Equity Shares, Securities and Commodities, Derivatives, Future & Options, Swaps, Currency Trading, Portfolio Management Services, Investment in units of Mutual Funds, Insurance Products, Private Equity, Money Market Instruments.
24. To carry on the business of research, development, consultancy services & trading in all securities & commodities; in spot markets and in future and all kinds of derivatives of all the commodities and securities.
25. To carry on the business of trading in agriculture products, including precious metals, precious all other commodities securities, in spot markets and in futures and all kinds of derivatives of all the above commodities and securities.
26. To carry on business as brokers, sub brokers, market makers, arbitrageurs, investors and/or hedgers in agricultural products, metals including precious stones, diamonds, petroleum and energy products and all other commodities securities, in spot markets and in futures and all kinds of derivatives of all the above commodities and securities permitted under the laws of India.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to do all such acts, deeds and things as it may in its absolute discretion consider necessary, expedient or appropriate to give effect to this resolution."

7. **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 149 (2A) and all other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals as may be necessary, the consent of the Company be and is hereby accorded for commencing and undertaking all or any of the business specified in newly inducted and proposed sub-clauses 23 to 26 of "Other Objects" under Clause III C, at such time as may be deemed fit by the Board.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to do all such acts, deeds and things as it may in its absolute discretion consider necessary, proper, desirable or appropriate to give effect to this resolution."

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

**"RESOLVED THAT** in suppression of the resolution(s) passed in Annual General Meeting(s) held on September 25, 2006 and August 29, 2007 and pursuant to Sections 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof) and the Memorandum and Articles of Association of the Company, the Listing Agreement with the concerned Stock Exchange and in



accordance with the guidelines issued by the Securities & Exchange Board of India (SEBI) and clarifications thereon issued from time to time and subject to such approvals, permissions, consents and sanctions, if any, as may be necessary and subject to such conditions and modifications as may be prescribed by any of them while granting such approvals, permissions, consents and sanctions, which may be agreed to by the Board (which term shall include any committee constituted / to be constituted by the Board for exercising the powers conferred on the Board by this resolution), the consent of the Company be and is hereby accorded to the Board to offer, issue and allot 5,57,000 Optionally Convertible Preference Shares (OCPS) of Rs. 100/- per share in the Company, to the existing preference shareholder of the Company, in one or more tranches from time to time, in lieu of existing 5,57,000 Redeemable Preference Shares of Rs.100/- each, on such terms and conditions and in such manner as the Board may think fit.

#### **RESOLVED FURTHER THAT**

- i. The option to get the Preference Shares converted into equity share shall be exercised within a period 6 (Six) Months from the date of allotment;
- ii. The Equity Shares to be so offered, issued and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company;
- iii. If any equity shares are issued and allotted upon conversion of above said Preference shares, such shares shall rank parri passu with the existing equity shares of the Company in all respects including payment of dividend.
- iv. The Equity Shares to be so allotted shall be locked in as per the provisions of SEBI (DIP) Guidelines.
- v. The price for issue & allotment of equity shares on conversion of OCPS is in accordance with SEBI guidelines for preferential issues, with 16th August, 2009 being the relevant date i.e. the date 30days prior to the date of AGM of the Company where the proposed issue is to be considered.
- vi. Notwithstanding anything contained in the above paragraph regarding the issue price, Equity share shall be issued at a price not less than Rs.50/- each.
- vii. The equity shares if so allotted, directly or upon Conversion of OCPS shall be listed and traded on the concerned stock exchange.
- viii. If option to get the OCPS converted into equity shares is not exercised within 6 months from the date of allotment of OCPS, then the Board be and is hereby authorised to offer, issue and allot 0.01% Non-Cumulative Redeemable Preference Shares (NCRPS) of Rs. 100/- each at par without carrying voting rights, arising upon settlement of OCPS, redeemable in five equal installments starting from 1st October, 2015 and the Board, in its absolute discretion, to make the said issue of NCRPS on such terms and conditions as it may consider, appropriate and to accept any modification(s) to or

to modify the terms of issue of the said NCRPS including the authority to revise/ adjust the value, redemption period, Coupon rate, quantum of the NCRPS in such manner as may be considered appropriate by the Board, subject to the provisions of the Companies Act, 1956 and SEBI Guidelines/ Regulations, without being required to seek any further consent or approval of the Company in General Meeting;

- ix. NCRPS shall not entitle the holders thereof to any voting rights, except in respect of the Resolutions which directly affect the rights attached to the preference shares, and in the event the Company does not pay any dividend on the said 0.01% Non-Cumulative Redeemable Preference Shares, no voting rights shall accrue to such holders on account of non-payment of dividend;
- x. The Non-Cumulative Redeemable Preference Shares are not proposed to be listed as the same are proposed to be offered by way of private placement.

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds and things as the Board may in its absolute discretion consider necessary, expedient or appropriate for making the said issue as aforesaid and to settle all issues including the tenure of conversion and issue price, that may arise in this regard in such manner as the Board may deem fit and proper in its absolute discretion to be most beneficial to the Company."

#### **9. 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 372A and other applicable provisions of the Companies Act, 1956 and subject to other requisite approvals, if any, approval of the members be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall include any committee constituted/ to be constituted by the Board for exercising the powers conferred on the Board by this resolution) to make investments through direct subscription or market purchase or off-market negotiated deals on such terms as may be decided by the Board, of the funds of the Company in excess of 60% of the Paid-up Share Capital and free reserves of the Company or 100% of the free reserves of the Company, whichever is more, in the shares and derivatives products of Companies listed on the Bombay Stock Exchange (BSE) and /or the National Stock Exchange (NSE) and having market capitalization of more than Rs. 25 crores on the date of the investment, Commodities, Future & Options, Swaps, Currency Trading, Investment in units of Mutual Funds (Units of Mutual Funds registered with SEBI either in the Debt funds and/ or Balanced funds and/ or Equity funds and/ or MIP(s) and/ or G-sec funds and / or Hybrid funds either in open ended or close ended either cumulative or non-cumulative or any combination thereof and also mutual

funds of Nationalized Banks/ Scheduled Banks/ Foreign Banks/ UTI and/ or any other Corporate Bodies formed under the Act of the parliament), Insurance Products, Private Equity, Money Market Instruments and other incidental business and also entering into partnership/ joint ventures etc. for the said purposes.

**RESOLVED FURTHER THAT** without prejudice to above, investments within the limits not requiring the approval of shareholders, shall be done by Board of Directors in the manner it may think beneficial and in the interest of the Company.

**RESOLVED FURTHER THAT** the aggregate of the aforesaid investments outstanding at any time shall not exceed Rs. 25,00,00,000/- (Rupees Twenty Five Crores only).

**RESOLVED FURTHER THAT** the aforesaid limit of Rs.

25,00,00,000/- (Rupees Twenty Five Crores only) of investments is in addition to the limit of investments, if any, earlier approved by the members under section 372A of the Companies Act, 1956.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things as the Board may in its absolute discretion consider necessary, proper, desirable or appropriate to give effect to this resolution."

**By Order of the Board  
For Network Ltd.**

**Sd/-  
Ajay Mittal  
Company Secretary**

**Place : New Delhi  
Date : August 10, 2009**

#### NOTES:

- Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of special businesses is annexed hereto.
- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- A BLANK PROXY FORM IS ENCLOSED FOR THE USE OF THE MEMBERS, IF REQUIRED. THE INSTRUMENT APPOINTING THE PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- Members/ Proxies should bring the attendance slip duly filled in and signed for attending the meeting with the copy of notice.
- The Register of Members and Share Transfer Books shall remain closed from 10th September, 2009 to 15th September, 2009 (both days inclusive).
- Members are requested to notify any change in their address to the Company's Registrar & Share Transfer Agent, quoting their folio number.
- DETAILS OF DIRECTOR SEEKING APPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING (IN PURSUANCE OF CLAUSE 49 OF THE LISTING AGREEMENT)
- As per section 192A of the Companies Act, 1956 read with rules made thereunder, the special resolutions mentioned under item no.(s) 6 & 7 for alteration of object clause of Memorandum of Association of the Company and commencement of new business respectively are required to be passed through Postal Ballot Form. The Board has appointed Mr. Nitin Agrawal, Partner, V.K. Bajaj & Co., Chartered Accountants, New Delhi as Scrutinizer for conducting the Postal Ballot voting process in a fair and transparent manner. Mr Nitin Agrawal consented to act as Scrutinizer for the aforesaid purpose vide letter dated 10/08/2009. Accordingly, Postal Ballot form is enclosed with this notice. Members are requested to send the duly completed Postal Ballot Form in the pre-paid postage envelope to reach the Scrutinizer not later than the closing of hours on Monday, 14th September, 2009. For further details, members are requested to carefully read the instructions given in the Postal Ballot Form.
- Please note that as per rules of Auditorium, briefcases, hand-bags, snacks-boxes, cameras, walkman etc. are not allowed to be carried inside the Auditorium. Further, smoking and consuming of alcohol/ alcoholic drinks is prohibited in the Auditorium and on the stage.

Name of the Director	Vijay Kalra	G S Goyal
Date of Birth & Age	4th April, 1969 Age: 40 Years	2nd January, 1957 Age: 52 Years
Date of Appointment	10th January, 2007	30th June, 2009
Qualifications	B.com, FCA	B.com (Hons), FCA
Expertise in specific functional Area	He is having 14 years of experience in Accounts, Finance and Taxation field.	He has over 26 years in the field of Accounts, Auditing, Finance and Taxation.
List of Companies in which outside Directorship is held	Network Retail Limited Network Realty Ventures Pvt Ltd	Mahavira Collections Pvt Ltd
Chairman/ Member of the Committees of the Board of the Companies on which he is a Director	Nil	Nil

**EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM No. 4**

Mr. G S Goyal was appointed by the Board of Directors of the Company on 30<sup>th</sup> June, 2009 as an Additional Director in terms of Section 260 of the Companies Act, 1956 and Article 81 of the Articles of Association of the Company to hold office till the date of the ensuing General Meeting and eligible for appointment as a Director.

The Company has received a notice in writing from a member along with the deposit of Rs. 500/- pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose Mr. G S Goyal as a candidate for the office of Director.

The Board of Directors considered that Mr. G S Goyal's appointment as a Director would be in the interest of the Company and recommend his appointment for which your approval is required.

None of the Directors except Mr. G S Goyal himself may be deemed to be concerned or interested in the proposed resolution.

**ITEM NO. 5**

The present period of Mr. Aman Sawhney as Manager of the Company will expire on 20<sup>th</sup> August, 2009. Mr. Aman Sawhney has been appointed as Manager of the Company in terms of section 2(24) of the Companies Act, 1956 with effect from 21<sup>st</sup> August, 2009 without any remuneration for a period of three years in the Board Meeting held on 10th August, 2009.

Mr. Aman Sawhney is a commerce graduate and MBA (Operation Management & MIS) from Vanderbilt University, U.S.A. he has about 19 years of experience in quality control, manufacturing and marketing of high quality precision wrist watches/dials & life style products.

As per the provisions of Schedule XIII of the Companies Act, 1956, the said appointment requires approval from the Members.

The Directors recommend and place before you the proposed as special resolution for your consideration and approval.

**ITEM NO. 6**

Since Retail Business of the Company de-merged into Network Retail Limited, the Board has been considering the proposal for expanding the business activities in other beneficial fields like investment in Equity Shares, Securities and Commodities, Derivatives, Future & Options, Swaps, Currency Trading, Portfolio Management Services, Investment in units of Mutual Funds, Insurance Products, Private Equity, Money Market Instruments and other incidental business. To sustain continuous growth, your Company would like to take up any type of business as enumerated in the aforesaid object clause contained in the Resolution, which can be carried out with the existing business and to the benefit and in the interest of the Company. The existing objects clause enumerated in 'Other

objects' in the Memorandum of Association of the Company do not have wide scope for providing future business opportunities to take up for. In order to enable the Company to take up various other business fields in order to grow in multi dimensional business activities, it is necessary to enlarge the scope of the object clause under 'other objects' in the Memorandum of Association of the Company and to incorporate various other objects in the aforesaid resolution. The Board recommends the proposed resolution as special resolution for your consideration to be passed through postal ballot.

A copy of Memorandum and Article of Association of the Company along with the proposed amendment shall be open for inspection of the members of the Company at the Registered Office of the Company during business hours between 10.00 A.M. and 12.00 Noon on any working day upto and inclusive day of the Annual General Meeting.

None of the Directors of the Company is concerned or interested.

**ITEM NO. 7**

To enable the company to undertake the newly proposed business as mentioned in item no. 6 of the notice, it would be necessary for the members, under 149(2A) of the Companies Act, 1956, to accord their approval to the Company for commencing and undertaking the business as set out in the newly inducted and proposed sub-clauses 23 to 26 of the Other Object Clause III (C) upon the said clause becoming effective. The Board recommends the proposed resolution as special resolution for your consideration to be passed through postal ballot.

A copy of Memorandum and Article of Association of the Company along with the proposed amendment shall be open for inspection of the members of the Company at the Registered Office of the Company during business hours between 10.00 A.M. and 12.00 Noon on any working day upto and inclusive day of the Annual General Meeting.

None of the Director is concerned or interested in the proposed resolution.

**ITEM NO. 8**

As you are aware that, Exiting Preference Shareholder of the Company- M/s. San Share Shoppe Pvt Ltd. is holding 557000 Redeemable Preference Shares of Rs.100/- per share. The Company has received a request letter from the Preference Shareholder for issue of equity shares/ Optionally Convertible Preference Shares (OCPS) to be converted into Equity Shares, as of final redemption/settlement of the said Redeemable Preference Shares.

It is proposed to issue OCPS being final redemption/settlement of the said Redeemable Preference Shares. To facilitate the Board to issue OCPS, it is proposed to get the approval of the members to issue 5,57,000 (Five Lac Fifty Seven Thousand) OCPS of Rs.100/- each, to be converted into Equity shares within a period of six months from the date of allotment of

OCPS, in lieu of existing 5,57,000 Redeemable Preference Shares of Rs.100/- each.

Disclosures, which are required to be given in terms of SEBI Guidelines on Preferential Issues:

**a) The objects of conversion of Redeemable Preference Shares into OCPS:**

The redemption amount of Redeemable Preference Shares is to be payable in the coming years, the

**c) Share holding pattern before and after the offer (applicable if all the OCPS are converted into equity shares)**

S. No.	Particulars	Pre Issue Shareholding		Post Issue Shareholding	
		No. of Equity Share	Percentage	No. of Equity Share	Percentage
1	Promoter Group	29952341	62.36%	29952341	60.94%
2	Public				
	San Share Shoppe Pvt. Ltd.	2595000	5.40%	3709000	7.55%
	Others	15487157	32.24%	15487157	30.51%
	<b>TOTAL</b>	<b>48034498</b>	<b>100.00%</b>	<b>49148498</b>	<b>100.00%</b>

**d) Proposed time within which the allotment shall be completed:**

The Board proposes to allot the OCPS of Rs. 100/- each within a period of fifteen days of the date of passing of this resolution under Sections 81(1A) of the Companies Act, 1956, in the Annual General Meeting.

**e) The identity of the proposed Allottees and the percentage of post preferential issue capital that may be held by them.**

The proposed Allottee is Equity and Preference shareholder of the Company and upon conversion of OCPS into equity shares under this item, the proposed allottee will hold 7.55% of the post issue equity share capital.

OCPS of Rs. 100/- each, if issued, shall have following terms and conditions.

**Terms & Conditions**

1. The preference shares shall carry a dividend @ 0.01% p.a. from the date of allotment upto the date of conversion, if applicable.
2. Each OCPS is Optionally convertible, into two equity share of Rs. 10/- each/ into such number of equity shares of Rs. 10/- each on the basis of price to be computed in accordance with the SEBI Guidelines for preferential issues at the option of the registered holder within a period of 6 (Six) months from the date of allotment.
3. OCPS shall be converted into Equity Shares within a period of six month, on the option to be exercised by OCPS holder.
4. OCPS in respect of which no notice for exercising option for conversion has been received by the

management is of the opinion to accept the request of Preference Shareholder to issue OCPS, to be converted into Equity shares within a period of six months from the date of allotment of OCPS, to improve cash flows.

**b) Intentions of promoters/ directors/ key management persons to accept such conversion:**

The entire issue is envisaged for allotment only to existing Preference Shareholder.

Board within a period of six months from the date of allotment of OCPS, shall, after the period of six months; without any act on the part of the registered holder and unless otherwise redeemed earlier, get settled by conversion into/ allotment of 0.01% Non-Cumulative Redeemable Preference Shares (NCRPS) of Rs. 100/- each.

5. The day of the expiry of 6 months from the date of allotment of OCPS of Rs. 100/- each shall be the deemed date of allotment of new NCRPS.
6. The new NCRPS arising out of operation under clause 4 above shall be redeemable in five equal installments starting from 01st October, 2015.
7. The Board shall give one month's notice in writing for any redemption to the registered holders of NCRPS.
8. In terms of provisions of the Companies Act, 1956, consent of the members by way of a special resolution is required for allotment of further shares, equity or preference, to any person other than the existing members on proportionate basis. Consent of the members is therefore sought to authorize the Board to create, issue and allot OCPS and equity shares on conversion.
9. The Statutory Auditors' Certificate shall be placed before the meeting mentioning that this issue of OCPS/ equity shares is being made in accordance with SEBI guidelines for preferential issues as amended.

The Directors recommends the proposed resolution as special resolution for your consideration and approval.

None of the Director is concerned or interested in the proposed resolution.

**ITEM NO. 9**

The surplus funds of the Company, not immediately required for the business of the Company are required to be invested by the Board of the Company, from time to time, in financial securities viz. Shares, Securities, Commodities, Derivatives, Future & Options, Swaps, Currency Trading, Investment in units of Mutual Funds, Insurance Products, Private Equity, Money Market Instruments and other incidental business and also entering into partnership/ joint ventures etc. for the said purposes.

In terms of the requirement of the first proviso to section 372A (1) of Companies Act, 1956, your approval is being sought for making the proposed investment. The proposed investment shall be made out of the surplus funds of the Company.

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

None of the Directors is interested in the resolution

The Board recommends the proposed resolution as special resolution for your approval and consideration.

**By Order of the Board  
For Network Ltd.**

**Place : New Delhi  
Date : August 10, 2009**

**Sd/-  
Ajay Mittal  
Company Secretary**

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## DIRECTOR'S REPORT

**NETWORK**  
LIMITEDTO THE MEMBERS OF  
NETWORK LIMITED

Your Directors have pleasure in presenting their 20<sup>th</sup> Annual Report of the Company together with the Audited Accounts of the Company for the Financial Year ended 30th June, 2009.

## FINANCIAL HIGHLIGHTS

The highlights of Financial Results for the Financial Year ended 30th June, 2009 in comparison to the Financial Year ended 31st March, 2008 are as follows:

PARTICULARS	(Rs. In Lacs)	
	30th June, 2009 15 Months	31st March, 2008 12 Months
Total Income	353.29	315.48
Total Expenditure	583.47	502.20
Profit/ (Loss) before		
Depreciation & Tax	(230.18)	(186.72)
Depreciation	32.24	6.67
Profit/ (Loss) before Tax	(262.42)	(193.39)
Provision for Fringe Benefit Tax	1.15	0.96
Profit/ (Loss) after Tax	(263.57)	(194.35)
Add: Profit/ (Loss) brought forward	—	(4213.87)
Profit/ (Loss) carried to the Balance Sheet	(263.57)	(4408.22)

The Figures of the current year include figures of PPS Tower Private Limited, Shigan Investment Consultants Private Limited and Lorgan Consultants Private Limited, which were amalgamated with the company w.e.f 1st April 2009 and does not include figures of Retail Division of Network Limited, which was de-merged into Network Retail Limited w.e.f 1st April, 2009, and are therefore to the extent not comparable with those of the previous year.

## GLOBAL ECONOMY:

2008-09 has been a turbulent year for the global economy. The year began with a continuation of a world-wide inflationary spiral and ended with the worst slowdown since the Great Depression of the 1930s. 2008 will likely to be known as the global economy's worst year in decades. What began as a modest U.S. economic downturn accelerated into a full-blown credit and financial crisis that spread around the world.

The second half of 2008-09 has seen severe financial distress across broad. The credit squeeze - and the pain it inflicted - quickly spread to Europe, Asia, and elsewhere. Central banks scrambled to inject cash into the financial system and rescue failing financial firms.

The financial crisis of 2008 was uncompromising in its destruction of reputations and unsparing in its treatment of investors, many of whom were blown on the rocks by the forces that ripped through markets.

## INDIAN SCENARIO

No other year in recent times saw such wild mood swings in the Indian economy than 2008, which started on a strong note but ended on a weak wicket in the wake of a general global slowdown and severe recession in some of the richest

countries like the US and Japan. From economic expansion to performance of equity markets, and from export growth to industrial production, all indicators had the same story to tell: The year had started with a strong economic performance, but the momentum was lost as the months passed, as India faced the ripple effects of the gloom in the global economy. On Jan 10 2008, the Sensex was ruling at an all-time high of 21,206.77 points. But as the year came to closure, it was languishing at around the 9,000-point mark - a fall of over 50 percent in the year. Prior to that, the index had gained nearly 50 percent. The Sensex apart, exports fell in October for the first time in seven years. Indirect tax mop up was down eight percent in October. Industrial production, which was among the main drivers of the economy, fell 0.4 percent. And, as per the government's own admission, some 65,000 jobs were lost between August and October. The high cost of crude oil, which jumped from under \$40 per barrel a year ago to nearly \$150 per barrel in August, added to the country's woes in terms of higher import bill and accentuated the losses of state-run fuel retailers, which had to bear the burden of having to sell hydrocarbon products below cost.

## RETAIL INDUSTRY SCENARIO

With the global slowdown, the dynamics of the mall segment also changed in the year 2008, as there is an oversupply of retail space in the country. With a fall in footfalls, the retailers are finding it tough to drive in customers to their malls. Due to uncertain economic condition, most retailers and developers have scaled down their expansion plans. High rentals, coupled with low conversion ratio, have put tremendous pressure on the top-line and bottom-line of most retailers, who had aggressively expanded into multiple stores in the same catchments, banking on the high growth rate of the economy.

With most malls offering lease terms of six to nine years and retailers being locked in for two to three years, with high initial investments and rental costs, the operational break-even has been stretched to the lock-in period for most of them. This combined with high inflation rates and strong undercurrents of imminent correction in the rentals have made the operational and expansion plans of most of the retailers quite conservative and forced to limit the said very plans. Many Stores turned unprofitable, mainly due to very high rents, relatively low footfalls & consequently poor sales.

## OPERATIONAL REVIEW

During the financial year under review, the Company incurred a loss of Rs. 263.57 Lacs as against the loss of Rs. 194.35 Lacs in the previous year, due to high rental cost and low conversion ratio. The Company has restructured the operations of Life Style Products - Retail Division, of the company. In this process, the company has shut down all uneconomical & unviable retail outlets of the Company. The retail division has since been demerged into Network Retail Limited, a wholly owned subsidiary of the company.

The Hon'ble High Court of Delhi had sanctioned the Scheme of Arrangement vide its order dated 22nd May, 2009, for (a) Amalgamation of PPS Towers Pvt Ltd, Lorgan Consultants Pvt Ltd and Shrgan Investment Consultants Pvt Ltd (the

Transferor Companies No. 1 to 3 respectively) with Network Ltd (the Transferee Company); (b) De-merger of retail business of Network Ltd into Network Retail Ltd (the Resultant Company); and (c) Reduction of Capital of Network Ltd (Debit balance of Profit and Loss account of Network Ltd to the extent of Rs. 44,08,22,014 has been adjusted and written off against the aggregate amount of Securities Premium Account of Network Ltd after amalgamation (inclusive of the Transferor Companies).

The detailed Management Discussion and Analysis Report is attached hereto with Directors' Report.

#### **FUTURE PROSPECT**

Pursuant to the scheme of arrangement sanctioned by Hon'ble Delhi High Court, the retail division of the Company was de-merged into Network Retail Limited, wholly owned subsidiary of the Company. The Company would focus on exploring new avenues and contemplating strategic tie-ups for Long term value creation and to generate regular revenues in the Company. New ventures are being explored by the management of the Company to make a foray into the growing Capital Market based on the Investment objective of the Company.

The Company is working on "Corporate and Equity Research" being developed as a consultancy proposition with a focus on higher growth and aiming to become an important player in this field. The company is aiming for Investment and Portfolio Management Services purely based on research papers/reports to be prepared in-house with the help of Professional teams. The Business proposition will focus on long term value creation and to generate regular revenues in the years to come.

Since the de-merger of retail business, the company has become an investment oriented company and may be deemed to be categorised as a Non Banking Financial Company (NBFC) for which the company intends to apply for requisite registration.

#### **DIVIDEND**

In view of loss incurred by the Company, your directors do not recommend any dividend for the Financial Year ended 30th June, 2009.

#### **PUBLIC DEPOSITS**

The Company has not accepted any deposits from the public in terms of Section 58A of the Companies Act, 1956 during the year under review.

#### **AUDIT COMMITTEE**

The Audit Committee presently comprises of the following Directors as its members:

1. Mr. Ashok Sawhney
2. Mr. Vijay Kalra
3. Mr. G S Goyal

The Audit Committee met five times during the year.

#### **AUDITORS & AUDITORS OBSERVATIONS**

The auditors of the Company M/s. S. Kapoor & Associates, Chartered Accountants, holds office until the conclusion of

the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Board of Directors recommends the re-appointment of the Auditors. The Auditors' Report with notes to accounts are self explanatory and therefore, do not call for further comments.

The Auditors have observed in their report the procedures for physical verification, internal control system and scope & coverage of Internal Audit needs to be strengthened having regard to the size and nature of the Company and its business. The management has taken necessary steps and the all the above areas have been strengthened to meet the industry norms.

#### **DIRECTORS**

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. G S Goyal was appointed as an additional director w. e. f. 30.06.2009 by the Board of Directors of the Company to hold office till the conclusion of ensuing Annual General Meeting. A notice together with money deposit have been received under section 257 of the Companies Act, 1956 from a member proposing Mr. G S Goyal to be appointed as Director of the Company, Your Board recommends for appointment of Mr. G S Goyal as Director of the Company.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the company, Mr. Vijay Kalra, Director retires by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for re-appointment. Your Board also recommends for re-appointment of Mr. Vijay Kalra as Director.

Brief resume of Mr. G S Goyal and Mr. Vijay Kalra, nature of their expertise in specific functional areas and name of companies in which they holds the directorship and membership/ chairmanship of committees of the Board, as stipulated under clause 49 of the Listing Agreement with Stock Exchange, appear in the Notice of Annual General Meeting, which forms part of this Annual Report

#### **MANAGER**

The previous term of Mr. Aman Sawhney as Manager of the Company will expire on 20th August, 2009. Mr. Aman Sawhney has been re-appointed as Manager in terms of Section 269 of the Companies Act, 1956 by the Board of Directors of the Company without any remuneration for a period of three years with effect from 21st August, 2009. The Board of Directors recommends for approval of the re-appointment of Mr. Aman Sawhney as Manager at the ensuing Annual General Meeting.

#### **SUBSIDIARY COMPANY**

Network Retail Limited is the wholly owned subsidiary of your company.

During the year, Network Hospitality Limited and Network Realty Ventures Limited ceased to be subsidiary of the Company.

In compliance with provisions of the Section 212 of the Companies Act, 1956 the audited statement of accounts along with Report of the Board of Directors and Auditors Report of your Company's subsidiary namely, Network Retail Limited is annexed to the this Annual Report.